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Estimate Changes
Rating: Buy
Price Target: $39.00

TESORO LOGISTICS LP (TLLP: $35.47)

April 20, 2012

Market Data	
12-18 Month Price Target	$39.00
52-Week Range	$37.33 - $21.00
ADTV - 90Day (000s)	49.3
Market Cap ($MM)	$1,082.2
Shares Out (MM)	30.5
Public Market Float (MM)	14.9
Dividend	$1.45
Dividend/Yield	4.09%

Earnings Per Unit (EPU) ($)

FY DEC	2011	2012		2013	
	Actual	Previous	Current	Previous	Current
Q1	–	–	$0.38E	$0.62	$0.61E
Q2	$0.25A	$0.44	$0.43E	$0.71	$0.70E
Q3	$0.49A	$0.55	$0.54E	$0.70	$0.69E
Q4	$0.37A	$0.57	$0.56E	$0.68	$0.67E
YEAR	$1.11A	$1.95	$1.92E	$2.70	$2.66E

Distribution Per Unit ($)

FY DEC	2011	2012		2013	
	Actual	Previous	Current	Previous	Current
Q1	–	$0.375	$0.378A	$0.430	$0.435E
Q2	$0.245A	$0.388	$0.393E	–	$0.450E
Q3	$0.350A	$0.400	$0.408E	–	$0.470E
Q4	$0.363A	$0.413	$0.423E	–	$0.490E
YEAR	$0.957A	$1.575	$1.600E	$1.840	$1.845E

Valuation Ratio

	FY11	FY12	FY13
Debt/EBITDA	3.3x	1.8x	1.3x
EBITDA/Interest	7.5x	13.6x	19.9x
EV/EBITDA	26.6x	14.7x	10.0x
P/DCF	27.9x	16.9x	12.8x

Financial Data

	FY11	FY12	FY13
EBITDA	$41.9A	$75.8E	$111.4E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$170.2A	$296.8E	$455.0E
Long Term Debt	$50.0A	$165.0E	$295.0E
Total SOE and Liab.	$170.2A	$296.8E	$455.0E

Company Description

Tesoro Logistics is a Master Limited Partnership that gathers, transports, and stores crude oil and distributes, transports, and stores refined products. Its assets consist of a crude oil gathering system in the Bakken Shale/ Williston Basin area, eight refined products terminals, and a crude oil and refined products storage facility and five related short-haul pipelines.

Distribution Growth Story Continues

Summary

Tesoro Logistics LP (TLLP) announced its first quarter distribution, which was above our forecast. We believe Tesoro will be among the leaders in distribution growth over the next several years, including estimated 2013 distribution growth at 15.3%. In addition, the partnership should benefit from its organic growth capital spending and potential dropdown acquisitions. We have a Buy rating on Tesoro's units and a $39/unit price target.

Key Points

- **Distribution.** Tesoro announced a distribution of $0.3775/unit ($1.51/unit annualized) for the first quarter of 2012. The distribution will be paid May 14, 2012, to all unitholders of record on May 4, 2012. The distribution represents a 4.1% increase over the $0.3625/unit ($1.45/unit annualized) for the fourth quarter of 2011.
- **Our take.** The distribution was above our estimate. We believe Tesoro will be able to grow its operations through dropdown acquisitions and potentially benefit from Tesoro Corporation's (TSO-NR) desire to expand its logistics asset base. The partnership could also benefit from undertaking organic growth projects and joint acquisitions with Tesoro Corporation. We believe Tesoro has various opportunities for growth that should enable it to increase its distribution.
- **Distribution estimates.** We are increasing our 2012 distribution estimate to $1.60/unit from $1.575/unit and increasing our 2013 distribution estimate to $1.845/unit from $1.84/unit. Our estimates provide a 15.3% growth rate in 2013. This compares quite favorably to the 6.9% estimated average growth in 2013 for liquids-based partnerships under our coverage. Our distributable cash flow estimates are $2.10/unit for 2012 and $2.78/unit in 2013, which equates to coverage ratios of 1.3x and 1.5x, respectively.
- **Earnings.** Tesoro plans to release its earnings for the first quarter 2012 after the market closes on May 7, 2012. The partnership will hold a conference call regarding first quarter results on May 8, 2012, at 8:30 a.m. EST (7:30 a.m. CST). Tesoro recently announced the completion of the acquisition of the Martinez crude oil terminal, which should positively impact earnings starting in the second quarter.
- **Investment thesis.** We believe Tesoro will be among the leaders in distribution growth over the next several years, including estimated 2013 distribution growth at 15.3%. In addition, the partnership should benefit from its organic growth capital spending and potential dropdown acquisitions. The partnership's assets are well-postioned to take advantage of growing production from the Bakken Shale.

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Figure 1 – Tesoro Logistics – Model

$ in millions except per unit data	1Q11	2Q11	3Q11	4Q11	2011	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	15.7	12.1	35.4	12.5	15.1	18.7	19.4	65.6	21.1	25.2	25.3	24.9	96.4
Interest expense, net	-	(0.5)	(0.6)	(0.5)	(1.6)	(0.5)	(1.5)	(1.7)	(1.8)	(5.585)	(1.9)	(3.0)	(3.1)	(3.2)	(11.3)
Other income	-	0.8	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	-	7.9	15.1	11.5	34.6	12.0	13.6	17.0	17.5	60.1	19.1	22.1	22.1	21.7	85.1
Income Tax	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	-	7.9	15.1	11.5	34.6	12.0	13.6	17.0	17.5	60.1	19.1	22.1	22.1	21.7	85.1
Net Income to General Partner	-	0.2	0.3	0.2	0.7	0.2	0.3	0.4	0.5	1.5	0.7	0.9	1.1	1.2	3.8
Net Income to Limited Partners	-	7.7	14.8	11.3	33.9	11.7	13.3	16.6	17.0	58.6	18.5	21.3	21.1	20.5	81.3
Net Income/Unit (Limited)	-	$0.25	$0.49	$0.37	$1.11	0.38	$0.43	$0.54	$0.56	$1.92	0.61	$0.70	$0.69	$0.67	$2.66
Limited Partnership Units	-	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5
EBITDA (total)	-	10.0	17.7	14.1	41.9	14.5	17.6	21.4	22.3	75.8	24.4	29.1	29.2	28.8	111.4
EBITDA (Limited Partners)	-	9.9	17.4	13.9	41.2	14.3	17.3	20.9	21.7	74.3	23.7	28.2	28.1	27.6	107.6
Other	-	(0.0)	(0.3)	(0.4)	(0.7)	(0.4)	(1.0)	(1.1)	(1.2)	(3.6)	(1.8)	(2.9)	(3.0)	(3.1)	(10.7)
Maintenance CAPEX	-	(0.3)	(0.3)	(1.2)	(1.7)	(1.0)	(1.1)	(2.1)	(2.1)	(6.4)	(2.3)	(2.7)	(2.8)	(2.8)	(10.8)
Distributable Cash Flow	-	9.7	17.2	12.6	39.5	13.2	15.5	18.1	19.0	65.7	20.2	23.5	23.4	22.9	89.9
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	(0.8)	(0.3)	(0.3)	(0.5)	(0.6)	(1.7)	(0.8)	(1.2)	(1.4)	(1.6)	(5.0)
Distributable Cash Flow (LP)	-	9.5	16.8	12.3	38.7	12.9	15.1	17.7	18.3	64.0	19.4	22.3	22.0	21.3	85.0
Distributable Cash Flow/Unit	-	$0.31	$0.55	$0.40	$1.27	0.42	$0.50	$0.58	$0.60	$2.10	0.64	$0.73	$0.72	$0.70	$2.78
Distribution		$0.2448	$0.3500	$0.3625	$0.9573	$0.3775	$0.3925	$0.4075	$0.4225	$1.6000	$0.4350	$0.4500	$0.4700	$0.4900	$1.8450
Coverage Ratio					1.5x					1.3x					1.5x
Distribution Growth															15.3%
Debt/EBITDA										2.2x					2.6x
EBITDA/Interest Expense										13.6x					9.9x

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Disclosures:

Analyst Certification

I John R. Cusick, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- We have a Buy rating on TLLP and a $39 price target. Our price target is derived through a two-stage distribution discount model, which assumes a required rate of return of 8% and a long-term growth rate of 2.0%. Our terminal value in 2016 is $45.22.
- MLPs are tax-advantaged investments. Congress or the IRS could decide to remove these tax benefits. This is the biggest risk to all MLPs.

General disclosures:

Prices are as of the close of 04/19/12.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	**134**	**63.51**	**22**	**16.42**
Hold -rated	**69**	**32.70**	**8**	**11.59**
Sell -rated	**8**	**3.79**	**0**	**0.00**

** Percentage of all Wunderlich-covered stocks assigned an equivalent Buy, Hold, or Sell rating.*

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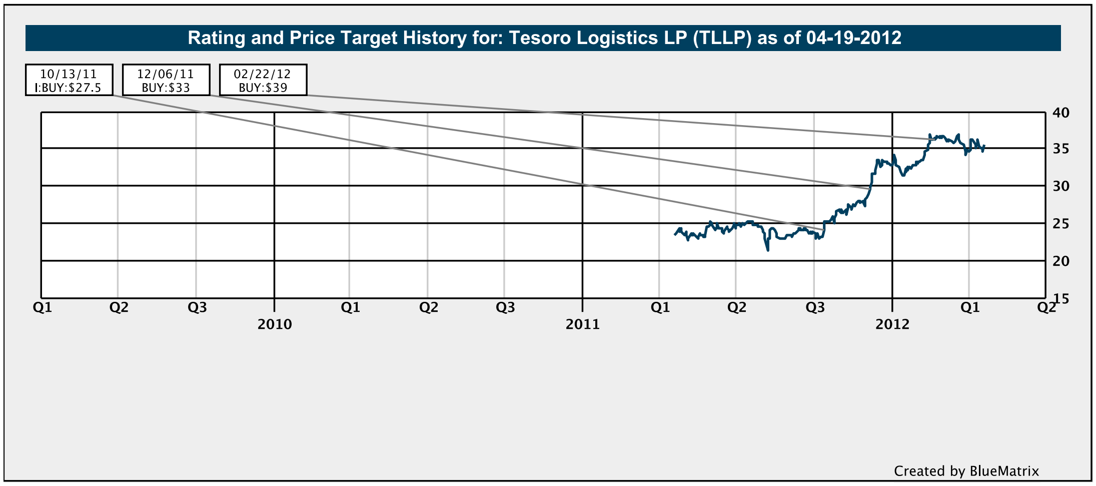

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TESORO LOGISTICS LP (TLLP: $36.48)

February 22, 2012

Raising Price Target
Rating: Buy
Price Target: Old - $33.00; New - $39.00

Market Data	
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YEAR	$1.11A	–	$1.95E	$2.47	$2.70E

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YEAR	$0.957A	–	$1.575E	$1.830	$1.840E

Valuation Ratio

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EV/EBITDA	27.3x	15.1x	10.3x
P/DCF	28.7x	17.2x	12.9x

Financial Data

	FY11	FY12	FY13
EBITDA	$41.9A	$75.8E	$111.4E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$170.2A	$270.8E	$430.7E
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Increasing Price Target to $39; Potential Acquisition Should Increase Growth

Summary

We are increasing our price target on Tesoro Logistics LP (TLLP) to $39 from $33. We are including the potential dropdown of the Anacortes rail system starting in the second quarter of 2013. This increases our distribution outlook, which boosts the value of the partnership in our dividend (distribution) discount model. We believe Tesoro's distribution growth should be solid over the next several years, including estimated 2013 growth at 16.8%. We have a Buy rating on TLLP units.

Key Points

- **Price target.** We are increasing our price target to $39/unit from $33/unit as we are now incorporating a dropdown of the Anacortes rail facility at the beginning of 2Q13. This changes our long-term outlook for distribution growth, which derives the higher price target in our dividend (distribution) discount model. Although we believe the dropdown is likely to occur, if the deal is not completed or if the terms are meaningfully different than our estimates, Tesoro may not increase its distribution to our forecasted levels.

- **Anacortes rail facility.** Tesoro Corporation (TSO-NR) said on its fourth quarter earnings call that it intends to drop down this asset to Tesoro, but not likely this year. The facility should be completed in 4Q12 at a cost of $60 million. The EBITDA run rate could reach between $35 million and $40 million. The facility will have the capacity to unload 30 thousand barrels per day of Bakken crude.
- **Model basis.** We forecast the dropdown to occur at the beginning of 2Q13 and the deal will be financed with all debt. We estimate the asset will generate $15 million in EBITDA, as Tesoro Corporation may not agree to support 100% of the asset's volumes initially. We forecast the partnership will pay $90 million, or a 6x multiple. We believe there is likely to be little maintenance capex.
- **Distribution.** We are maintaining our 2012 distribution estimate at $1.575/unit and increasing our 2013 distribution estimate to $1.84/unit from $1.83/unit. Our long-term estimates are also changing as the full benefits of the dropdown are realized. Our distributable cash flow estimates are $2.12/unit for 2012 and $2.82/unit in 2013, compared with $2.12/unit and $2.60/unit, previously. This equates to coverage ratios of 1.3x and 1.5x for both years, respectively.
- **Estimates.** We are maintaining our 2012 EBITDA estimate at $75.8 million and increasing our 2013 EBITDA estimate to $111.4 million from $100.1 million. We are keeping our 2012 DCF estimate at $66.3 million and increasing our 2013 DCF estimate to $91 million from $83.7 million. Our estimates take into account the partnership's previous guidance for 2013 EBITDA of $100 million plus the potential dropdown of the Anacortes asset.

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For Required Disclosures and Reg AC, please see page 3 of report

Figure 1 – Tesoro Logistics – Model

$ in millions except per unit data	1Q11	2Q11	3Q11	4Q11	2011	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	15.7	12.1	35.4	12.5	15.1	18.7	19.4	65.6	21.1	25.2	25.3	24.9	96.4
Interest expense, net	-	(0.5)	(0.6)	(0.5)	(1.6)	(0.5)	(1.3)	(1.4)	(1.5)	(4.763)	(1.6)	(2.7)	(2.8)	(3.0)	(10.2)
Other income	-	0.8	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	-	7.9	15.1	11.5	34.6	12.0	13.8	17.3	17.8	60.9	19.4	22.4	22.4	22.0	86.2
Income Tax	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	-	7.9	15.1	11.5	34.6	12.0	13.8	17.3	17.8	60.9	19.4	22.4	22.4	22.0	86.2
Net Income to General Partner	-	0.2	0.3	0.2	0.7	0.2	0.3	0.4	0.5	1.4	0.6	0.9	1.1	1.2	3.8
Net Income to Limited Partners	-	7.7	14.8	11.3	33.9	11.7	13.5	16.9	17.3	59.5	18.8	21.5	21.4	20.7	82.4
Net Income/Unit (Limited)	-	$0.25	$0.49	$0.37	$1.11	0.38	$0.44	$0.55	$0.57	$1.95	0.62	$0.71	$0.70	$0.68	$2.70
Limited Partnership Units	-	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5
EBITDA (total)	-	10.0	17.7	14.1	41.9	14.5	17.6	21.4	22.3	75.8	24.4	29.1	29.2	28.8	111.4
EBITDA (Limited Partners)	-	9.9	17.4	13.9	41.2	14.3	17.3	21.0	21.8	74.4	23.7	28.2	28.1	27.5	107.6
Other	-	(0.0)	(0.3)	(0.4)	(0.7)	(0.4)	(0.8)	(0.9)	(1.0)	(3.1)	(1.6)	(2.6)	(2.7)	(2.8)	(9.7)
Maintenance CAPEX	-	(0.3)	(0.3)	(1.2)	(1.7)	(1.0)	(1.1)	(2.1)	(2.1)	(6.4)	(2.3)	(2.7)	(2.8)	(2.8)	(10.8)
Distributable Cash Flow	-	9.7	17.2	12.6	39.5	13.2	15.6	18.3	19.1	66.3	20.5	23.7	23.6	23.1	91.0
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	(0.8)	(0.3)	(0.3)	(0.4)	(0.6)	(1.6)	(0.8)	(1.2)	(1.4)	(1.6)	(4.9)
Distributable Cash Flow (LP)	-	9.5	16.8	12.3	38.7	12.9	15.3	17.9	18.6	64.7	19.7	22.6	22.2	21.5	86.0
Distributable Cash Flow/Unit	-	$0.31	$0.55	$0.40	$1.27	0.42	$0.50	$0.59	$0.61	$2.12	0.65	$0.74	$0.73	$0.70	$2.82
Distribution		$0.2448	$0.3500	$0.3625	$0.9573	$0.3750	$0.3875	$0.4000	$0.4125	$1.5750	$0.4300	$0.4500	$0.4700	$0.4900	$1.8400
Coverage Ratio					1.3x					1.3x					1.5x
Distribution Growth															16.8%
Debt/EBITDA										1.8x					2.4x
EBITDA/Interest Expense										15.9x					10.9x

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Disclosures:

Analyst Certification

I John R. Cusick, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- We have a Buy rating on TLLP and a $39 price target. Our price target is derived through a two-stage distribution discount model, which assumes a required rate of return of 8% and a long-term growth rate of 2.0%. Our terminal value in 2016 is $45.90.
- MLPs are tax-advantaged investments. Congress or the IRS could decide to remove these tax benefits. This is the biggest risk to all MLPs.

General disclosures:

Prices are as of the close of 02/21/12.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	**147**	**63.90**	**21**	**14.29**
Hold -rated	**76**	**33.00**	**8**	**10.53**
Sell -rated	**7**	**3.00**	**0**	**0.00**

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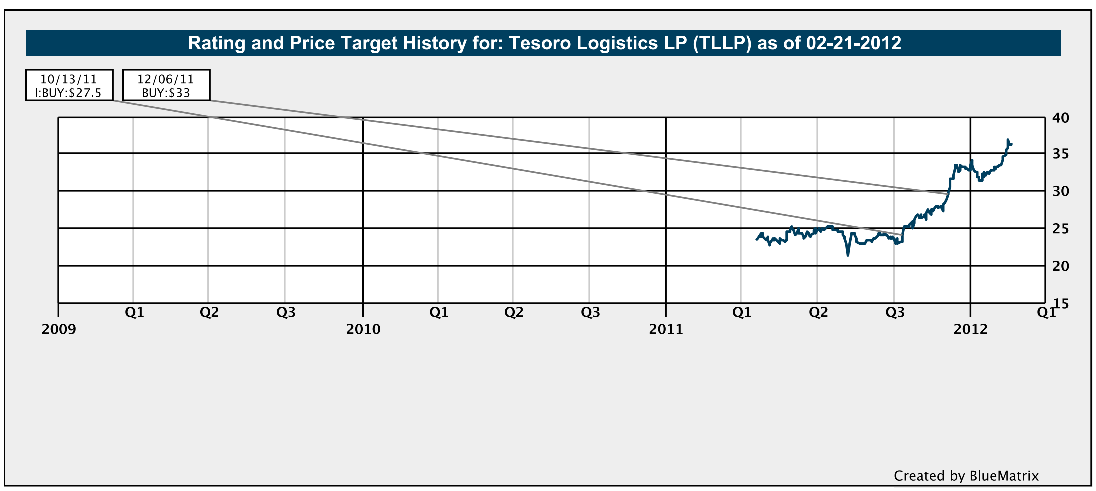

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CREDIT SUISSE

Tesoro Logistics LP (TLLP)

Rating	OUTPERFORM* [V]
Price (07 Feb 12, US$)	33.38
Target price (US$)	(from 33.00) 36.00[1]
52-week price range	34.25 - 21.34
Market cap. (US$ m)	1,018.42
Adjusted EV	—

*Stock ratings are relative to the relevant country benchmark.
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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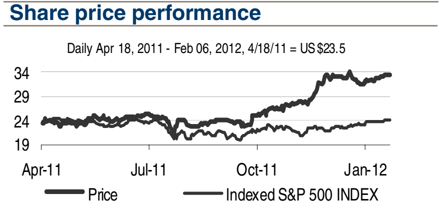
INCREASE TARGET PRICE

4Q Slightly Below Expectations; Growth Intact

- **4Q11 Results Modestly Below Expectations:** TLLP reported 4Q11 EBITDA of $14.1mm and DCF of $12.6mm modestly below our estimates of $15.1mm and $13.6mm, respectively. Higher than forecasted operating expenses because of repairs to the High Plains Pipeline and higher third-party trucking costs drove the shortfall relative to our estimates. TLLP declared a distribution of $0.3625/unit, in-line with our estimate.
- **Third Party Trucking Volumes Negatively Impact Operating Expenses:** On its earnings call, management reiterated its goal to increase its proprietary truck fleet and reduce its reliance on third party contractors. Third party trucks moved 65% of 4Q volumes or about 17.5MBpd. Management's goal is to reduce third party trucks to just 10-20% of its volumes thereby helping it to improve its operating margin.
- **Executing the Plan:** TLLP plans to spend $105mm on growth projects over a period of two years and generate an incremental EBITDA of $42.5mm. Additionally, it intends to dropdown its Martinez Crude Oil Terminal in the second quarter. Management expects the terminal to generate annual EBITDA of $8mm. We assume the dropdown transaction is done at a 10.0x EBITDA multiple and will result in $0.07/unit accretion to distributable cash flow. (See Exhibit 1 for more details)
- **Raising TP to $36 (from $33) and Reiterate Outperform:** We are increasing our distribution growth forecast for TLLP and reiterate our Outperform rating. Our new $36 (from $33) TP is based on a 3-stage distribution discount model that uses a 9.0% discount rate, 13.1% (from 12.0%) distribution CAGR over the first 5 yrs, 6.0% (from 5.0%) over the following 5 yrs and 1.5% terminal growth rate.

Share price performance



On 02/06/12 the S&P 500 INDEX closed at 1347.05

Qtrly EPU	Q1	Q2	Q3	Q4
2011A	-0.19	0.26	0.49	0.37
2012E	0.37	0.47	0.50	0.47
2013E	0.46	0.53	0.61	0.58

Financial and valuation metrics

Year	12/11A	12/12E	12/13E	12/14E
EBITDA (US$ m)	38	73	98	114
Distribution/unit - DPU (US$ m)	1.05	1.58	1.80	2.04
Earnings/unit - EPU (US$)	1.11	1.81	2.18	2.39
EPU - consensus (US$)	0.99	1.80	2.21	2.38
Distributable CF/unit (US$)	1.12	1.97	2.31	2.51
Distribution coverage (x)	1.19	1.27	1.36	1.33
P/DCF (x)	29.3	16.9	14.4	13.3
Adj. current EV/EBITDA (x)	—	—	—	—

DPU (12/11A, US$)	1.05	Distribution yld (12/11A, %)	3.3
Units outstanding (m)	31	GP take (%)	2.0
Net debt current (US$ m)	40.0	Net debt/EBITDA (x)	0.91
6-month ADV (000's)	12,372	Net debt/market cap. (%)	—
Free float (%)	—	Institutional ownership (%)	—

Source: Company data, Credit Suisse estimates.

Investment Thesis

TLLP is a fee-based, growth-oriented MLP formed by Tesoro Corp to own, operate and acquire crude oil and refined products logistics assets. In other words, TLLP was formed to be Tesoro Corp's vehicle to grow its logistics infrastructure business. Initially, substantially all of TLLP's revenue will be derived from Tesoro, primarily under various long-term, fee-based commercial agreements that include minimum volume commitments. Over the next several years, there is visible growth from, 1) organic projects tied to its strategies in the Bakken shale; 2) multi-year inventories of dropdown assets from Tesoro Corp, and the 3) development of third party businesses.

Company Description

Tesoro Logistics (TLLP) is a fee-based, growth oriented MLP formed by Tesoro Corp (TSO) to own, operate and acquire crude oil and refined products logistics assets. TLLP's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area, eight refined products terminals in the western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Corp is the second largest refiner in the US with core area of operations in the midwestern and western United States. It owns and operates seven refineries that serve markets in Alaska, Arizona, California, Hawaii, Idaho, Minnesota, Nevada, North Dakota, Oregon, Utah, Washington and Wyoming. Tesoro Corp trades under the symbol TSO and has a market cap that approximates $3.7 billion. TSO retains a significant ownership in the MLP as it will own about 51% of the limited partner interest and the 2.0% general partner interest and associated incentive distribution rights.

Additional Color

- **Management Guidance.**
  - 1Q12 growth capital spending should approximate $7mm plus $1mm for maintenance capex.
  - 1Q12 EBITDA should approximate $14 to $15 million. Additional pipeline repairs are expected to total $0.5mm.
- **Growth in Trucking Volumes:** TLLP relied more on third party trucking services in 4Q11 to move incremental Bakken crude to Tesoro Corp's (TSO) Anacortes refinery. It is significantly cheaper to use its proprietary fleet and management targets reducing third party contracts from 65% (in 4Q11) to 10-20%.
- **Growth Projects Update:** Management provided detail on its estimated capital expenditure to be spent over the next 2 years. The projects totaling $105mm are expected to generate annual EBITDA of $42.5mm. As noted earlier, the value of the Martinez terminal dropdown will be $80mm and future dropdowns totaling $50mm every year going ahead.

Exhibit 1: TLLP's Budgeted Growth Projects

	Capex $mm	EBITDA	Est. Completion
Crude Oil Gathering			
High Plains expansion	6.0	5.0	2Q12
Rangeland interconnect	1.5	1.5	2Q12
Connolly gathering hub	4.0	-	1Q12
Other projects	58.0	18.0	2013
	69.5	**24.5**	
Terminalling, Transportation & Storage			
Ethanol blending	4.5	1.0	
Los Angeles terminal transmix	3.0	0.5	2013
Stockton terminal storage	10.0	4.0	4Q12
Los Angeles terminal permit expansion	-	2.5	1Q12
New terminal expansion projects	18.0	10.0	2013
	35.5	**18.0**	
Total	**105.0**	**42.5**	

Source: Company data, Credit Suisse estimates

- **Credit and Liquidity.** As of 12/31/2011, TLLP had total liquidity of $108.3mm including $8.3mm in cash and $100mm available under its credit facility. The company expects to increase its credit facility to $300mm (from $150mm) in 2Q12 concurrent with the dropdown of the Martinez terminal.

- **Potential Dropdowns from Tesoro Provide Visible Growth Opportunities.** Tesoro still has logistics assets with total aggregate book value of $240 million that may be sold to TLLP. This compares to approximately $193 million for the initial assets contributed to TLLP. Furthermore, Tesoro announced a project to deliver 30,000 bpd of Bakken crude oil to its Anacortes refinery via rail on 7/15/2011. Tesoro will build an unloading facility to accommodate the unit train. Once completed, Tesoro plans to offer the facility to TLLP.

Exhibit 2: TLLP Right of First Offer Terminals

Asset	Location	Terminalling Capacity (MBbls/d)	2010 Throughput	Capacity Utilization	Description
Golden Eagle Refined Products Terminal	Martinez, California	38	14	37.1%	Truck loading rack with three loading bays
Golden Eagle Marine Terminal	Martinez, California	145	50	34.3%	Single-berth dock, five crude oil storage tanks with combines capacity of 425,000 barrels
Golden Eagle Wharf Facility	Martinez, California	50	30	59.8%	Single-berth dock and related pipelines
Tesoro Alaska Pipeline	Nikiski, Alaska	48	36	75.0%	Approx. 69 miles of 10-inch pipeline
Nikiski Refined Products Terminal	Nikiski, Alaska	-	82	-	A truck loading rack with two loading bays
Los Angeles Crude Oil & Refined Products Pipeline System	Los Angeles, California	-	42	-	Nine separate DOT-regulated pipelines totaling approx. 17 miles
Anacortes Refined Products Terminal	Anacortes, Washington	-	2	-	Truck loading facility with two loading bays
Anacortes Marine Terminal and Storage Facility	Anacortes, Washington	-	31	-	Crude oil & refined products wharf and four storage tanks
Long Beach Marine Terminal	Long Beach, California	-	99	-	A dock with two vessels

Source: Partnership data, Credit Suisse estimates

- **Tweaking Estimates.** We are forecasting adjusted EBITDA of $14.1mm (down from $14.5mm) and $73.3mm (down from $73.8mm) in 1Q12 and FY2012, respectively. DCF is forecast at $12.5mm (down from $13.2mm) and $64.5mm (up from $63.8mm) in 1Q12 and FY2012, respectively. We have incorporated the additional operating expenses in 1Q12 and increased trucking volumes within our model.

Exhibit 3: TLLP Quarterly Variance Table

Earnings Variance	4Q11 Actual	4Q11 CS Estimate	Diff.	Diff. (%)	Comments
Crude oil gathering	6.6	8.0	(1.5)	-18%	Repairs to the High Plains Pipeline and higher third party trucking costs
Terminalling, transportation and storage	9.0	8.6	0.4	5%	
Acquisitions	0.0	0.0	0.0	NA	
Recurring EBITDA	**14.1**	**15.1**	**(1.0)**	**-7%**	
Operating and maintenance	11.1	9.6	1.4	15%	
Depreciation and amortization	2.0	2.3	(0.3)	-12%	
General and administrative	2.6	1.8	0.8	47%	
EBIT (operating income recurring)	**12.1**	**12.8**	**(0.7)**	**-6%**	
Interest (expense) income, net	(0.5)	(0.5)	(0.1)	14%	
Net income (recurring)	**11.5**	**12.4**	**(0.8)**	**-7%**	
Non-recurring Items	0.0	0.0	0.0	NA	
Reported Net Income	**11.5**	**12.4**	**(0.8)**	**-7%**	
EPU	**$0.37**	**$0.40**	**-$0.03**	**-7%**	
EBITDA - Recurring	14.1	15.1	(1.0)	-7%	
Average Units Outstanding	30.5	30.5	0.0	0%	
Distributable Cash Flow (DCF)					
Net income	11.5	12.4	(0.8)	-7%	
(+) Interest expense, net	0.5	0.5	0.1	14%	
(+) Depreciation and amortization	2.0	2.3	(0.3)	-12%	
EBITDA	**14.1**	**15.1**	**(1.0)**	**-7%**	
(-) Cash interest paid	0.8	0.5	0.4	75%	
(-) Maintenance capital expenditure	1.2	1.1	0.1	7%	
(-) Other	(0.5)	0.0	(0.5)	NA	
Distributable cash flow available	**12.6**	**13.6**	**(1.0)**	**-7%**	
Cash paid to the general partner	0.2	0.2	0.0	0%	
GP portion of surplus cash flow	0.0	0.0	(0.0)	-43%	
Distributable cash flow to LP	**12.3**	**13.3**	**(1.0)**	**-7%**	
DCF per LP unit	**$0.40**	**$0.44**	**($0.03)**	**-7%**	
Cash Distribution Declared Per Unit	**$0.3625**	**$0.3625**	**$0.00**	**0%**	
Total declared cash distributions	11.3	11.3	0.0	0%	
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)	1.3	2.3	(1.0)	-43%	
Distribution Coverage (Total DCF/Total Distribution Declared	**1.11x**	**1.20x**	**-0.09x**	**-7%**	

$ in millions, except for per unit data
Coverage Ratio = Total DCF/Total Cash Dist

Source: Partnership data, Credit Suisse estimates

Exhibit 4: TLLP Changes to Model

Year ending December 31					Old Estimates										New Estimates				
($ millions, except per unit data)	1Q12E	2Q12E	3Q12E	4Q12E	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**	1Q12E	2Q12E	3Q12E	4Q12E	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
Crude oil gathering	7.1	7.5	8.9	8.9	32.4	44.1	48.2	49.0	49.9	7.0	7.7	9.2	9.2	33.1	45.5	52.5	53.4	54.4
Terminalling, transportation and storage	9.0	10.5	11.3	10.8	41.6	48.0	51.1	51.9	52.9	8.6	10.2	11.0	10.5	40.3	46.1	49.2	50.0	50.9
Acquisitions	0.0	2.0	2.0	2.0	6.0	12.7	18.9	25.2	31.4	0.0	2.0	2.0	2.0	6.0	12.7	18.9	25.2	31.4
Recurring EBITDA	**14.5**	**18.4**	**20.7**	**20.2**	**73.8**	**98.6**	**111.9**	**119.6**	**127.6**	**14.1**	**18.3**	**20.7**	**20.2**	**73.3**	**98.0**	**114.3**	**122.0**	**130.1**
Operating and maintenance	10.1	11.5	12.8	12.5	46.9	59.4	65.3	67.5	69.9	10.9	11.9	13.1	12.9	48.9	61.6	69.7	72.0	74.5
Depreciation and amortization	3.6	3.6	3.6	3.6	14.4	16.4	18.4	20.4	20.4	2.0	2.6	2.9	3.0	10.5	14.6	18.0	20.9	23.7
General and administrative	1.8	2.6	2.6	2.6	9.5	12.3	15.0	17.6	20.2	2.6	3.4	3.4	3.4	12.8	15.6	18.3	20.9	23.6
EBIT (operating income recurring)	**10.9**	**14.8**	**17.1**	**16.6**	**59.4**	**82.1**	**93.5**	**99.2**	**107.2**	**12.1**	**15.7**	**17.8**	**17.2**	**62.9**	**83.4**	**96.2**	**101.1**	**106.4**
Interest (expense) income, net	(0.6)	(2.0)	(1.9)	(1.8)	(6.4)	(10.0)	(12.4)	(13.8)	(15.7)	(0.6)	(1.2)	(1.6)	(1.4)	(4.9)	(8.7)	(11.1)	(13.1)	(15.3)
Net income (recurring)	**10.3**	**12.8**	**15.2**	**14.8**	**53.1**	**72.1**	**81.1**	**85.4**	**91.4**	**11.5**	**14.5**	**16.2**	**15.8**	**58.0**	**74.7**	**85.2**	**88.0**	**91.1**
Non-recurring Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported Net Income	**10.3**	**12.8**	**15.2**	**14.8**	**53.1**	**72.1**	**81.1**	**85.4**	**91.4**	**11.5**	**14.5**	**16.2**	**15.8**	**58.0**	**74.7**	**85.2**	**88.0**	**91.1**
EPU	**0.33**	**0.41**	**0.47**	**0.44**	**1.66**	**2.14**	**2.35**	**2.32**	**2.30**	**0.37**	**0.47**	**0.50**	**0.47**	**1.81**	**2.18**	**2.39**	**2.26**	**2.14**
EBITDA - Recurring	14.5	18.4	20.7	20.2	73.8	98.6	111.9	119.6	127.6	14.1	18.3	20.7	20.2	73.3	98.0	114.3	122.0	130.1
Average Units Outstanding	30.5	30.5	31.4	32.3	31.2	32.3	32.3	32.3	32.3	30.5	30.5	31.6	32.7	31.3	32.7	32.7	32.7	32.7
Distributable Cash Flow (DCF)																		
Net income	10.3	12.8	15.2	14.8	53.0	72.1	81.1	85.4	91.4	11.5	14.5	16.2	15.8	58.0	74.7	85.2	88.0	91.1
(+) Interest expense, net	0.6	2.0	1.9	1.8	6.4	10.0	12.4	13.8	15.7	0.6	1.2	1.6	1.4	4.9	8.7	11.1	13.1	15.3
(+) Depreciation and amortization	3.6	3.6	3.6	3.6	14.4	16.4	18.4	20.4	20.4	2.0	2.6	2.9	3.0	10.5	14.6	18.0	20.9	23.7
EBITDA	**14.5**	**18.4**	**20.7**	**20.2**	**73.8**	**98.6**	**111.9**	**119.6**	**127.6**	**14.1**	**18.3**	**20.7**	**20.2**	**73.3**	**98.0**	**114.3**	**122.0**	**130.1**
(-) Cash interest paid	0.6	2.0	1.9	1.8	6.4	10.0	12.4	13.8	15.7	0.6	1.2	1.6	1.4	4.9	8.7	11.1	13.1	15.3
(-) Maintenance capital expenditure	0.7	0.9	1.0	1.0	3.7	4.9	5.6	6.0	6.4	1.0	0.9	1.0	1.0	4.0	4.9	5.7	6.1	6.5
(-) Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributable cash flow available	**13.2**	**15.5**	**17.7**	**17.4**	**63.8**	**83.6**	**94.0**	**99.8**	**105.5**	**12.5**	**16.2**	**18.0**	**17.7**	**64.5**	**84.4**	**97.5**	**102.8**	**108.3**
Cash paid to the general partner	0.2	0.2	0.3	0.4	1.2	2.7	5.0	10.3	16.7	0.2	0.2	0.3	0.4	1.2	3.0	6.5	13.9	20.9
GP portion of surplus cash flow	0.0	0.1	0.7	0.5	1.4	5.9	7.7	9.6	6.0	0.0	0.1	0.8	0.6	1.4	5.6	9.0	7.2	2.9
Distributable cash flow to LP	**12.9**	**15.2**	**16.7**	**16.4**	**61.2**	**75.0**	**81.2**	**79.9**	**82.7**	**12.3**	**15.9**	**17.0**	**16.7**	**61.9**	**75.8**	**82.0**	**81.8**	**84.6**
DCF per LP unit	**$0.42**	**$0.50**	**$0.53**	**$0.51**	**$1.96**	**$2.32**	**$2.51**	**$2.47**	**$2.56**	**$0.40**	**$0.52**	**$0.54**	**$0.51**	**$1.97**	**$2.31**	**$2.51**	**$2.50**	**$2.58**
Cash Distribution Declared Per Unit	**$0.38**	**$0.39**	**$0.40**	**$0.41**	**$1.58**	**$1.78**	**$1.98**	**$2.18**	**$2.38**	**$0.38**	**$0.39**	**$0.40**	**$0.41**	**$1.58**	**$1.80**	**$2.04**	**$2.28**	**$2.50**
Total declared cash distributions	11.7	12.1	12.9	13.7	50.3	60.1	68.8	80.5	93.4	11.7	12.1	13.0	13.9	50.6	62.0	73.3	88.5	102.6
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)	1.5	3.5	4.9	3.6	13.4	23.6	25.1	19.3	12.0	0.8	4.2	5.1	3.8	13.9	22.4	24.2	14.3	5.7
Distribution Coverage (Total DCF/Total Distribution Declared)	**1.13x**	**1.29x**	**1.38x**	**1.27x**	**1.27x**	**1.39x**	**1.37x**	**1.24x**	**1.13x**	**1.07x**	**1.35x**	**1.39x**	**1.27x**	**1.27x**	**1.36x**	**1.33x**	**1.16x**	**1.06x**

$ in millions, except for per unit data
Coverage Ratio = Total DCF/Total Cash Dist

Source: Partnership data, Credit Suisse estimates

Exhibit 5: TLLP Abbreviated Financial Statements

Tesoro Logistics, L.P. (NYSE: TLLP)
Abbreviated Financial Statements

Credit Suisse - Master Limited Partnerships and Natural Gas

Yves Siegel, CFA (212) 325-8462
Brett Reilly, CFA (212) 538-3749

Year ending December 31

($ millions, except per unit data)	TLLP Predecessor			Pro Forma											
	2008	**2009**	**2010**	**2010**	**2011**	1Q12E	2Q12E	3Q12E	4Q12E	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
Crude oil gathering	4	(0)	(1)	28	20	7	8	9	9	33	45	53	53	54
% of Total	*-47%*	*1%*	*5%*	*53%*	*53%*	*50%*	*42%*	*44%*	*46%*	*45%*	*46%*	*46%*	*44%*	*42%*
Terminalling, transportation and storage	(10)	(11)	(10)	28	23	9	10	11	11	40	46	49	50	51
% of Total	*125%*	*82%*	*78%*	*54%*	*61%*	*61%*	*55%*	*53%*	*52%*	*55%*	*47%*	*43%*	*41%*	*39%*
Acquisitions	0	0	0	0	0	0	2	2	2	6	13	19	25	31
% of Total	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*11%*	*10%*	*10%*	*8%*	*13%*	*17%*	*21%*	*24%*
EBITDA - Recurring	**(8)**	**(13)**	**(13)**	**53**	**38**	**14**	**18**	**21**	**20**	**73**	**98**	**114**	**122**	**130**
y/y change (%)						*-472%*	*92%*	*17%*	*43%*	*95%*	*34%*	*17%*	*7%*	*7%*
EPU	$0.00	$0.00	$0.00	$1.36	$1.11	$0.37	$0.47	$0.50	$0.47	$1.81	$2.18	$2.39	$2.26	$2.14
Average Units Outstanding	-	-	-	30.5	30.5	30.5	30.5	31.6	32.7	31.3	32.7	32.7	32.7	32.7
Distributable Cash Flow (DCF)														
Net income				42	28	12	14	16	16	58	75	85	88	91
(+) Interest expense, net				2	2	1	1	2	1	5	9	11	13	15
(+) Depreciation and amortization				8	8	2	3	3	3	10	15	18	21	24
EBITDA				**53**	**38**	**14**	**18**	**21**	**20**	**73**	**98**	**114**	**122**	**130**
(-) Cash interest paid				2	1	1	1	2	1	5	9	11	13	15
(-) Maintenance capital expenditure				2	2	1	1	1	1	4	5	6	6	7
(-) Other				3	(0)	0	0	0	0	0	0	0	0	0
Distributable Cash Flow				**46**	**35**	**13**	**16**	**18**	**18**	**65**	**84**	**98**	**103**	**108**
DCF per LP unit				**$1.51**	**$1.12**	**$0.40**	**$0.52**	**$0.54**	**$0.51**	**$1.97**	**$2.31**	**$2.51**	**$2.50**	**$2.58**
Cash Distribution Declared Per Unit					**$1.05**	**$0.38**	**$0.39**	**$0.40**	**$0.41**	**$1.58**	**$1.80**	**$2.04**	**$2.28**	**$2.50**
% yr/yr growth					*NA*	*0.0%*	*14.8%*	*14.3%*	*13.8%*	*16.7%*	*14.3%*	*13.3%*	*11.8%*	*9.4%*
Total declared cash distributions					33	12	12	13	14	51	62	73	89	103
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)					6	1	4	5	4	14	22	24	14	6
Distribution Coverage (Total DCF/Total Distribution Declared)					**1.19x**	**1.07x**	**1.35x**	**1.39x**	**1.27x**	**1.27x**	**1.36x**	**1.33x**	**1.16x**	**1.06x**
% of Total Cash Distribution														
General Partner					2%	2%	2%	2%	3%	2%	5%	9%	16%	20%
Limited Partners					98%	98%	98%	98%	97%	98%	95%	91%	84%	80%
Capital Expenditures & Acquisitions														
Growth Capex	10	6	0	0	10	7	20	20	13	60	40	0	0	0
Maintenance Capex	8	3	2	2	2	1	1	1	1	4	5	6	6	7
Acquisitions	0	0	0	0	0	0	80	0	0	80	50	50	50	50
Total Capital Expenditures & Acquisitions	**19**	**9**	**2**	**2**	**12**	**8**	**101**	**21**	**14**	**144**	**95**	**56**	**56**	**57**
Financing and Credit Metrics														
Equity Issuances ($ Millions)				0	294	0	0	50	0	50	0	0	0	0
Net Debt Issuances ($ Millions) - includes credit facility				0	50	6	95	(36)	8	73	65	29	37	44
Total Debt ($ Millions)				50	50	56	151	115	123	123	188	217	254	298
Net Debt-to-TTM EBITDA				0.9x	0.8x	0.7x	2.1x	1.5x	1.5x	1.5x	1.8x	1.8x	2.0x	2.2x
Interest Expense, Net ($ Millions)				2	2	1	1	2	1	5	9	11	13	15
EBITDA-to-Interest Expense				21.9x	23.4x	23.5x	15.4x	12.8x	14.0x	15.1x	11.3x	10.3x	9.3x	8.5x
Maintenance Capex As % of EBITDA				3%	5%	7%	5%	5%	5%	5%	5%	5%	5%	5%
Abbreviated Balance Sheet														
Cash and Equivalents	0	0	0	3	18	18	16	15	14	14	10	12	12	11
Current Assets	**0**	**3**	**4**	**3**	**31**	**30**	**31**	**31**	**30**	**30**	**30**	**33**	**35**	**36**
Property Plant and Equipment, Net	139	138	132	132	139	145	324	342	353	353	483	571	656	739
Other Assets	3	0	0	2	2	2	2	2	2	2	2	2	2	2
Total Assets	**142**	**141**	**136**	**137**	**172**	**177**	**356**	**374**	**384**	**384**	**514**	**606**	**693**	**776**
Current Liabilities	**0**	**5**	**5**	**0**	**9**	**9**	**11**	**12**	**12**	**12**	**15**	**17**	**18**	**19**
Credit facility	0	0	0	50	50	56	151	115	123	123	163	167	179	198
Long term debt, less current portion & Credit Facility	0	0	0	0	0	0	0	0	0	0	25	50	75	100
Other Liabilities	9	1	2	50	50	56	151	115	124	124	164	167	179	198
Total Liabilities	**9**	**5**	**7**	**50**	**59**	**65**	**162**	**127**	**135**	**135**	**204**	**234**	**272**	**317**
Partners Capital	133	136	129	87	112	112	194	247	249	249	310	372	421	459
Total Liabilities & Partners Capital	**142**	**141**	**136**	**137**	**172**	**177**	**356**	**374**	**384**	**384**	**514**	**606**	**693**	**776**

*Note: GP portion of surplus cash flow refers to the excess cash flow, above distributions paid, to which the general partner would be entitled if excess cash flow were fully distributed. Similarly, GP portion of cash flow deficit refers to the portion of the shortfall that the GP would share in the event that distributions were paid only out of DCF.

Source: Partnership reports, Credit Suisse estimates

Source: Partnership data, Credit Suisse estimates

Companies Mentioned *(Price as of 07 Feb 12)*
Tesoro Corp. (TSO, $27.04, NEUTRAL [V], TP $33.00)
Tesoro Logistics LP (TLLP, $33.38, OUTPERFORM [V], TP $36.00)

Disclosure Appendix

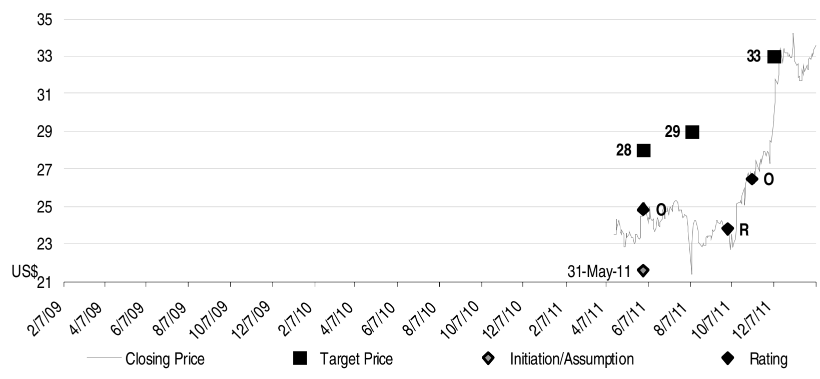
Important Global Disclosures

I, Yves Siegel, CFA, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for TLLP

TLLP Date	Closing Price (US$)	Target Price (US$)	Rating	Initiation/ Assumption
5/31/11	24.84	28	O	X
8/10/11	22.99	29		
9/30/11	23.8		R	
11/4/11	26.47		O	
12/6/11	29.58	33		



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Outperform (O): The stock's total return is expected to outperform the relevant benchmark* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral (N): The stock's total return is expected to be in line with the relevant benchmark* (range of ±10-15%) over the next 12 months.

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Relevant benchmark by region: As of 29th May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe**. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively.*

***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

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

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

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

**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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Neutral/Hold*	42%	(56% banking clients)
Underperform/Sell*	10%	(50% banking clients)
Restricted	2%	

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Price Target: (12 months) for (TLLP)

Method: We derived our $36 price target through a three-stage distribution discount model (DDM). Our assumptions include a discount rate of 9.0%, distribution compounded annual growth rate of 13.1% over the next five years and 6.0% over the following five years and a terminal growth rate of 1.5%.

Risks: Risks to our $36 price target for TLLP are potential refinery closings which would negatively impact volumes, dependence upon TSO for the majority of revenue, difficulty predicting timing of drop-down acquisitions which could result in lower than expected growth, potential for interest rate increases, which would negatively impact interest expense at the partnership's revolving credit facility, and demand destruction and/or declining volumes in the areas in which TLLP operates.

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The subject company (TLLP) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (TLLP) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject company (TLLP) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (TLLP) within the past 12 months.

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (TLLP) within the next 3 months.

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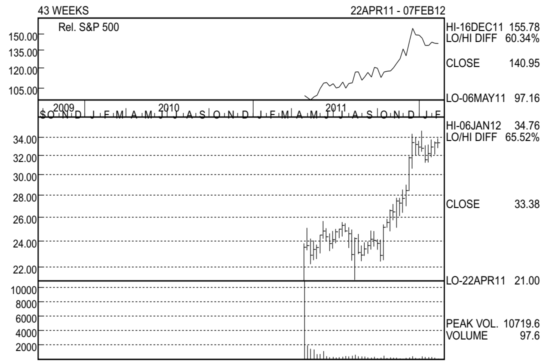

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FY Dec	2011A	2012E	2013E
DCF - FD	1.26	2.17	2.83
Prev.	1.31	2.30	3.00
EPU (Op) - FD	1.08	1.93	2.37
Prev.	1.13	1.98	2.53
EBITDA (MM)	41.4	76.5	107.0
Prev.	39.1	80.2	105.0
P/DCF	26.5x	15.4x	11.8x
P/EPU	30.9x	17.3x	14.1x
EV/EBITDA	24.6x	13.3x	9.5x

DCF - FD	Q1	Q2	Q3	Q4
2011	0.00A	0.30A	0.56A	0.41A
Prev.		0.29A		0.47E
2012	0.42E	0.56E	0.59E	0.60E
Prev.	0.49E	0.55E		0.62E
2013	0.67E	0.71E	0.74E	0.72E
EPU (Op) - FD				
2011	0.00A	0.23A	0.49A	0.37A
Prev.				0.42E
2012	0.38E	0.50E	0.52E	0.52E
Prev.	0.43E	0.48E		0.56E
2013	0.56E	0.59E	0.61E	0.60E
EBITDA (MM)				
2011	0.0A	9.6A	17.7A	14.1A
Prev.	(3.8)A			15.6E
2012	14.5E	19.5E	20.9E	21.6E
Prev.	17.1E	19.4E	21.0E	22.6E
2013	24.3E	26.3E	28.0E	28.5E

All values in USD unless otherwise noted.

COMPANY UPDATE | COMMENT

FEBRUARY 8, 2012

Tesoro Logistics LP (NYSE: TLLP)

Growth Outlook Remains Intact Despite Q4 Miss

Outperform
Average Risk

Price:	33.38	**Price Target:**	36.00
		Implied All-In Return:	12%
Shares O/S (MM):	30.5	**Market Cap (MM):**	1,018
Dividend:	1.45	**Yield:**	4.3%
Float (MM):	30.2	**Tr. 12 ROE:**	33.00%
Debt to Cap:	32%	**Avg. Daily Volume (MM):**	0.05
		Est Tax Deferral:	80%

Event: Reports 4Q11 Results Below Expectations

Investment Opinion

Reducing 2012 Estimates; 2013 Outlook Remains Intact: We reduce 2012E EBITDA/DCF on seasonality in Q1 and higher third-party trucking mix, which should abate over the course of the year. Management affirmed its 2013 EBITDA target of $100M underpinned by a portfolio of high-return organic CapEx and the Martinez drop-down transaction (we assume $65M at ~8x EBITDA). We maintain our $36 price target, supported by our outlook for top-tier distribution growth of ~21% in 2012 and ~29% in 2013 on solid coverage levels of 1.3x.

4Q11 Miss on Higher OpEx: EBITDA of $14.1M compares to our $15.6M and consensus of $15.25M (see Exhibit 1). DCF/unit of $0.41 fell short of our $0.47 and resulted in 1.1x coverage, which compares to our 1.3x and 1.6x in 3Q11. The miss resulted from High Plains maintenance, a higher mix of less profitable third-party trucking volumes, and higher-than-anticipated refined product seasonality impacting short-haul pipeline volumes. Management also guided Q1 below our expectations on continued higher trucking costs and additional refined product seasonality.

Expect Crude Volume Growth and Easing Costs in 2012: TLLP will increase proprietary fleet utilization in Q1 and Q2 and ultimately targets a mix of 80–90% proprietary when it expands to 35 Mb/d later this year. Additionally, the Connelly gathering hub is nearly completed, which will move trucked volumes onto the pipeline network and drive additional growth from a phase II expansion. We expect solid volume growth in 2H with the completion of TSO's Mandan expansion (+10 Mb/d) and the Rangeland crude terminal and rail facility (+30 Mb/d).

Further Upside Possible Given Drop-Down Inventory: We note that management increased the expected volume and EBITDA contribution from the LA and Stockton terminal expansions and we believe further upside is possible given TLLP's conservative assumptions on third-party volume growth across the terminal and crude gathering assets. Substantial opportunity for growth remains possible through acquisition of ROFO assets, which amount to ~125% of original TLLP book value (including Martinez). While we have assumed a $55M drop-down acquisition in 1Q13 (at ~8x EBITDA), we note that our forecast for ~$15M of drop-down EBITDA represents only 20–30% of the total available ROFO EBITDA of $50–80M.

Priced as of prior trading day's market close, EST (unless otherwise noted).

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4Q11 Results Overview

Tesoro Logistics Partners (TLLP) reported 4Q11 results that were below expectations primarily due to higher costs in the Crude Oil Gathering segment related to maintenance repairs on the High Plains system and higher utilization of third-party trucking capacity in the Bakken. Exhibit 1 provides an overview of 4Q11 results compared to prior quarters and RBC expectations.

Exhibit 1: 4Q11 Results vs Prior RBC Expectations

	Actual Q410A	Actual Q311A	Actual Q112E	RBC Forecast	% Variance	Notes & Comments
Crude Oil Gathering						
Pipeline Throughput (MB/d)	58.8	59.5	60.1	59.5	0.9%	• High Plains throughput slightly higher than our estimate
Avg Pipeline Revenue / Bbl ($/bbl)	$1.00	$1.35	$1.37	$1.35	1.7%	
Pipeline Revenue ($MM)	$5.4	$7.4	$7.6	$7.4	2.6%	
Trucking Volume (Mb/d)	23.1	23.9	27.0	24.6	9.8%	• Higher trucking volumes delivered primarily through the use of 3rd party haulers • Starting to see additional Bakken crude being trucked to rail facilities for delivery to TSO Anacortes refinery
Avg Trucking Revenue / Bbl ($/bbl)	NM	$2.90	$2.96	$2.90	2.1%	
Trucking Revenue ($MM)	NM	$6.4	$7.4	$6.6	12.1%	
Total Crude Gathering Revenue ($MM)	$5.4	$13.8	$14.9	$13.9	7.1%	• O&M expense significantly higher than our expectation • Incremental volumes via 3rd party carriers ($2-2.50/bbl expense on incremental volumes) • Plans to increase utilization of proprietary fleet in 2012 • Also higher maintenance cost on High Plains
O&M Expense ($MM)	($3.9)	($6.0)	($7.8)	($6.2)	25.6%	
Crude Oil Gathering Segment Margin ($MM)	**$1.5**	**$7.8**	**$7.1**	**$7.7**	**(8.0%)**	
Terminalling, Transport, Storage						
Terminalling Throughput (Mb/d)	113.9	145.0	137.4	135.6	1.3%	• TT&S segment impacted by refined product seasonality • Expects seasonal patterin in 1Q12 ahead of spring driving season
Avg Terminalling Revenue / Bbl ($/bbl)	NM	$0.78	$0.79	$0.78	2.4%	
Terminalling Revenue ($MM)	$0.9	$10.4	$10.0	$9.7	3.7%	
Short-haul Pipeline Throughput (Mb/d)	66.8	69.7	64.5	69.7	(7.5%)	• TT&S segment impacted by refined product seasonality • Expects seasonal patterin in 1Q12 ahead of spring driving season
Avg Short-haul Pipeline Revenue / Bbl ($/bbl)	NM	$0.25	$0.25	$0.25	1.6%	
Short-haul Pipeline Revenue ($MM)	NM	$1.6	$1.5	$1.6	(5.9%)	
Storage capacity Reserved (Mbbls)	878.0	878.0	878.0	878.0	-	
Rev / Shall capacity Bbl / Month ($/bbl/month)	NM	$0.51	$0.51	$0.51	(0.1%)	
Storage revenue ($MM)	NM	$1.3	$1.3	$1.3	(0.1%)	
Total TT&S Revenue ($MM)	$0.9	$13.3	$12.9	$12.6	2.1%	
O&M Expense ($MM)	($3.0)	($1.4)	($3.2)	($2.7)	21.1%	
TT&S Segment Margin ($MM)	**($2.1)**	**$12.0**	**$9.6**	**$9.9**	**(3.1%)**	
Overall Financial Results						
Adjusted EBITDA ($MM)	**NM**	**$17.7**	**$14.1**	**$15.6**	**(9.6%)**	• Distribution coverage was below our estimate and below coverage levels in 3Q11 • In addition to lower EBITDA, maintenance CapEx was higher than our estimate at $1.2 million vs our $0.8 million
Distributable Cash Flow to LP ($MM)	**NM**	**$17.0**	**$12.4**	**$14.2**	**(13.0%)**	
DCF/Unit	**NM**	**$0.56**	**$0.41**	**$0.47**	**(13.0%)**	
Distribution / Unit	**NM**	**$0.3500**	**$0.3625**	**$0.3650**	**(0.7%)**	
Total Unit Coverage	**NM**	**1.6x**	**1.1x**	**1.3x**	**(12.4%)**	
Maintenance CapEx	**NM**	**$0.3**	**$1.2**	**$0.8**	**50.0%**	
Growth CapEx	**NM**	**$2.1**	**$6.2**	**$4.0**	**56.1%**	

Source: TLLP press release and RBC Capital Markets estimates

As shown, Adjusted EBITDA of $14.1 million was below our $15.6 million and also fell short of the $15.25 million Street consensus. Although volumes in the Crude Gathering segment exceeded our expectations, segment margin of $7.1 million (revenue less operating expenses) fell short of our model. The primary driver of the negative variance was higher costs due to maintenance repairs on the High Plains system after the heavy summer rains in 2011. TLLP capitalizes costs for asset replacements and enhancements that increase efficiency or productivity and expenses minor maintenance and replacement costs that do not increase the original efficiency or productivity.

Additionally, TLLP was impacted by a higher mix of third-party trucking volumes (~65%), which are relatively higher cost compared to the proprietary trucking operations. TLLP has begun to see additional Bakken volumes trucked to rail facilities for delivery to Tesoro Corp's (TSO) Anacortes refinery, and the incremental demand was handled by contract carriers. TLLP indicated that the incremental volumes carried higher costs of $2.00–2.50 per barrel. Management expects these costs to ease as TLLP increases the mix of proprietary fleet utilization in 1Q and 2Q 2012 (especially Q2). TLLP plans to increase its trucking capacity to 35 Mb/d (24 Mb/d prior run rate) with a mix of 80–90% proprietary.

Results in the Terminalling, Transport and Storage segment declined sequentially due to the impacts of seasonality on refined product demand. Management expects normal seasonal impacts in 1Q 2012 ahead of the spring/summer driving season.

Growth Roadmap Remains Intact

Despite the 4Q miss, TLLP reiterated its outlook for ~$100 million in organic growth CapEx over the next two years (includes previously announced projects), which, combined with the Martinez Crude Terminal drop-down acquisition, should drive EBITDA to $100 million in 2013. For scale, the partnership had guided to a base annual EBITDA run-rate of $53 million at the time of the April 2011 IPO. As shown below, the organic growth portfolio has a highly attractive return profile. In addition to the Martinez Crude Terminal (~$8 million in annual EBITDA), TLLP maintains significant optionality to acquire ROFO (Right of First Offer) drop-down assets from TSO amounting to 125% of the original book value of the partnership (including Martinez). Our current estimate of ~$15 million of drop-down EBITDA in 2012/2013 represents only 20–30% of the total available ROFO EBITDA of $50–80 million.

Exhibit 2: TLLP Identified Capital Projects

	Total CapEx	Annual EBITDA	Completion Date	Implied Multiple
Crude Gathering:				
High Plains Expansion	$6.0	$5.0	2Q12	1.2x
Rangeland Interconnect	$1.5	$1.5	2Q12	1.0x
Connolly Gathering Hub[1]	$4.0		1Q12	
Various Growth Plan Projects	$58.0	$18.0	2013	3.2x
Crude Gathering Growth Projects	**$69.5**	**$24.5**		**2.8x**
TT&S:				
Ethanol Blending[1]	$4.5	$1.0	•2Q11[2] •1Q12	4.5x
Los Angeles Terminal Transmix	$3.0	$0.5	2013	6.0x
Stockton Terminal Storage	$10.0	$4.0	4Q12	2.5x
Los Angeles Terminal Permit Expansion		$2.5	1Q12	
New Terminal Expansion Projects	$18.0	$10.0	2013	1.8x
TT&S Growth Projects	**$35.0**	**$18.0**		**1.9x**
Total Growth Projects	**$105.0**	**$42.5**		**2.5x**

1. CapEx related to these projects will be reimbursed by TSO
2. Salt Lake City completed in 2Q 2011; Burley completed 1Q 2012

Source: TLLP press releases and filings; RBC Capital Markets estimates

New Estimates Still Imply Leading Distribution Growth

As shown below, TLLP guided 1Q 2012 EBITDA below our original expectation of $17.1 million on elevated third-party trucking costs and refined product seasonality in the Terminalling, Transport and Storage segment. However, management expects to increase proprietary trucking utilization during 2012 and has guided for significant volume growth on the High Plains system in the second half as expansion projects come online. On the terminal side, the partnership has received its revised permit that allows additional throughput at Los Angeles beginning immediately. As shown, we forecast top-tier distribution growth of 21% in 2012 (assuming MQD in 1Q and 2Q 2011) and 29% in 2013 with solid coverage levels of 1.3x in each year. We have assumed a $55 million asset drop-down in 1Q 2013, which has added ~$7 million to our 2013 EBITDA estimate (~8x EBITDA multiple assumed).

Exhibit 3: Revised 2012 and 2013 Financial Estimates

	1Q12			FY 2012		FY 2013	
	TLLP Guidance	RBC New	RBC Old	RBC New	RBC Old	RBC New	RBC Old
Adjusted EBITDA ($MM)	$14.5	$14.5	$17.1	$76.5	$80.2	$107.0	$105.0
Distributable Cash Flow to LP ($MM)		$12.8	$15.0	$66.1	$68.6	$86.5	$83.7
DCF/Unit		$0.42	$0.49	$2.17	$2.30	$2.83	$3.00
Distribution / Unit		$0.375	$0.380	$1.680	$1.730	$2.160	$2.220
Y/Y % Δ		11.1%	12.6%	21.1%	24.5%	28.6%	28.3%
Total Unit Coverage		1.1x	1.3x	1.3x	1.3x	1.3x	1.4x
Maintenance CapEx		$1.0	$1.0	$5.4	$4.9	$6.4	$5.0
Growth CapEx		$8.0	$20.4	$60.0	$65.5	$30.0	$26.0

Note: 1Q12 distribution growth estimates assume MQD of $0.3375/unit. 2012 distribution growth estimates assume MQD of $0.3375/unit in first two quarters of 2011.

Source: TLLP press releases and filings; RBC Capital Markets estimates

Valuation

We derive our 12-month price target of $36 for TLLP using our multi-stage distribution discount model (DDM). Our DDM is based on our distribution estimates for the four quarters starting one year out followed by a five-year growth rate of 10%, which, from the current distribution, implies a five-year CAGR of 15.9%. Our long-term distribution schedule assumes that over the subsequent 11 years growth converges to the 1% perpetual rate. We discount our distributions at a 8.5% discount rate, which incorporates our interest rate expectations and a risk premium based on TLLP-specific risks and is consistent with an Average risk qualifier. Our $36 price target implies a yield of 5.2% on our one-year-out annualized distribution of $1.86 per unit.

Price Target Impediment

Key issues that could impede our price target include acquisition risk; damage to pipeline infrastructure; commodity price risks; and competing pipeline solutions in the Bakken. TLLP is dependent on Tesoro Corp parent for substantially all of its revenue, so any inability to meet its requirements with Tesoro would negatively impact results. Other risks include prolonged declines in volumes, interest rates, regulatory risk, and relatively low trading liquidity.

Company Description

TLLP is a growth-oriented MLP formed by Tesoro to operate its gathering and processing and short-haul pipelines, trucking and terminalling logistics assets. The partnership intends to operate its assets under long-term, minimum volume contracts with Tesoro and pursue asset drop-down growth opportunities. The initial assets are strategically located near Tesoro refineries in the Bakken Shale, West Coast, Rockies, and Alaska, with potential drop-downs near existing infrastructure.

($ in MM, except per share data & ratios)	2012 Quarterly Results				2013 Quarterly Results				Annual Results		
	Q112E	Q212E	Q312E	Q412E	Q113E	Q213E	Q313E	Q413E	FY11A	FY12E	FY13E
Crude Oil Gathering	15.4	16.1	17.1	17.9	18.6	19.7	21.0	21.6	45.0	66.6	80.9
Terminalling, Transport. & Storage	12.9	18.7	19.6	19.6	22.1	23.2	24.3	24.3	36.0	70.8	94.0
Total Revenue	**$28.3**	**$34.9**	**$36.7**	**$37.5**	**$40.7**	**$43.0**	**$45.3**	**$46.0**	**$80.9**	**$137.4**	**$174.9**
Total Costs and Expenses	15.8	18.1	18.8	19.1	20.1	20.6	21.3	21.5	51.4	71.8	83.4
Operating Income	**$12.5**	**$16.7**	**$18.0**	**$18.5**	**$20.5**	**$22.4**	**$24.0**	**$24.5**	**$29.6**	**$65.6**	**$91.4**
Interest Expense	(0.5)	(0.9)	(1.4)	(1.5)	(2.0)	(2.3)	(2.3)	(2.3)	(1.6)	(4.4)	(8.9)
Net Income	**$12.0**	**$15.8**	**$16.6**	**$16.9**	**$18.6**	**$20.1**	**$21.7**	**$22.2**	**$27.9**	**$61.2**	**$82.5**
General Partner Interest	0.2	0.4	0.7	1.0	1.3	2.1	3.1	3.8	0.7	2.3	10.3
LP Interest In Net Income	**$11.7**	**$15.4**	**$15.9**	**$15.9**	**$17.2**	**$18.0**	**$18.7**	**$18.4**	**$27.3**	**$58.9**	**$72.3**
Diluted Earnings (loss) per Unit	**$0.38**	**$0.50**	**$0.52**	**$0.52**	**$0.56**	**$0.59**	**$0.61**	**$0.60**	**$1.08**	**$1.93**	**$2.37**
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5
Adjusted EBITDA	**$14.5**	**$19.5**	**$20.9**	**$21.6**	**$24.3**	**$26.3**	**$28.0**	**$28.5**	**$41.4**	**$76.5**	**$107.0**

Distributable Cash Flow	Q112E	Q212E	Q312E	Q412E	Q113E	Q213E	Q313E	Q413E	FY11A	FY12E	FY13E
Adjusted EBITDA	**$14.5**	**$19.5**	**$20.9**	**$21.6**	**$24.3**	**$26.3**	**$28.0**	**$28.5**	**$41.4**	**$76.5**	**$107.0**
Cash Interest Expense	(0.4)	(0.8)	(1.2)	(1.3)	(1.6)	(1.9)	(1.9)	(1.9)	(1.2)	(3.7)	(7.4)
Maintenance CapEx	(1.0)	(1.4)	(1.5)	(1.5)	(1.5)	(1.6)	(1.7)	(1.7)	(1.8)	(5.4)	(6.4)
General Partner Interest	(0.2)	(0.2)	(0.3)	(0.6)	(0.9)	(1.2)	(1.9)	(2.8)	(0.6)	(1.3)	(6.7)
Distributable Cash Flow to LP	**$12.8**	**$17.1**	**$17.9**	**$18.2**	**$20.4**	**$21.6**	**$22.5**	**$22.1**	**$38.4**	**$66.1**	**$86.5**
Distributable CF Per Unit	**$0.42**	**$0.56**	**$0.59**	**$0.60**	**$0.67**	**$0.71**	**$0.74**	**$0.72**	**$1.26**	**$2.17**	**$2.83**
Distributions per Unit	**$0.3750**	**$0.4050**	**$0.4350**	**$0.4650**	**$0.4950**	**$0.5250**	**$0.5550**	**$0.5850**	**$0.9573**	**$1.6800**	**$2.1600**
Total Unit Coverage	**1.12x**	**1.38x**	**1.35x**	**1.29x**	**1.35x**	**1.35x**	**1.33x**	**1.24x**	**1.31x**	**1.29x**	**1.31x**

Balance Sheet	Q112E	Q212E	Q312E	Q412E	Q113E	Q213E	Q313E	Q413E	FY11A	FY12E	FY13E
Total Assets	$169.0	$247.8	$263.5	$282.2	$348.8	$353.8	$357.3	$360.2	$170.2	$282.2	$360.2
Total Partners' Capital	109.6	113.7	117.6	120.7	124.2	128.0	131.8	134.3	109.0	120.7	134.3
Net Debt	**$38.0**	**$111.9**	**$123.2**	**$139.0**	**$201.3**	**$201.8**	**$200.8**	**$201.1**	**$31.7**	**$139.0**	**$201.1**
Net Debt / TTM EBITDA	.7x	1.7x	1.8x	1.8x	2.3x	2.2x	2.0x	1.9x	.8x	1.8x	1.9x
Interest Coverage	28.2x	20.9x	14.9x	14.0x	12.3x	11.3x	12.1x	12.3x	25.7x	17.4x	12.0x

Source: RBC Capital Markets estimates & Company Reports

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Conflicts Disclosures

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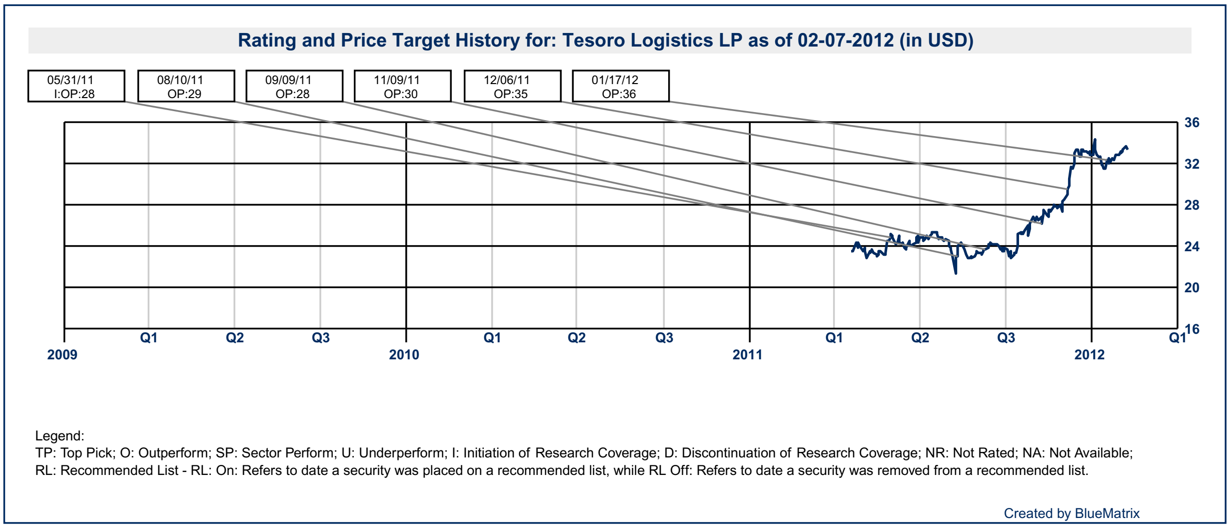

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Estimate Changes
Rating: Buy
Price Target: $33.00

TESORO LOGISTICS LP (TLLP: $33.38)

February 8, 2012

Market Data

12-18 Month Price Target	$33.00
52-Week Range	$34.76 - $21.00
ADTV - 90Day (000s)	54.5
Market Cap ($MM)	$1,018.4
Shares Out (MM)	30.5
Public Market Float (MM)	13.0
Dividend	$1.45
Dividend/Yield	4.34%

Earnings Per Unit (EPU) ($)

FY DEC	2011	2012		2013	
	Actual	Previous	Current	Previous	Current
Q1	–	$0.42	$0.38E	$0.61	$0.62E
Q2	$0.25A	$0.49	$0.44E	$0.62	$0.63E
Q3	$0.49A	$0.57	$0.55E	$0.63	$0.62E
Q4	$0.37A	$0.56	$0.57E	$0.62	$0.61E
YEAR	$1.11A	$2.04	$1.95E	$2.48	$2.47E

Distribution Per Unit ($)

FY DEC	2011	2012		2013	
	Actual	Previous	Current	Previous	Current
Q1	–	–	$0.375E	–	$0.430E
Q2	$0.245A	–	$0.388E	–	$0.450E
Q3	$0.350A	–	$0.400E	–	$0.470E
Q4	$0.363A	–	$0.413E	–	$0.480E
YEAR	$0.957A	–	$1.575E	–	$1.830E

Valuation Ratio

	FY11	FY12	FY13
Debt/EBITDA	3.3x	1.8x	1.4x
EBITDA/Interest	8.7x	15.8x	20.9x
EV/EBITDA	25.0x	13.8x	10.5x
P/DCF	26.3x	15.7x	12.8x

Financial Data

	FY11	FY12	FY13
EBITDA	$41.9A	$75.8E	$100.1E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$170.2A	$270.8E	$343.5E
Long Term Debt	$50.0A	$140.0E	$190.0E
Total SOE and Liab.	$170.2A	$270.8E	$343.5E

Company Description

Tesoro Logistics is a master limited partnership that gathers, transports, and stores crude oil and distributes, transports, and stores refined products. Its assets consist of a crude oil gathering system in the Bakken Shale/ Williston Basin area, eight refined products terminals, and a crude oil and refined products storage facility and five related short-haul pipelines.

Total Return Still Looks Strong

Summary

Tesoro Logistics LP (TLLP) reported 4Q11 EBITDA of $14.1 million, which was below our estimate of $14.5 million and distributable cash flow of $12.6 million, which was in line with our estimate. We believe Tesoro will be able to grow its operations through dropdown acquisitions and potentially benefit from Tesoro Corporation’s (TSO-NR) desire to expand its logistics asset base. We believe Tesoro's distribution growth should be solid over the next several years, including estimated 2013 growth at 16.2%. We have a Buy rating and a $33 price target on TLLP units.

Key Points

- **Results.** Tesoro reported 4Q11 EBITDA of $14.1 million, compared with our estimate of $14.5 million. Distributable cash flow was $12.6 million, which was on par with our estimate. Operating income of $12.1 million was lower than our estimate of $12.4 million. Revenue was above our forecast. However, the Terminalling segment's expenses were higher than our estimate. While net income was a bit lower than forecasted, lower maintenance capex helped our DCF forecast match the reported results.
- **Our take.** The higher expenses were in part caused by the use of greater third-party trucking volumes and costs associated with repair work on segments of the High Plains pipeline. Tesoro expects to increase its trucking capabilities during the first quarter, which should help with cost control. The partnership looks like it remains on target to increase its EBITDA to $100 million for 2013, which could be conservative if it undertakes further expansions or acquires assets.
- **Conference call.** Management expects to fund the recently announced dropdown primarily through revolver borrowings and Tesoro plans on expanding the revolver to $300 million. This will give the partnership more financing options for future opportunities. Tesoro is seeing significant growth in demand for truck gathering in its Crude Oil Gathering segment. The partnership continues to see opportunities to grow its distribution through dropdowns, organic growth, optimization, and potential acquisitions.
- **Estimates.** We are lowering our 2012 EBITDA estimate to $75.8 million from $79.6 million and keeping our 2013 EBITDA estimate at $100.1 million. We are reducing our 2012 DCF estimate to $66.3 million from $69.4 million and maintaining our 2013 DCF estimate at $83.7 million. Our higher estimates primarily reflect slightly higher costs in 2012.
- **Investment thesis.** Tesoro's units have performed very well over the last several months. The total return profile continues to look strong. Combining the current yield of 4.3% and projected 2013 distribution growth of 16.2% results in a total return of 20.5%. We would be buying the units on dips and pullbacks. Our forecast for distribution growth could prove conservative if the partnership were to undertake further dropdown acquisitions from its parent.

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Crude Oil Gathering Segment

Segment income of $5.8 million was higher than our estimate of $5 million. Pipeline throughput of 60,064 barrels per day (bpd) was higher than our modeled number of 58,750 bpd, while trucking volume of 27,007 was above our forecast of 23,600 bpd. Operating and maintenance expense, depreciation expense, and general and administrative expenses were above our estimates.

Terminalling - Transportation & Storage Segment

Segment income of $7.8 million was lower than our estimate of $8.5 million. Terminalling throughput of 137,378 bpd was above our modeled number of 135,000 bpd, while short-haul pipeline throughput of 64,468 was below our forecast of 67,000 bpd. Operating and maintenance expense of $3.2 million was higher than our estimate of $2.6 million, depreciation expense was in line with our estimate, while general and administrative expenses were above.

Figure 1 - Tesoro 4Q11 Estimated vs Actual Results

	WSI Est	Actual
Net Income	$11.8	$11.5
Interest Expense, net	$0.6	$0.5
Taxes	$0.0	$0.0
Other	$0.0	$0.0
DD&A	$2.0	$2.0
Adjusted EBITDA	**$14.5**	**$14.1**
DCF	**$12.6**	**$12.6**
Throughput (bpd):		
Pipeline	58,750	60,064
Trucking volume	23,600	27,007
Terminalling	135,000	137,378
Short-haul pipeline	67,000	64,468

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Distribution

Tesoro previously announced a distribution of $0.3625/unit ($1.45/unit annualized) for the fourth quarter of 2011. The distribution represents a 3.6% increase over the $0.35/unit ($1.40/unit annualized) for the third quarter of 2011.

We are maintaining our 2012 distribution estimate at $1.575/unit and our 2013 distribution estimate at $1.83/unit. Our estimates provide a 16.2% growth rate in 2013. This compares quite favorably to the 7.1% estimated average growth in 2013 for liquids-based partnerships under our coverage. Our distributable cash flow estimates are $2.12/unit for 2012 and $2.60/unit in 2013, which equates to coverage ratios of 1.3x and 1.4x, respectively.

Estimates

We are lowering our 2012 EBITDA estimate to $75.8 million from $79.6 million and keeping our 2013 EBITDA estimate at $100.1 million. We are reducing our 2012 DCF estimate to $66.3 million from $69.4 million and maintaining our 2013 DCF estimate at $83.7 million. Our higher estimates primarily reflect slightly higher costs in 2012.

Figure 2 - Tesoro 2012 Estimates

	WSI Previous Est	WSI New Est
Net Income	$63.5	$60.9
Interest Expense, net	$5.9	$4.8
Taxes	$0.0	$0.0
Other	$0.0	$0.0
DD&A	$10.1	$10.1
Adjusted EBITDA	**$79.6**	**$75.8**
DCF	**$69.4**	**$66.3**
Throughput (bpd):		
Pipeline	62,080	61,698
Trucking volume	23,809	24,009
Terminalling	159,447	161,332
Short-haul pipeline	67,794	66,136

Source: Wunderlich Securities, Inc. estimates

Figure 3 – Tesoro Logistics – Model

$ in millions except per unit data	1Q11	2Q11	3Q11	4Q11	2011	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	15.7	12.1	**35.4**	12.5	15.1	18.7	19.4	**65.6**	21.1	21.7	21.8	21.9	**86.5**
Interest expense, net	-	(0.5)	(0.6)	(0.5)	**(1.6)**	(0.5)	(1.3)	(1.4)	(1.5)	**(4.763)**	(1.6)	(1.8)	(1.9)	(2.1)	**(7.4)**
Other income	-	0.8	0.0	0.0	**0.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Pre-tax income	-	7.9	15.1	11.5	**34.6**	12.0	13.8	17.3	17.8	**60.9**	19.4	19.9	19.9	19.8	**79.1**
Income Tax	-	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Net Income	**-**	**7.9**	**15.1**	**11.5**	**34.6**	**12.0**	**13.8**	**17.3**	**17.8**	**60.9**	**19.4**	**19.9**	**19.9**	**19.8**	**79.1**
Net Income to General Partner	-	0.2	0.3	0.2	**0.7**	0.2	0.3	0.4	0.5	**1.4**	0.6	0.8	1.0	1.1	**3.5**
Net Income to Limited Partners	**-**	**7.7**	**14.8**	**11.3**	**33.9**	**11.7**	**13.5**	**16.9**	**17.3**	**59.5**	**18.8**	**19.1**	**18.9**	**18.7**	**75.5**
Net Income/Unit (Limited)	**-**	**$0.25**	**$0.49**	**$0.37**	**$1.11**	**0.38**	**$0.44**	**$0.55**	**$0.57**	**$1.95**	**0.62**	**$0.63**	**$0.62**	**$0.61**	**$2.47**
Limited Partnership Units	-	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**
EBITDA (total)	**-**	**10.0**	**17.7**	**14.1**	**41.9**	**14.5**	**17.6**	**21.4**	**22.3**	**75.8**	**24.4**	**25.1**	**25.3**	**25.3**	**100.1**
EBITDA (Limited Partners)	**-**	**9.9**	**17.4**	**13.9**	**41.2**	**14.3**	**17.3**	**21.0**	**21.8**	**74.4**	**23.7**	**24.3**	**24.2**	**24.2**	**96.5**
Other	-	(0.0)	(0.3)	(0.4)	**(0.7)**	(0.4)	(0.8)	(0.9)	(1.0)	**(3.1)**	(1.6)	(1.7)	(1.8)	(2.0)	**(7.1)**
Maintenance CAPEX	-	(0.3)	(0.3)	(1.2)	**(1.7)**	(1.0)	(1.1)	(2.1)	(2.1)	**(6.4)**	(2.3)	(2.2)	(2.3)	(2.3)	**(9.3)**
Distributable Cash Flow	-	9.7	17.2	12.6	**39.5**	13.2	15.6	18.3	19.1	**66.3**	20.5	21.2	21.1	21.0	**83.7**
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	**(0.8)**	(0.3)	(0.3)	(0.4)	(0.6)	**(1.6)**	(0.8)	(1.0)	(1.3)	(1.4)	**(4.4)**
Distributable Cash Flow (LP)	-	9.5	16.8	12.3	**38.7**	12.9	15.3	17.9	18.6	**64.7**	19.7	20.1	19.8	19.6	**79.3**
Distributable Cash Flow/Unit	**-**	**$0.31**	**$0.55**	**$0.40**	**$1.27**	**0.42**	**$0.50**	**$0.59**	**$0.61**	**$2.12**	**0.65**	**$0.66**	**$0.65**	**$0.64**	**$2.60**
Distribution		$0.2448	$0.3500	$0.3625	**$0.9573**	$0.3750	$0.3875	$0.4000	$0.4125	**$1.5750**	$0.4300	$0.4500	$0.4700	$0.4800	**$1.8300**
Coverage Ratio					**1.3x**					**1.3x**					**1.4x**
Distribution Growth															**16.2%**
Debt/EBITDA										**1.8x**					**1.9x**
EBITDA/Interest Expense										**15.9x**					**13.4x**

Source: Partnership reports and Wunderlich Securities, Inc. estimates

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Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

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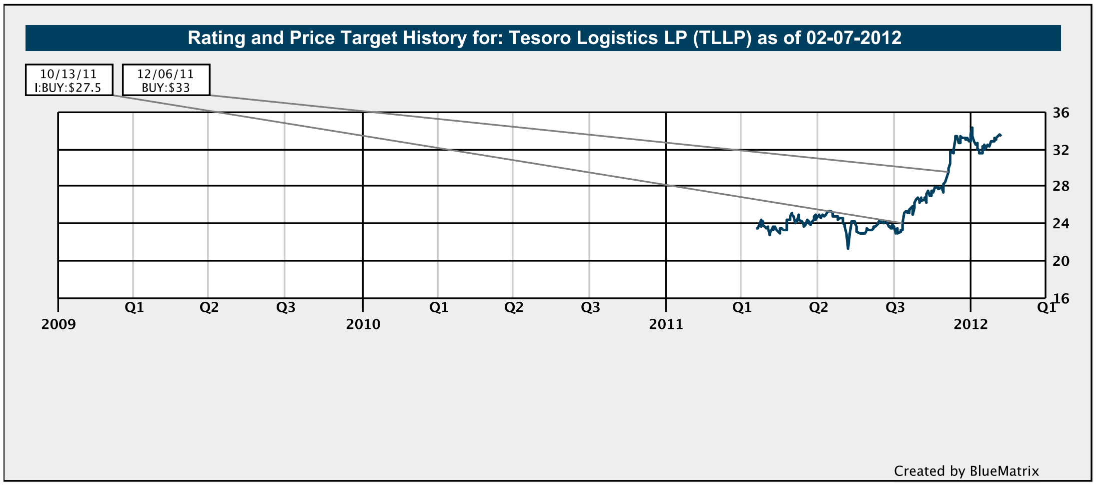

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WELLS FARGO SECURITIES

Equity Research

Tesoro Logistics L.P.

TLLP: Modest Q4 Miss Growth Trajectory Still Highly Visible
2013 Outlook Reaffirmed--Dropdown/Projects Remain On Track

Outperform / V

Sector: Small Cap Pipeline MLPs
Overweight

Earnings Reported - Full Analysis

DCF/unit	2011A	2012E Curr.	2012E Prior	2013E Curr.	2013E Prior
Q1 (Mar.)	$0.38	**$0.41**	**0.45**	$0.61	
Q2 (June)	0.43	**0.51**	**0.54**	0.62	
Q3 (Sep.)	0.56	**0.59**	**0.55**	0.74	
Q4 (Dec.)	0.40	**0.59**	**0.56**	0.69	
FY	$1.77	$2.09	NC	$2.66	
CY	$1.77	$2.09		$2.66	
FY P/DCF	18.9x	16.0x		12.6x	
Rev.(MM)	$102	$135		$176	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

Ticker	TLLP
Price (02/07/2012)	$33.38
52-Week Range:	$21-35
Shares Outstanding: (MM)	30.5
Market Cap.: (MM)	$1,018.1
S&P 500:	1,347.05
Avg. Daily Vol.:	51,243
Dividend/Yield:	$1.45/4.3%
LT Debt: (MM)	$50.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	14.6%
CY 2012 Est. P/DCF/unit-to-Growth:	1.1x
Last Reporting Date:	02/06/2012 Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

- **Key Takeaways.** TLLP reported Q4 2011 EBITDA of $14.1MM versus our estimate of $15.6MM and consensus of $15.2MM. The slight variance from our forecast was primarily attributable to higher-than-expected operating and maintenance and G&A expenses. TLLP's distribution increase of approximately 4% sequentially (and 7% from its MQD) was in line with expectations. We are maintaining our favorable outlook and Outperform rating on the partnership. TLLP should see a meaningful improvement in cash flow in 2012-13 and accelerate annual distribution growth to about 15-25% over the next two years. Growth is highly visible, in our view, and supported by $100MM of identified, high return investment opportunities in (1) the Bakken Shale, (2) terminalling business and (3) via the pending drop-down of the Martinez terminal.

- **Cost Creep In Q4 Offsets Effect Of Stronger Volumes**. TLLP generated Q4 DCF per unit of $0.40 (versus our estimate of $0.44) and a distribution coverage ratio of 1.1x. The effect of higher-than-expected expenses (primarily due to repairs on the High Plains Pipeline and third-party trucking costs) was partially offset by higher-than-anticipated revenue for the crude oil gathering segment. Revenue exceeded our expectations based on both stronger-than-anticipated throughput and average revenue per bbl. Q4 pipeline volumes averaged 60,064 bbls/d (versus our estimate of 59,530 bbls/d) and average pipeline revenue per bbl increased to $1.37 (versus our estimate and the Q3 rate of $1.35). Trucking volumes also exceeded our expectations and increased 13% sequentially to 27,007 bbls/d (versus our estimate of 23,879 bbls/d).

- **No Change To 2013 Outlook.** Management continues to expect TLLP will generate $100MM of EBITDA in 2013, which is a meaningful increase from the partnership's current run rate of approximately $62MM. In general, the timing of and total identified capex ($100MM) remain unchanged from management's previous guidance communicated on December 5, 2011. However, the projected EBITDA associated with these investments increased from $30MM to $42.5MM, which implies an attractive average EBITDA multiple of 2.4x for TLLP's portfolio of projects. TLLP's 2013 EBITDA guidance also reflects an $8MM benefit from the pending acquisition of the Martinez crude oil marine terminal from TSO. Management indicated that the dropdown remains on track to occur in Q2 2012.

Valuation Range: $35.00 to $37.00
Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 1.25%, and (2) a price-to-DCF multiple of 16.5x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Investment Thesis:
TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year growth outlook from potential drop-down opportunities and organic growth initiatives, and (3) TLLP's low-risk business model. At least 80% of TLLP's distribution is expected to be tax deferred.

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Please see page 7 for rating definitions, important disclosures and required analyst certifications

Company Description:

Tesoro Logistics, L.P. is a publicly traded MLP that owns and operates a crude oil gathering system in the Bakken Shale, eight refined products terminals that primarily serve the Western United States market, and pipeline and storage assets located in Salt Lake City, Utah. The general partner of TLLP is Tesoro Corporation, which is one of the largest independent refiners in the United States.

Other Q4 Takeaways

- Activity levels in the Bakken Shale remain strong. In Q4, TLLP handled incremental volumes primarily through third-party truck carriers, which resulted in higher operating costs. Management plans to increase the utilization of TLLP's proprietary trucking operations in Q1 and add to its fleet in the spring to handle the anticipated ramp-up in volumes. Management's target is to increase the trucking mix to approximately 80-90% proprietary/10-20% third party from about 35% proprietary in Q4 2011.

- Management provided Q1 2012 EBITDA guidance of $14-15MM. Capex should approximate $8MM including $1MM of maintenance capex.

- TLLP plans to fund the Q2 dropdown of the Martinez crude oil terminal with borrowings on its credit facility. The partnership expects to expand the size of its facility to $300MM concurrent with the acquisition.

Q4 2011 Results Modestly Below Our Forecast

TLLP reported Q4 2011 EBITDA of $14.1MM versus our estimate of $15.6MM and consensus of $15.2MM. The slight variance from our forecast was primarily attributable to higher-than-expected operating and maintenance and G&A expenses (i.e. $13.7MM versus our estimate of $10.7MM). The impact of higher Q4 expenses was partially offset by higher-than-anticipated revenue from both the crude oil gathering and terminalling segments (i.e. $27.8MM versus our estimate of $26.2MM). The partnership reported EPU of $0.37 versus our estimate and consensus of $0.40.

Q4 DCF per unit was $0.40 versus our estimate of $0.44. TLLP raised its distribution 3.6% sequentially to $0.3625 per unit, in line with our expectations. Q4 distribution coverage was 1.1x (or excess cash flow of $1.3MM).

Figure 1. TLLP Q4 2011 Results Versus Our Estimates

($MM, except per unit data)	Q3'11A	Q4'11A	Q4'11E	Var ($)	Var (%)
Segment EBITDA					
Crude Oil Gathering	**$7.4**	**$6.6**	$7.4	($0.8)	(10.7%)
Terminalling, Transportation & Storage	**$11.5**	**$9.0**	$9.0	$0.0	0.4%
Other, net	**($1.1)**	**($1.5)**	($0.8)	($0.7)	87.6%
Assumed Drop-Downs	**$0.0**	**$0.0**	$0.0	$0.0	NM
EBITDA	**$17.7**	**$14.1**	15.6	($1.5)	(9.3%)
(-) Interest Expense	**$0.3**	**$0.8**	$0.5	$0.3	64.0%
(-) Maintenance Capex	**$0.3**	**$1.2**	$1.5	($0.3)	(21.9%)
(-) Other	**($0.0)**	**($0.5)**	$0.0	($0.5)	NM
Available Cash Flow	**$17.2**	**$12.6**	$13.6	($1.0)	(7.2%)
(-) GP Interest	**$0.2**	**$0.2**	$0.2	$0.0	0.0%
Total Distributable Cash Flow	**$17.0**	**$12.4**	$13.3	($1.0)	(7.3%)
DCF / Unit	**$0.56**	**$0.40**	$0.44	($0.0)	(7.4%)
Distribution / Unit	**$0.35**	**$0.36**	$0.36	$0.0	0.0%
Coverage Ratio	**1.58x**	**1.12x**	1.20x	NM	NM
Excess Cash Flow	**$6.3**	**$1.3**	2.3	($1.0)	(42.9%)
LP Income / Unit (EPU)	**$0.49**	**$0.37**	$0.40	($0.03)	(7.3%)
Average Units Outstanding	**30.5**	**30.5**	30.5	0.0	0.1%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Crude oil gathering segment EBITDA was $6.6MM versus our estimate of $7.4MM. Q4 expenses were higher than anticipated due to repairs on the High Plains Pipeline and third-party trucking costs. However, revenue exceeded our expectations based on both stronger-than-anticipated pipeline throughput and average revenue per bbl. Q4 pipeline volumes averaged 60,064 bbls/d (versus our estimate of 59,530 bbls/d) and average pipeline revenue per bbl increased to $1.37 (versus our estimate and the Q3 rate of $1.35). Trucking volumes also exceeded our expectations and increased 13% sequentially to 27,007 bbls/d (versus our estimate of 23,879 bbls/d).

Terminalling, transportation and storage segment EBITDA was $9.0MM, which was in line with our forecast. The impact of slightly higher-than-anticipated terminalling volumes of 137,378 bbls/d (compared to our estimate of 134,852 bbls/d) and revenue per bbl of $0.79 (versus our estimate of $0.77) essentially offset the impact of slightly higher-than-forecast operating and maintenance expense in Q4.

2013 EBITDA Guidance Reaffirmed--Dropdown/Projects Remain On Track

Management continues to expect TLLP will generate $100MM of EBITDA in 2013, which is a meaningful increase from the partnership's current run rate of approximately $62MM. The anticipated improvement in cash flow is supported by contributions from approximately $100MM of identified organic growth investments scheduled to be placed in service in 2012-13. In general, the timing of and total capital expenditures remain unchanged from management's previous guidance communicated on December 5, 2011. However, we note that management increased the projected EBITDA associated with these investments to $42.5MM from $30MM due, in part, to higher anticipated volumes for the Stockton terminal storage and LA terminal permit expansion projects. We calculate an attractive average EBITDA multiple of 2.4x for TLLP's portfolio of growth projects.

Figure 2. Identified Growth Capex And Returns

$ in MM	**Growth Capex**	**Projected**	**Completion**
Project	**Total**	**EBITDA**	**Date**
High Plains expansion	$6.0	$5.0	Q2'12
Rangeland interconnect	$1.5	$1.5	Q2'12
Connelly gathering hub	$4.0	$0.0	Q1'12
TSO reimbursement	($4.0)		
Various growth plan projects	$58.0	$18.0	2013
Total Crude Oil Gathering Segment	**$65.5**	**$24.5**	
Ethanol blending	$4.5	$1.0	Q2'11-Q1'12
Los Angeles terminal transmix	$3.0	$0.5	2013
Stockton terminal storage	$10.0	$4.0	Q4'12
Los Angeles terminal permit expansion	$0.0	$2.5	Q1'12
New terminal expansion projects	$18.0	$10.0	2013
Total Terminalling, Transportation and Storage Segment	**$35.5**	**$18.0**	
Total Growth Capex	**$101.0**	**$42.5**	
Average EBITDA Multiple	**2.4x**		

Source: Partnership reports and Wells Fargo Securities, LLC estimates

TLLP's 2013 EBITDA guidance also reflects an $8MM benefit from the pending acquisition of the Martinez crude oil marine terminal from its GP sponsor Tesoro Corp (TSO). Management indicated that the drop-down remains on track to occur in early Q2 2012 but has not disclosed the acquisition price. For modeling purposes, we are assuming an acquisition price of $75MM (or a 9.375x EBITDA multiple).

Outlook For 2012 Unchanged--Introducing Our 2013 Forecast

We are maintaining our 2012 DCF per unit and distribution per unit estimates of $2.09 and $1.61, respectively. TLLP should be able to deliver distribution growth of 16% year over year and generate a solid distribution coverage ratio of 1.3x. For 2012, we forecast TLLP will generate EBITDA of $74.6MM, which represents a 29% ($17MM) increase over proforma 2011 results. The anticipated year-over-year improvement is driven primarily by contributions from the announced dropdown of the Martinez terminal. Our forecast also reflects partial year contributions from $22MM of growth projects scheduled to be placed in service during 2012.

For 2013, we forecast EBITDA and DCF per unit of $109.9MM and $2.66, respectively. We estimate TLLP could deliver distribution growth of 24.3% in 2013 and generate a coverage ratio of approximately 1.3x. Our 2013 forecast is predicated on: (1) an assumed $100MM dropdown in Q1 2013 (at an EBITDA multiple of 10x), (2) a full-year benefit from $22MM of growth projects to be completed in 2012, and (3) a partial-year benefit from $79MM of investments that are expected to be in service in 2013.

Figure 3. Overview Of Our 2012-13 Estimates

($MM, except per unit data)	New 2012E	Old 2012E	Percent Change	2012E
EBITDA				
Crude Oil Gathering	$33.5	$33.2	1.0%	$46.4
Terminalling, Transportation & Storage	$41.1	$38.5	6.8%	$51.5
Other, net	($6.0)	($3.2)	87.5%	($6.0)
Assumed Drop-Downs	$6.0	$6.0	0.0%	$18.0
Total EBITDA	**$74.6**	$74.5	0.2%	**$109.9**
(-) Interest Expense	$4.0	$4.1	(2.9%)	$14.1
(-) Maintenance Capex	$6.3	$5.2	21.7%	$9.3
(-) Other	($0.8)	$0.0	-	($0.8)
Available Cash Flow	$65.1	$65.1	(0.0%)	$87.3
(-) GP Interest	$1.3	$1.3	0.0%	$5.7
Total Distributable Cash Flow	$63.7	$63.8	(0.1%)	$81.7
DCF / Unit	**$2.09**	$2.09	(0.1%)	**$2.66**
Distribution / Unit	$1.61	$1.61	0.0%	$2.00
Coverage Ratio	1.3x	1.3x	-	1.3x
Excess Cash Flow	$14.8	$14.8	(0.2%)	$20.1
Net Income	$60.5	$58.1	4.1%	$81.7
LP Income / Unit (EPU)	$1.93	$1.86	4.1%	$2.47
Average Units Outstanding	30.5	30.5	0.0%	30.7

Source: Wells Fargo Securities, LLC estimates

No Change To Our Valuation Range Of $35-37 Per Unit

Our valuation range is predicated on a combination of a dividend discount model and price-to-DCF multiple. Our DDM yields a valuation of $37 per unit, and assumes a long-term distribution growth rate of 1.25%, and a required rate of return of 8.5%. The low-end of our valuation range reflects a price-to-DCF multiple of about 16.5x our 2012 DCF per unit estimate. Risks to TLLP trading in our valuation range include: a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Figure 4. TLLP Versus Small-Cap Pipeline MLPs

	Current Price	Current Yield	Price/DCF 2012E	Price/DCF 2013E	Distrib. Growth Est. 2012E	Distrib. Growth Est. 3-Year	P/DCF To Growth Ratio
Tesoro Logistics LP	$33.38	4.3%	16.0x	12.5x	15.7%	19.4%	0.6x
Small Cap Pipeline MLP Median		7.1%	11.5x	11.6x	4.3%	3.8%	3.0x

Source: FactSet and Wells Fargo Securities, LLC estimates

TLLP currently yields 4.3% and trades at 2012E and 2013E price-to-distributable cash flow multiples of 16x and 12.5x, respectively. This compares to small cap pipeline MLP peer group medians of 7.1%, 11.5x, and 11.6x respectively.

APPENDIX

Figure 5. TLLP Sources & Uses Of Cash In 2012

	($ in millions)	Q1'12E	Q2'12E	Q3'12E	Q4'12E	2012E
Uses Of Cash	**Growth Spending:**					
	Acquisition spending	-	$75	-	-	$75
	Growth capex spending	$7	$21	$19	$18	$65
	Debt Maturies:					
	Long-term debt maturities	-	-	-	-	-
	Total spending	**$7**	**$96**	**$19**	**$18**	**$140**
Sources Of Cash	**Equity Funding:**					
	Secondary equity issuance	-	-	-	-	-
	Excess cash flow	$1	$1	$3	$5	$11
	Cash on hand and other	-	-	-	-	-
	Debt Funding:					
	Long-term debt issuance	-	-	-	-	-
	Credit facility	$5	$95	$16	$13	$129
	Total financing	**$7**	**$96**	**$19**	**$18**	**$140**
	Credit Metrics:					
	Amount drawn on credit facility	$55	$150	$166	$179	$179
	Letters of credit outstanding	$0	$0	$0	$0	$0
	Utilization	37%	50%	55%	60%	60%
	Liquidity	$245	$150	$134	$121	$121
	Debt-to-EBITDA ratio	**0.8x**	**1.9x**	**2.2x**	**2.3x**	**2.3x**

Source: Partnership reports and Wells Fargo Securities, LLC estimates

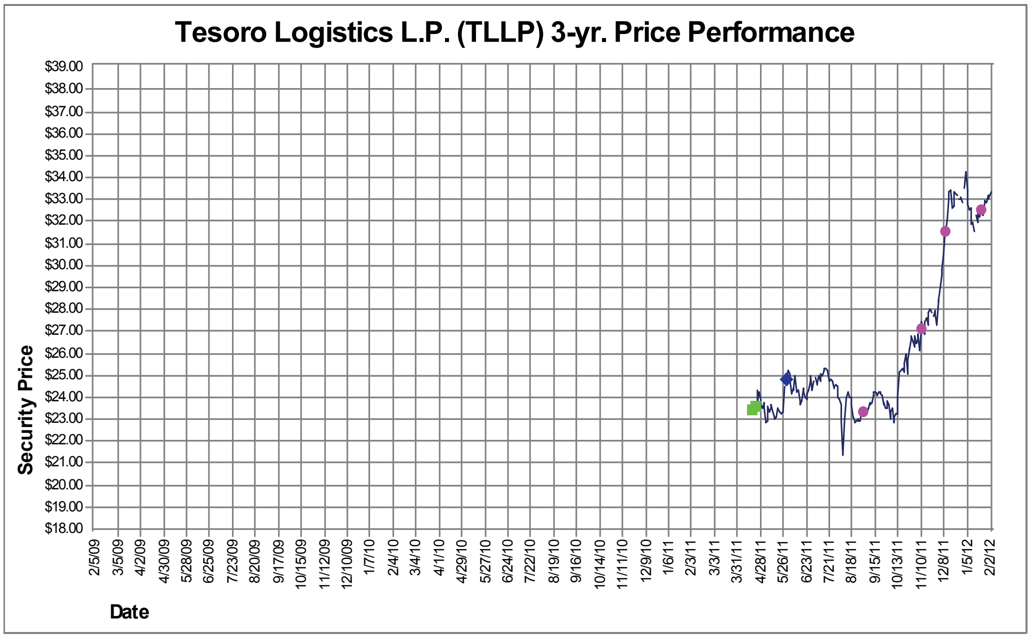
TESORO LOGISTICS, L.P. (TLLP) - OPERATIONAL SUMMARY

Year ended December 31
($ in millions, except for per unit data)

	PF2011A	Q1'12E	Q2'12E	Q3'12E	Q4'12E	FY2012E	Q1'13E	Q2'13E	Q3'13E	Q4'13E	FY2013E	FY2014E	FY2015E	FY2016E
Crude oil gathering	27.4	7.0	7.6	9.1	9.8	33.5	9.2	9.9	13.7	13.7	46.4	58.9	65.2	70.8
% of Total	*47.4%*	*49.0%*	*42.7%*	*43.0%*	*46.0%*	*44.9%*	*39.2%*	*39.3%*	*44.3%*	*45.1%*	*42.2%*	*39.9%*	*37.4%*	*35.4%*
Terminalling, transportation, and storage	35.4	8.8	9.7	11.6	11.1	41.1	11.3	12.3	14.2	13.7	51.5	61.6	67.2	71.9
% of Total	*61.4%*	*61.6%*	*54.5%*	*54.7%*	*51.7%*	*55.1%*	*48.1%*	*48.9%*	*46.0%*	*45.0%*	*46.8%*	*41.7%*	*38.5%*	*36.0%*
Other	(5.1)	(1.5)	(1.5)	(1.5)	(1.5)	(6.0)	(1.5)	(1.5)	(1.5)	(1.5)	(6.0)	(6.0)	(6.0)	(6.0)
Assumed Drop-Downs	-	-	2.0	2.0	2.0	6.0	4.5	4.5	4.5	4.5	18.0	33.0	48.0	63.0
% of Total	*0.0%*	*0.0%*	*11.2%*	*9.5%*	*9.3%*	*8.0%*	*19.2%*	*17.8%*	*14.6%*	*14.8%*	*16.4%*	*22.4%*	*27.5%*	*31.6%*
Total EBITDA	**57.7**	**14.3**	**17.8**	**21.2**	**21.4**	**74.6**	**23.5**	**25.2**	**30.9**	**30.3**	**109.9**	**147.5**	**174.4**	**199.7**
EPU	**$1.51**	**$0.37**	**$0.46**	**$0.55**	**$0.55**	**$1.93**	**$0.56**	**$0.57**	**$0.69**	**$0.64**	**$2.47**	**$2.78**	**$2.78**	**$2.84**
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	31.3	30.5	30.5	30.5	30.7	32.1	33.8	35.3
Distributable Cash Flow (DCF)														
Adjusted EBITDA	57.7	14.3	17.8	21.2	21.4	74.6	23.5	25.2	30.9	30.3	109.9	147.5	174.4	199.7
(-) Interest expense	1.2	0.5	0.8	1.3	1.4	4.0	1.7	3.4	4.5	4.5	14.1	23.2	33.8	42.1
(-) Maintenance capital expenditure	2.0	1.2	1.5	1.8	1.8	6.3	2.0	2.1	2.6	2.6	9.3	12.5	14.8	17.0
(-) Other	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.8)	(0.8)	(0.8)
Available cash flow	55.0	12.7	15.7	18.3	18.4	65.1	20.0	19.9	24.0	23.5	87.3	112.6	126.6	141.4
General Partner's Interest	0.9	0.2	0.3	0.4	0.5	1.3	0.8	1.1	1.5	2.3	5.7	16.3	24.6	31.4
Distributable Cash Flow	54.1	12.5	15.4	17.9	17.9	63.7	19.1	18.9	22.5	21.2	81.7	96.3	102.0	110.0
DCF Per Unit	**$1.77**	**$0.41**	**$0.51**	**$0.59**	**$0.59**	**$2.09**	**$0.61**	**$0.62**	**$0.74**	**$0.69**	**$2.66**	**$3.00**	**$3.02**	**$3.11**
Distribution Declared Per Unit	**$1.39**	**$0.38**	**$0.39**	**$0.41**	**$0.43**	**$1.61**	**$0.46**	**$0.49**	**$0.51**	**$0.54**	**$2.00**	**$2.36**	**$2.58**	**$2.74**
Yr/Yr % Change		*11.1%*	*16.3%*	*17.1%*	*17.9%*	*15.7%*	*22.0%*	*23.6%*	*25.0%*	*26.3%*	*24.3%*	*18.3%*	*9.3%*	*6.2%*
Distribution Coverage	1.3x	1.1x	1.3x	1.4x	1.4x	1.3x	1.3x	1.3x	1.4x	1.2x	1.3x	1.2x	1.1x	1.1x
Excess Cash Flow (Deficit)	11.8	1.1	3.5	5.4	4.9	14.8	4.5	4.1	6.9	4.7	20.1	20.0	14.3	12.7
% of Total Cash Distribution														
General Partner	2.0%	2.0%	2.2%	2.8%	3.6%	2.7%	5.3%	6.7%	8.6%	12.3%	8.4%	17.6%	21.9%	24.4%
Limited Partners	98.0%	98.0%	97.8%	97.2%	96.4%	97.3%	94.7%	93.3%	91.4%	87.7%	91.6%	82.4%	78.1%	75.6%
Capital Expenditures														
Acquisition Capex	-	-	75.0	-	-	75.0	100.0	-	-	-	100.0	150.0	150.0	150.0
Growth Capex	8.8	6.8	20.8	19.3	18.1	64.9	27.7	27.7	12.5	12.5	80.4	50.0	50.0	50.0
Maintenance Capex	2.0	1.2	1.5	1.8	1.8	6.3	2.0	2.1	2.6	2.6	9.3	12.5	14.8	17.0
Total Capex	**10.7**	**8.0**	**97.3**	**21.1**	**19.9**	**146.2**	**129.7**	**29.8**	**15.1**	**15.1**	**189.7**	**212.5**	**214.8**	**217.0**
Credit Metrics														
Equity Issuances	-	-	-	-	-	-	50	-	-	-	50	75	75	75
Total Debt	50	55	150	166	179	179	252	275	283	289	289	393	503	615
TTM EBITDA	58	60	64	67	75	75	84	91	101	110	110	147	174	200
Debt/EBITDA (TTM)	0.9x	0.9x	2.3x	2.5x	2.4x	2.4x	3.0x	3.0x	2.8x	2.6x	2.6x	2.7x	2.9x	3.1x
Pro forma Debt/EBITDA (TTM)	0.9x	0.8x	1.9x	2.2x	2.3x	2.3x	2.5x	2.6x	2.4x	2.2x	2.2x	2.5x	2.7x	2.9x
Debt/ annualized EBITDA	-	1.0x	2.1x	2.0x	2.1x	-	2.7x	2.7x	2.3x	2.4x	-	-	-	-
EBITDA/Interest Expense (TTM)	48.7x	35.4x	25.8x	19.4x	18.5x	18.5x	16.1x	11.7x	9.2x	7.8x	7.8x	6.4x	5.2x	4.7x
EBITDA/Interest Expense	48.7x	27.1x	22.3x	16.2x	15.3x	18.5x	13.6x	7.5x	6.9x	6.8x	7.8x	6.4x	5.2x	4.7x
Maintenance capex as % of EBITDA	3%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

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
●	12/12/2011	31.56	1	31.00	33.00	31.56
●	1/23/2012	32.20	1	35.00	37.00	32.51

Source: Wells Fargo Securities, LLC estimates and Reuters data

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

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

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TESORO LOGISTICS LP

First dropdown expected in 2Q

Raising price target to $36 from $34 on growth visibility and low interest rates. Our double-digit-distribution growth estimates (14.6% in 2012 and 15.1% 3-year CAGR) are supported by $100mm of high-return organic projects in the Bakken and West Coast terminals plus a pending dropdown (we estimate $65mm). Our $36 PT is based on a 12-month distribution run rate of $1.69 (unchanged) and 4.7% target yield (previously 5%). The 30 bps yield compression is due to a slight increase in our 2013 and 2014 distribution estimates and extended low interest rate environment.

4Q results modestly below estimates, but management reiterates 2013 EBITDA guidance of $100mm. EBITDA was $14.1mm vs. our $15.5mm estimate and $15.3mm consensus. Distributable cash flow was $12.6mm vs. our $13.5mm estimate. Variance to our estimates was attributable to higher operating expenses more than offsetting higher crude pipeline and trucking volumes. Costs increased due to higher third-party trucking costs and repairs to the High Plains Pipeline (from last summer rain). Importantly, management maintained 2013 EBITDA guidance of $100mm, representing 60% growth from current run rate of $63mm.

Distribution up 7.4%, Martinez terminal dropdown expected 2Q. The Partnership increased its quarterly distribution 7.4% from the initial distribution in 2Q11 and 3.6% QoQ to $0.3625 per unit ($1.45 annualized). Distribution coverage was 1.11x in 4Q. The Martinez, CA crude oil marine terminal dropdown should take place in early 2Q. Combining our estimate of $65mm for the dropdown and approximately $100mm of organic projects (net of parent reimbursements), TLLP has visible growth from $165mm of expansion capex through 2013 at an attractive blended multiple of less than 3.5x. Given TLLP's low leverage of 1x, we expect expansion capex to be funded with debt and without any equity issuance.

TLLP: Quarterly and Annual EPS (USD)

	2011		2012			2013			Change y/y	
FY Dec	Old	New	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.00A	0.00A	0.40E	0.38E	0.38E	N/A	N/A	0.52E	38%	N/A
Q2	0.25A	0.25A	0.41E	0.42E	0.42E	N/A	N/A	0.55E	68%	N/A
Q3	0.49A	0.49A	0.58E	0.54E	0.50E	N/A	N/A	0.60E	10%	N/A
Q4	0.41E	0.37A	0.55E	0.53E	0.50E	N/A	N/A	0.58E	43%	N/A
Year	1.15E	1.11A	1.93E	1.86E	1.80E	N/A	2.35E	2.21E	68%	26%
P/E		30.1		18.0			14.2			

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

Stock Rating	1-OVERWEIGHT Unchanged
Sector View	2-NEUTRAL Unchanged
Price Target	USD 36.00 raised 6% from USD 34.00

Price (07-Feb-2012)	USD 33.38
Potential Upside/Downside	+8%
Tickers	TLLP

Market Cap (USD mn)	1015
Shares Outstanding (mn)	30.20
Free Float (%)	82.67
52 Wk Avg Daily Volume (mn)	0.1
Dividend Yield (%)	1.8
Return on Equity TTM (%)	34.24
Current BVPS (USD)	3.42

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 34.76-21.07

Link to Barclays Capital Live for interactive charting

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COMPANY SNAPSHOT

Tesoro Logistics LP U.S. MLPs

Income statement ($mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA	38	73	104	122	48.1%
EBIT	30	63	91	107	53.5%
Pre-tax income	35	59	82	95	40.1%
Net income	35	59	82	95	40.1%
Reported EPS	$1.11	$1.86	$2.35	$2.38	29.0%
Diluted shares (m)	31	31	33	35	4.8%
Cash Distribution per Unit	$1.39	$1.59	$1.86	$2.12	15.1%

Balance Sheet and Cash flow ($m)					CAGR
Cash	18	18	8	17	-2%
Net PP&E	139	235	328	416	44.0%
Debt	50	135	200	240	68.7%
Operating cash flow	34	68	95	110	48%
Distributable cash flow	35	63	89	103	43.0%

Valuation and leverage metrics					Average
Distribution coverage ratio %	117.7	127.0	138.4	123.1	127
EV/EBITDA (x)	28.4	14.7	10.2	8.7	15.5
EV/EBITDA less MC, GP (x)	21.8	16.2	11.4	10.1	14.9
Price/DCF(x)	29.8	16.4	12.8	12.5	17.9
EBITDA/interest expense (x)	23.4	16.8	11.3	10.2	15.4
Debt/EBITDA (x)	1.0	1.9	1.9	2.0	1.7

Operating metrics (volumes in 000 bpd)					Average
Crude oil pipeline volumes	57.9	59.9	61.1	62.9	60.4
Trucking volume	24.0	26.0	27.3	28.3	26.4
Terminal volumes	134.0	140.0	141.4	143.5	139.7
Short-haul pipeline volumes	65.6	69.5	72.0	72.7	70.0
Storage capacity (000 bbls)	878	878	886	886	882

Source: Company data, Barclays Capital

Stock Rating	**1-OVERWEIGHT**
Sector View	**2-NEUTRAL**
Price (07-Feb-2012)	**$33.38**
Price Target	**$36**
Ticker	**TLLP**

Investment case

TLLP is a high-growth, relatively low-risk crude oil/refined products pipeline MLP with an attractive mid-teens total return value proposition. Growth supported by organic projects, including the emerging Bakken Shale, and asset drop downs. Stability supported by long-term volume commitments from parent.

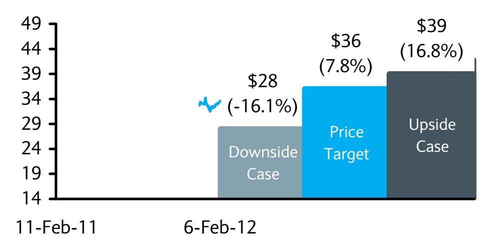
Upside case **$39**

Could see upside from asset dropdown or third party acquisition over next 12 months, which could drive higher growth rate, increasing forward distribution estimate to $1.72 and lowering target yield to 4.4%

Downside case **$28**

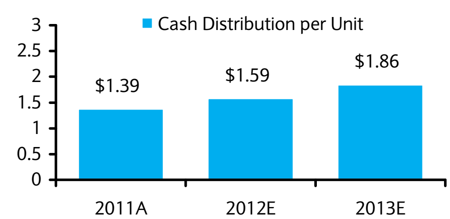
Weakening macro conditions or failure to generate expected returns on current growth projects could increase equity risk premium, increasing target yield to 5.5% and lowering forward distribution estimate to $1.53.

Upside/downside scenarios



Source: FactSet

Cash Distribution per Unit



Note: FY end Dec.

Organic projects and dropdowns support growth

TLLP has approximately $97mm of organic projects (net of parent reimbursements) through 2013. In addition, TLLP plans to do its first dropdown in early 2Q11, which we estimate at $65mm. The combined $162mm of organic projects and dropdown is expected to generate approximately $50mm or an attractive blended multiple of 3.2x (assuming organic projects at 2.3x and dropdown at 8.0x). Cash flow stability from the expansion capex is supported by long-term contracts with TSO.

In December 2011, TLLP announced $80mm of new organic projects, comprised of crude gathering and truck volume expansions in the Bakken and refined product terminal expansions. In the Bakken, TLLP is adding approximately $53mm of new projects to increase crude gathering capacity on its High Plains system and trucking capacity to accommodate TSO's growing demand for Bakken crude. Combining TSO's 10,000 bpd Mandan refinery expansion, 30,000 bpd Anacortes rail project and gathering expansions in the Bakken, TLLP's High Plains system is expected to add 50,000 bpd of new volumes by 2013, raising its total volumes to more than 100,000 bpd.

On the trucking side, TLLP is expanding its fleet and expects volumes to increase 10,000 bpd to 35,000 bpd by 2013. In addition, TLLP lengthened its trucking contract with TSO from 2 years to 5 years and increased minimum volume commitments from 22,000 bpd to 27,000 bpd in 2012 and 32,000 bpd in 2013. The remaining new projects comprise approximately $27mm for terminal expansions at Los Angeles, Stockton and Mandan. Including previously announced storage projects, TLLP plans to invest approximately $40mm on terminal projects through 2013, which is expected to increase volumes by 40,000 bpd to approximately 185,000 bpd.

Figure 1: TLLP Expansion Capex ($ in million)

Project	Capex	EBITDA	multiple	Expected completion
Salt Lake/Burley ethanol blending (a)	0.0	1.0	n/a	2Q11/2Q12 - completed
Connolly gathering (a)	0.0	0.0	n/a	1Q12
Los Angeles terminal permit expansion	0.0	2.5	n/a	1Q12
High Plains Pipeline	6.0	5.0	1.2x	2Q12
Rangeland interconnect	1.5	1.5	1.0x	2Q12
Los Angeles terminal transmix	3.0	0.5	6.0x	2013
Stockton terminal	10.0	4.0	2.5x	4Q12
New terminal expansion projects	18.0	10.0	1.8x	2013
Various growth plan projects	58.0	18.0	3.2x	2013
Total	**96.5**	**42.5**	**2.3x**	

(a) TSO is reimbursing TLLP $4.5mm for ethanol and $4mm for Connolly projects

Source: Company filings

First dropdown expected early 2Q12

Management announced the first dropdown will be the Martinez, CA crude oil marine terminal serving TSO's 166,000 bpd Golden Eagle refinery (TSO's largest refinery). Expected close is early 2Q12. While management did not provide a purchase price (terms still being discussed), we assume a price tag of approximately $65mm based on 8x multiple on EBITDA of $8mm.

The Martinez crude oil marine terminal is comprised of 145,000 bpd of wharf capacity, 425,000 bpd of storage capacity and interconnecting pipes. Similar to other TLLP assets, the Martinez terminal cash flows will be supported by a 10-year contract with TSO with minimum volume commitment for 90% of projected volumes of 70,000 bpd. Given TLLP's high liquidity ($100mm of availability on $150mm revolver) and low leverage (Debt/EBITDA 1x), we expect the dropdown and growth projects to be financed with debt. In addition, TLLP anticipates expanding its revolver from $150mm to $300mm in association with the Martinez dropdown.

4Q Review

Q4 EBITDA $14.1mn vs. our estimate of $15.5mn and consensus $15.3mn. Distributable cash flow was $12.6mn vs. our $13.5mn estimate. Variance to our estimates was attributable to higher operating expenses more than offsetting higher crude pipeline and trucking volumes. Costs increased due to higher third-party trucking costs and repairs to the High Plains Pipeline (from last summer rain). The Partnership increased its quarterly distribution 3.6% QoQ and 7.4% above its initial quarterly distribution, to $0.3625 per unit ($1.45 annualized), above our $0.35 estimate. Distribution coverage came in at 1.11x.

Figure 2: TLLP Operating Metrics

	3Q11	4Q11	% change
Crude oil pipeline volumes (bpd)	59,530	60,064	0.9%
Crude oil pipeline tariff (per barrel)	$1.35	$1.37	1.5%
Crude oil trucking volumes (bpd)	23,879	27,007	13.1%
Crude oil trucking revenue (per barrel)	$2.90	$2.96	2.1%
Terminalling volumes (bpd)	144,997	137,378	-5.3%
Terminalling revenue (per barrel)	$0.78	$0.79	1.3%
Storage capacity reserved (barrels)	878,000	878,000	0.0%
Storage fee (per month)	$0.51	$0.51	0.0%
Short-haul pipeline volumes (bpd)	69,658	64,468	-7.5%
Short-haul pipeline tariff (per barrel)	$0.25	$0.25	-1.6%

Source: Company filings

Crude oil pipeline volumes grew 0.9% over QoQ driven by increased Bakken production. Trucking volumes increased 13.1% QoQ as TLLP utilized more contract carriers. Crude pipeline tariff increased 1.5% to $1.37 and trucking fees increased 2.1% to $2.96. Volumes in the terminalling, transportation and storage segment was down due to seasonally lower demand. As such, Terminal volumes decreased 5.3% and short-haul pipeline volumes declined 7.5% QoQ. Terminal fees increased 1.3% to $0.79 per barrel while short-haul pipe fees declined 1.6%. Storage capacity and fee per month remained flat relative to 3Q.

ANALYST(S) CERTIFICATION(S)

We, Richard Gross and Brian J. Zarahn, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

Tesoro Logistics LP (TLLP, 07-Feb-2012, USD 33.38), 1-Overweight/2-Neutral

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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

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U.S. MLPs

AmeriGas Partners, L.P. (APU)	Atlas Pipeline Partners LP (APL)	Blueknight Energy Partners, L.P. (BKEP)
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Calumet Specialty Products Partners, L.P. (CLMT)	Chesapeake Midstream Partners LP (CHKM)	Constellation Energy Partners LLC (CEP)
Copano Energy LLC (CPNO)	Crestwood Midstream Partners LP (CMLP)	Crosstex Energy LP (XTEX)
DCP Midstream Partners LP (DPM)	Eagle Rock Energy Partners LP (EROC)	El Paso Pipeline Partners, L.P. (EPB)
Enbridge Energy Partners (EEP)	Enduro Royalty Trust (NDRO)	Energy Transfer Equity LP (ETE)
Energy Transfer Partners LP (ETP)	Enterprise Products Prtns LP (EPD)	Exterran Partners LP (EXLP)
Ferrellgas Partners (FGP)	Global Partners LP (GLP)	Holly Energy Partners LP (HEP)

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Linn Energy LLC (LINE)	Magellan Midstream Partners, LP (MMP)	Markwest Energy Partners, LP (MWE)
Memorial Production Partners (MEMP)	Niska Gas Storage Partners LLC (NKA)	NuStar Energy LP (NS)
Oiltanking Partners LP (OILT)	ONEOK Partners LP (OKS)	PAA Natural Gas Storage LP (PNG)
Plains All American Pipeline (PAA)	Regency Energy Partners LP (RGP)	Rose Rock Midstream, L.P. (RRMS)
Spectra Energy Partners, LP (SEP)	Suburban Propane Partners (SPH)	Sunoco Logistics Partners L.P. (SXL)
Targa Resources Partners LP (NGLS)	TC Pipelines, LP (TCLP)	Teekay Offshore Partners LP (TOO)
Tesoro Logistics LP (TLLP)	Vanguard Natural Resources (VNR)	Western Gas Partners LP (WES)
Williams Partners LP (WPZ)		

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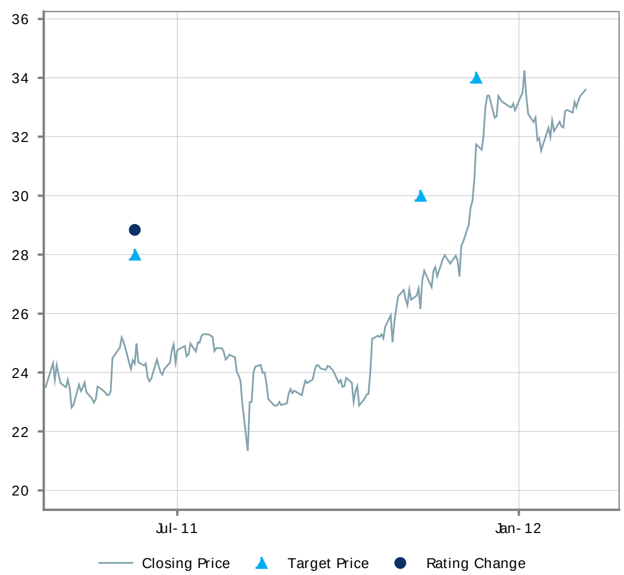
Tesoro Logistics LP (TLLP)

USD 33.38 (07-Feb-2012)

Stock Rating	Sector View
1-OVERWEIGHT	**2-NEUTRAL**

Rating and Price Target Chart - USD (as of 07-Feb-2012)



Link to Barclays Capital Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Price Target
09-Dec-2011	31.74		34.00
09-Nov-2011	26.16		30.00
08-Jun-2011	24.30	1-Overweight	28.00

Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of Tesoro Logistics LP in the previous 12 months.

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Valuation Methodology: Our $36 price target is based on a 12-month distribution run rate of $1.69 and a 4.7% target yield.

Risks which May Impede the Achievement of the Price Target: Customer concentration, rising interest rates, acquisition integration risk, pipeline tariff rates subject to regulatory review, lower refined product demand, lower crude oil production in the Bakken Shale, more stringent energy regulations, construction cost overruns, change in MLP tax status.

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WUNDERLICH SECURITIES

Company Update
Rating: Buy
Price Target: $33.00

TESORO LOGISTICS LP (TLLP: $32.20)

January 23, 2012

Market Data	
12-18 Month Price Target	$33.00
52-Week Range	$34.76 - $21.00
ADTV - 90Day (000s)	52.1
Market Cap ($MM)	$982.3
Shares Out (MM)	30.5
Public Market Float (MM)	13.0
Dividend	$1.45
Dividend/Yield	4.50%

Earnings Per Unit (EPU) ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.42E	–	$0.61E
Q2	$0.25A	–	$0.49E	–	$0.62E
Q3	$0.49A	–	$0.57E	–	$0.63E
Q4	$0.38E	–	$0.56E	–	$0.62E
YEAR	$1.12E	–	$2.04E	–	$2.48E

Distribution Per Unit ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	$0.370	$0.375E	–	$0.430E
Q2	$0.245A	$0.380	$0.388E	–	$0.450E
Q3	$0.350A	–	$0.400E	–	$0.470E
Q4	$0.363A	$0.410	$0.413E	–	$0.480E
YEAR	$0.957A	$1.560	$1.575E	–	$1.830E

Valuation Ratio

	FY11	FY12	FY13
Debt/EBITDA	1.2x	0.6x	0.5x
EBITDA/Interest	24.8x	46.8x	58.9x
EV/EBITDA	24.0x	12.7x	10.1x
P/DCF	25.4x	14.5x	12.4x

Financial Data

	FY11	FY12	FY13
EBITDA	$42.2E	$79.6E	$100.1E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$166.3E	$286.9E	$309.8E
Long Term Debt	$50.0E	$155.0E	$155.0E
Total SOE and Liab.	$166.3E	$286.9E	$309.8E

Company Description

Tesoro Logistics is a master limited partnership that gathers, transports, and stores crude oil and distributes, transports, and stores refined products. Its assets consist of a crude oil gathering system in the Bakken Shale/ Williston Basin area, eight refined products terminals, and a crude oil and refined products storage facility and five related short-haul pipelines.

Distribution Above Our Forecast; Long-Term Growth Looks Strong

Summary

Tesoro Logistics LP (TLLP) announced its fourth quarter distribution, which was above our forecast. We believe Tesoro will be among the leaders in distribution growth over the next several years, including estimated 2013 distribution growth at 16.2%. In addition, the partnership should benefit from its organic growth capital spending and potential dropdown acquisitions. We have a Buy rating on Tesoro's units and a $33/unit price target.

Key Points

- **Distribution.** Tesoro announced a distribution of $0.3625/unit ($1.45/unit annualized) for the fourth quarter of 2011. The distribution will be paid February 13, 2012, to all unitholders of record on February 3, 2012. The distribution represents a 3.6% increase over the $0.35/unit ($1.40/unit annualized) for the third quarter of 2011.
- **Our take.** The distribution was above our estimate. We believe Tesoro will be able to grow its operations through dropdown acquisitions and potentially benefit from Tesoro Corporation's (TSO-NR) desire to expand its logistics asset base. The partnership could also benefit from undertaking organic growth projects and joint acquisitions with Tesoro Corporation. We believe Tesoro has various opportunities for growth that should enable it to increase its distribution.
- **Distribution estimates.** We are increasing our 2012 distribution estimate to $1.575/unit from $1.56/unit and maintaining our 2013 distribution estimate at $1.83/unit. Our estimates provide a 16.2% growth rate in 2013. This compares quite favorably to the 6.5% estimated average growth in 2013 for liquids-based partnerships under our coverage. Our distributable cash flow estimates are $2.22/unit for 2012 and $2.60/unit in 2013, which equates to coverage ratios of 1.4x for both years.
- **Earnings.** Tesoro plans to release its earnings for the fourth quarter 2011 after the market closes on February 6, 2012. The partnership will hold a conference call regarding fourth quarter results on February 7, 2012, at 8:30 a.m. EST (7:30 a.m. CST). We expect some seasonality for Tesoro's fourth quarter earnings, which could dip slightly below the third quarter's results.
- **Investment thesis.** We believe Tesoro will be among the leaders in distribution growth over the next several years, including estimated 2013 distribution growth at 16.2%. In addition, the partnership should benefit from its organic growth capital spending and potential dropdown acquisitions. The partnership's assets are well-postioned to take advantage of growing production from the Bakken Shale.

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For Required Disclosures and Reg AC, please see page 3 of report

Figure 1 – Tesoro Logistics – Model

$ in millions except per unit data	1Q11	2Q11	3Q11	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	15.7	12.4	**35.7**	13.8	16.8	19.5	19.4	**69.5**	21.1	21.7	22.0	21.8	**86.7**
Interest expense, net	-	(0.5)	(0.6)	(0.6)	**(1.7)**	(0.8)	(1.6)	(1.7)	(1.9)	**(5.950)**	(1.9)	(1.9)	(1.9)	(1.9)	**(7.5)**
Other income	-	0.8	0.0	0.0	**0.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Pre-tax income	-	7.9	15.1	11.8	**34.9**	13.0	15.2	17.8	17.5	**63.5**	19.2	19.9	20.2	19.9	**79.2**
Income Tax	-	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Net Income	**-**	**7.9**	**15.1**	**11.8**	**34.9**	**13.0**	**15.2**	**17.8**	**17.5**	**63.5**	**19.2**	**19.9**	**20.2**	**19.9**	**79.2**
Net Income to General Partner	-	0.2	0.3	0.2	**0.7**	0.3	0.3	0.4	0.5	**1.4**	0.6	0.8	1.0	1.1	**3.5**
Net Income to Limited Partners	**-**	**7.7**	**14.8**	**11.6**	**34.2**	**12.7**	**14.9**	**17.4**	**17.0**	**62.1**	**18.6**	**19.0**	**19.2**	**18.8**	**75.7**
Net Income/Unit (Limited)	**-**	**$0.25**	**$0.49**	**$0.38**	**$1.12**	**0.42**	**$0.49**	**$0.57**	**$0.56**	**$2.04**	**0.61**	**$0.62**	**$0.63**	**$0.62**	**$2.48**
Limited Partnership Units	-	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**
EBITDA (total)	**-**	**10.0**	**17.7**	**14.5**	**42.2**	**15.8**	**19.4**	**22.2**	**22.2**	**79.6**	**24.4**	**25.1**	**25.5**	**25.2**	**100.1**
EBITDA (Limited Partners)	**-**	**9.9**	**17.4**	**14.2**	**41.5**	**15.5**	**19.1**	**21.8**	**21.8**	**78.2**	**23.8**	**24.3**	**24.5**	**24.1**	**96.6**
Other	-	(0.0)	(0.3)	(0.4)	**(0.7)**	(0.5)	(0.9)	(1.0)	(1.1)	**(3.6)**	(1.8)	(1.8)	(1.8)	(1.8)	**(7.1)**
Maintenance CAPEX	-	(0.3)	(0.3)	(1.5)	**(2.1)**	(1.2)	(1.1)	(2.1)	(2.1)	**(6.6)**	(2.3)	(2.3)	(2.3)	(2.3)	**(9.4)**
Distributable Cash Flow	-	9.7	17.2	12.6	**39.5**	14.1	17.3	19.0	19.0	**69.4**	20.3	21.0	21.4	21.1	**83.7**
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	**(0.8)**	(0.3)	(0.3)	(0.5)	(0.5)	**(1.6)**	(0.8)	(1.0)	(1.3)	(1.4)	**(4.4)**
Distributable Cash Flow (LP)	-	9.5	16.8	12.3	**38.7**	13.8	17.0	18.6	18.4	**67.8**	19.5	19.9	20.1	19.7	**79.3**
Distributable Cash Flow/Unit	**-**	**$0.31**	**$0.55**	**$0.40**	**$1.27**	**0.45**	**$0.56**	**$0.61**	**$0.60**	**$2.22**	**0.64**	**$0.65**	**$0.66**	**$0.65**	**$2.60**
Distribution		$0.2448	$0.3500	$0.3625	**$0.9573**	$0.3750	$0.3875	$0.4000	$0.4125	**$1.5750**	$0.4300	$0.4500	$0.4700	$0.4800	**$1.8300**
Coverage Ratio					**1.3x**					**1.4x**					**1.4x**
Distribution Growth															**16.2%**
Debt/EBITDA										**1.9x**					**1.5x**
EBITDA/Interest Expense										**13.4x**					**13.4x**

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Disclosures:

Analyst Certification

I John R. Cusick, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- We have a Buy rating on TLLP and a $33 price target. Our price target is derived through a two-stage distribution discount model, which assumes a required rate of return of 8% and a long-term growth rate of 2.0%. Our terminal value in 2016 is $38.08.
- MLPs are tax-advantaged investments. Congress or the IRS could decide to remove these tax benefits. This is the biggest risk to all MLPs.

General disclosures:

Prices are as of the close of 01/20/12.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	148	64.10	21	14.19
Hold -rated	79	34.20	7	8.86
Sell -rated	4	1.70	0	0.00

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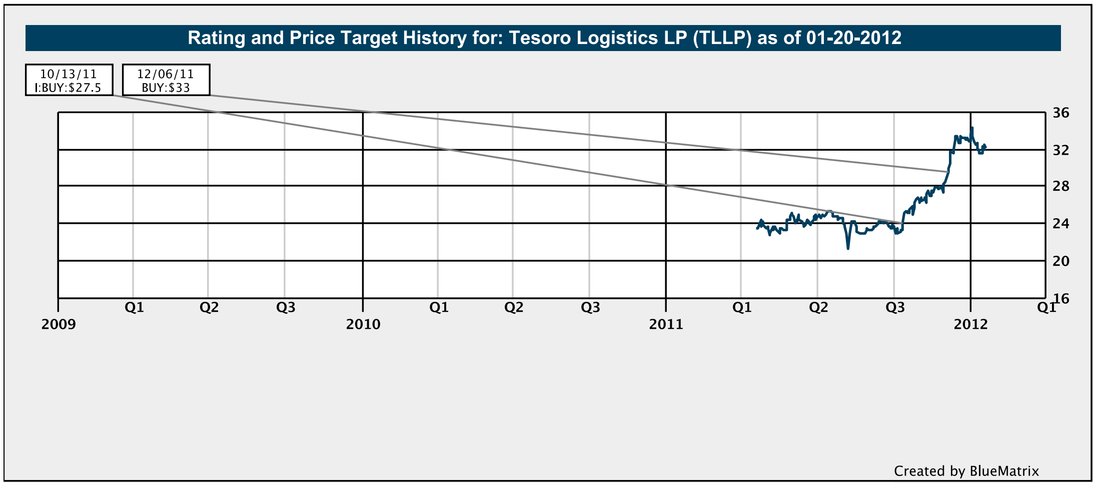

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WELLS FARGO SECURITIES

Equity Research

Tesoro Logistics L.P.

TLLP:Bakken Opportunities Accelerating Growth-Raising Val & Ests

Outperform / V

Sector: Small Cap Pipeline MLPs
Overweight

- **Key Takeaways.** TLLP is poised to deliver one of the highest distribution growth rates in the MLP sector (i.e. estimated five-year CAGR of 14.1% versus a median of 5.8% for all MLPs under coverage). Near-term growth is highly visible and supported by the announced dropdown of the Martinez marine terminal and organic growth initiatives in 2011-13 primarily driven by activities in the Bakken Shale. Although the anticipated EBITDA contribution from TLLP's first acquisition from GP sponsor Tesoro Corporation (TSO) is slightly below our previous forecast (i.e. $8MM versus $10MM), TLLP's growth capex budget of $100MM for 2011-13 is well above our previous estimate of $68MM. TLLP anticipates its 2013E EBITDA of about $100MM, equal to a 61% increase from the current $62MM run rate. Given TLLP's enhanced growth outlook, we are raising our valuation range by $5 to $31-33 per unit to reflect a higher estimated five-year distribution CAGR of 14.1% versus 10.0% previously. We are also increasing our 2012E DCF per unit to $2.10 from $1.98 to reflect higher estimated volumes for the High Plains System and TLLP's terminals segment based on announced projects. We maintain our favorable outlook on TLLP. TLLP's above-average growth prospects are supported by its participation in the development of Bakken shale infrastructure and additional potential dropdowns.
- **Organic Investments Should Yield Attractive Returns And Significant Volume Growth**. TLLP plans to invest $100MM of growth capex through 2013 and expects the projects will generate $30MM of EBITDA, implying an attractive average multiple of 3.3x. TLLP has earmarked 60% of spending to grow its Bakken business, which should increase gathering volumes by 50Mbbls/d (i.e. total estimated volumes to exceed 100Mbbls/d versus 59.5Mbbls/d in Q3 2011) and trucking volumes by 11Mbbls/d (i.e. total estimated volumes of 35Mbbls/d versus 23.9Mbbls/d in Q3 2011) by 2013. The remaining $40MM of growth capex is related to projects to expand TLLP's terminal capacities and services, which should increase volumes by more than 40Mbbls/d by year-end 2013.
- **First Drop-Down Transaction Should Be Highly Accretive**. TLLP plans to acquire the Martinez marine terminal. TLLP projects annual EBITDA of $8MM from the asset. Assuming an acquisition cost of $75MM, this implies an EBITDA multiple of 9.4x. We estimate the acquisition could be $0.17 accretive to DCF per unit based on TLLP's financing plans (100% with its credit facility).

Earnings Estimates Revised Up

	2010A	2011E		2012E	
DCF/unit		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	NA	$0.38 A	NC	**$0.45**	**0.49**
Q2 (June)	NA	0.43 A	NC	**0.54**	**0.48**
Q3 (Sep.)	NA	0.56 A	NC	**0.55**	**0.51**
Q4 (Dec.)	NA	0.44	NC	**0.56**	**0.50**
FY	NA	$1.81	NC	**$2.10**	**1.98**
CY	NA	$1.81		$2.10	
FY P/DCF	NM	17.4x		15.0x	
Rev.(MM)	NE	$101		$131	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

Ticker	TLLP
Price (12/12/2011)	$31.56
52-Week Range:	$21-32
Shares Outstanding: (MM)	30.5
Market Cap.: (MM)	$962.6
S&P 500:	1,236.47
Avg. Daily Vol.:	47,594
Dividend/Yield:	$1.40/4.4%
LT Debt: (MM)	$50.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	14.0%
CY 2011 Est. P/DCF/unit-to-Growth:	1.2x
Last Reporting Date:	11/08/2011 Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Valuation Range: $31.00 to $33.00 **from $26.00 to $28.00**
Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 9% and a long-term growth rate of 1.25%, and (2) a price-to-DCF multiple of 15x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Investment Thesis:
TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year growth outlook from potential drop-down opportunities and organic growth initiatives, and (3) TLLP's low-risk business model. At least 80% of TLLP's distribution is expected to be tax deferred.

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Please see page 9 for rating definitions, important disclosures and required analyst certifications

Company Description:

Tesoro Logistics, L.P. is a publicly traded MLP that owns and operates a crude oil gathering system in the Bakken Shale, eight refined products terminals that primarily serve the Western United States market, and pipeline and storage assets located in Salt Lake City, Utah. The general partner of TLLP is Tesoro Corporation, which is one of the largest independent refiners in the United States.

Raising TLLP Valuation To $31-33 Per Unit On Accelerated Distr. Growth Outlook

We are raising our valuation range to $31-33 from $26-28 per unit to reflect a higher forecast five-year distribution compound annual growth rate (CAGR) of 14.1% versus our previous estimate of 10.0%. Our accelerated distribution growth outlook is supported by TLLP's higher-than-anticipated growth capex budget for 2011-13 (i.e. $100MM versus our previous estimate of $68MM), which is also expected to generate a more-attractive average return relative to our previous assumption (i.e. EBITDA multiple of 3.3x versus our previous estimate of 3.8x). For 2011-16, we are now forecasting total growth capex of $299MM at an average return of 4.3x EBITDA, up from our previous estimate of $143MM of expenditures at an average return of 4.7x EBITDA.

We are also assuming TLLP's first dropdown (i.e. the Martinez crude oil marine terminal) will be a $75MM acquisition (or a 9.375x EBITDA multiple) to be completed by Q2 2012 versus our previous assumption of a $100MM transaction consummated at a 10x EBITDA multiple in Q1 2012. We continue to forecast a $100MM dropdown in 2013 and $150MM of annual dropdowns at an EBITDA multiple of 10x in 2014-16.

Our valuation range of $31-33 per unit is predicated on a combination of a dividend discount model (DDM) and price-to-DCF multiple. Our DDM yields a valuation of $33 per unit, and assumes a long-term distribution growth rate of 1.25%, and a required rate of return of 9.0%. The low-end of our valuation range reflects a price-to-DCF multiple of about 15x our 2012 DCF per unit estimate of $2.10. Risks to the units trading below our range include slower-than-forecast rate of acquisitions, dependence on TSO, and geographic concentration.

Figure 1. Summary Of Changes To TLLP Distribution Growth Estimates

$ in millions	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**	**Total/Avg**
REVISED:							
Growth capex assumptions	$10	$64	$75	$50	$50	$50	**$299**
Investment multiple							**4.3x**
Associated EBITDA							**$70**
Drop-downs	$0	$75	$100	$150	$150	$150	**9.9x**
Adjusted DCF per unit	$1.81	$2.10	$2.66	$2.65	$2.78	$2.89	
Distribution per unit	**$1.39**	**$1.61**	**$2.00**	**$2.35**	**$2.52**	**$2.68**	
% y/yr distribution growth	*3%*	*16%*	*24%*	*18%*	*8%*	*6%*	**14%**
Distribution coverage ratio	1.3x	1.3x	1.3x	1.1x	1.1x	1.1x	1.2x
PREVIOUS:							
Growth capex assumptions	$12	$31	$25	$25	$25	$25	**$143**
Investment multiple							**4.7x**
Associated EBITDA							**$31**
Drop-downs	$0	$100	$100	$150	$150	$150	**10.0x**
Adjusted DCF per unit	$1.81	$1.98	$2.18	$2.29	$2.36	$2.43	
Distribution per unit	**$1.39**	**$1.59**	**$1.83**	**$2.04**	**$2.15**	**$2.23**	
% y/yr distribution growth	*3%*	*15%*	*15%*	*11%*	*6%*	*4%*	**10%**
Distribution coverage ratio	1.3x	1.2x	1.2x	1.1x	1.1x	1.1x	1.2x

Source: Wells Fargo Securities, LLC estimates

TLLP currently yields 4.4% and trades at 2011E and 2012E price-to-distributable cash flow multiples of 17.5x and 15.1x, respectively. This compares to small-cap pipeline MLP peer group medians of 7.2%, 10.9x, and 9.6x respectively. On a price/DCF-to-growth (analogous to PEG) basis, TLLP is trading at an attractive ratio of 0.8x, in our view, versus the peer median of 2.1x.

Figure 2. TLLP Versus Peer Group

	Current Price	Current Yield	Price/DCF 2011E	Price/DCF 2012E	Distrib. Growth Est. 2012E	Distrib. Growth Est. 3-Year	P/DCF To Growth Ratio
Tesoro Logistics LP	$31.56	4.4%	17.5x	15.1x	15.7%	19.1%	0.8x
Small Cap Pipeline MLP Median		7.2%	10.9x	9.6x	4.6%	4.7%	2.1x

Source: FactSet and Wells Fargo Securities, LLC estimates

Our Distribution Forecast Could Prove Conservative Based On TLLP's Target Coverage Ratio

TLLP targets a distribution coverage ratio of 1.1x. Based on our 2012 and 2013 coverage ratio forecasts of 1.3x, this suggests that annual distribution growth in 2012 and 2013 could exceed our estimates of 16% and 24%, respectively, if management opts to pay out more cash flow, in line with its coverage target. We estimate that TLLP could increase its 2012 and 2013 distribution per unit by 32% and 20%, respectively, assuming a distribution coverage ratio of 1.1x. Under this scenario, however, the projected five-year distribution CAGR remains 14%, as TLLP's higher near-term growth potential is essentially offset by lower growth rates for the later years. Hence, our DDM-based valuation of $33 per unit would be unchanged.

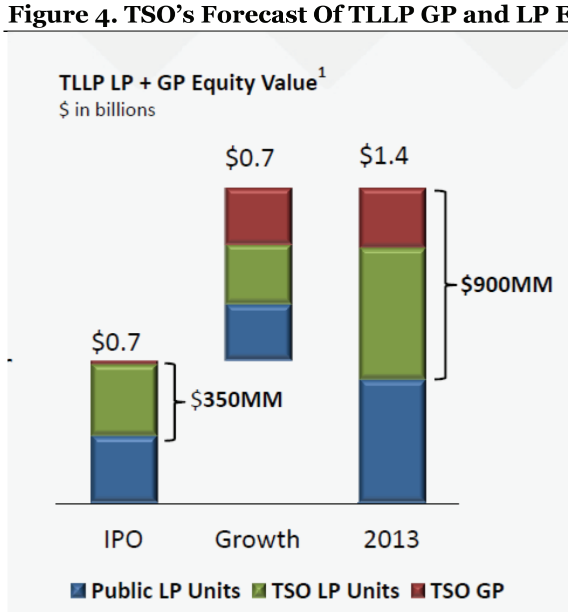
Figure 3. TLLP Distribution Growth Estimates Assuming A Coverage Ratio Of 1.1x

$ in millions	2011E	2012E	2013E	2014E	2015E	2016E	Total/Avg
Distribution per unit	**$1.39**	**$1.84**	**$2.21**	**$2.33**	**$2.45**	**$2.65**	
% y/yr distribution growth	*3%*	*32%*	*20%*	*5%*	*5%*	*8%*	**14%**
Distribution coverage ratio	1.3x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x

Source: Wells Fargo Securities, LLC estimates

Notably, TSO's analyst/investor day presentation on December 5, 2011, contains a slide on the company's expectations for the equity value of TLLP to increase to $1.4B in 2013 from $0.7B at its IPO. Growth of $0.7B in value appears to be split about two-thirds to the LP units and one-third to the GP, which implies an incremental GP equity value of approximately $235MM. Assuming a cash flow multiple of 22x for the GP, this would imply approximately $11MM of distributions to the GP in 2013. This is in line with the estimated distributions to the GP based on a 2013 distribution per unit of $2.21 assuming a distribution coverage ratio of 1.1x (see Figure 3). Assuming a 2013 GP equity value of about $235MM, the 2013 LP equity value would approximate $1.165B, or $38.18 per LP unit ($1.165B/30.5MM units). Based on a 2013 distribution per unit of $2.21 (under the 1.1x coverage scenario) and a stock price of $38.18 for TLLP, this implies a yield of 5.8% versus the current yield of 4.4%.

Figure 4. TSO's Forecast Of TLLP GP and LP Equity Value



Note 1: Expected equity value assumes current public valuation multiples and execution of the 2012 TLLP business plan.

Source: Tesoro Corporation

$100MM Of Organic Investments Should Yield Attractive Returns And Significant Volume Growth

TLLP plans to invest $100MM of growth capex through 2013 and expects the projects will generate an incremental $30MM of EBITDA, which implies an attractive average multiple of 3.3x. The partnership has earmarked 60% of the expenditures to grow its Bakken business (High Plains System), which should result in an increase of about 50Mbbls/d in gathering volumes (i.e. total estimated volumes to exceed 100MBbls/d versus 59.5Mbbls/d in Q3 2011) and an increase of about 11Mbbls/d in trucking volumes (i.e. total estimated volumes of 35Mbbls/d versus 23.9Mbbls/d in Q3 2011) by 2013. The remaining $40MM of growth capex are related to projects to expand TLLP's terminal capacities and services, which should increase volumes by more than 40Mbbls/d by year-end 2013.

Figure 5. Estimated Capex/EBITDA Multiples Through 2013

($ in MM, except multiples)	Crude Oil Gathering	Terminalling, Transportation, and Storage
Previously Identified Growth Capex	7.5	17.5
New Budgeted Growth Capex	52.5	22.5
Total Growth Expenditures	**$60**	**$40**
EBITDA From Previously Identified Growth Capex	6.5	5.0
EBITDA From New Budgeted Growth Capex	16.0	2.5
Total EBITDA	**$22.5**	**$7.5**
Est. EBITDA Multiple For Previously Identified Capex	1.2x	3.5x
Est. EBITDA Multiple For New Budgeted Capex	3.3x	9.0x
Average EBITDA Multiple	**2.7x**	**5.3x**
Total Estimated EBITDA Multiple		**3.3x**

Source: Partnership reports

Crude Oil Gathering (High Plains System). TLLP has budgeted growth capex of $60MM tied to organic growth opportunities in the Bakken Shale, which is expected to generate $20-25MM of incremental EBITDA. TSO is undertaking an expansion of its Mandan Refinery to increase the capacity to 68Mbbls/d from 58Mbbls/d in H1 2012. As the primary source of supply to the refinery, TLLP's High Plains System should realize a 10Mbbls/d increase in gathering volumes when the expansion is placed in service. Additionally, TSO is constructing a unit train (loading and unloading facilities and dedicated rail cars) to deliver up to 30Mbbls/d of Bakken crude oil to its Anacortes refinery by the end of 2012. Management anticipates that this project should result in an increase of 30Mbbls/d in High Plain's volumes and the assets (when completed) would be added to TLLP's portfolio of dropdown candidates. TLLP also plans to invest capital to connect the High Plains System to alternative destinations, which should add 10Mbbls/d of throughput beginning in 2012.

The partnership intends to expand its trucking fleet to help alleviate takeaway constraints in the Bakken. Management expects trucking volumes will increase to 35Mbbls/d from 23.9Mbbls/d in Q3 2011. Notably, TLLP has amended its trucking agreement with TSO, which provides for a longer term and higher fixed minimum volume commitments. The partnership is to charge a mileage-based trucking rate, ranging from $1.95-4.71 per barrel, and a dispatch fee of $0.50-0.55 per barrel instead of a per barrel-based trucking rate, which we estimate is $2.72 per barrel currently. The mileage-based rate is to be adjusted annually based on the rates of third-party trucking carriers transporting crude oil in Montana and North Dakota (subject to certain stated restrictions).

Figure 6. Amendments To TLLP's Trucking Contract With TSO

	Current Trucking Agreement	New Trucking Agreement
Term	2 years	5 years
Renewals	4 x 2 years	1 x 5 years
Fixed Min Volume Commitment (MVC)	22,000 bpd	+5,000 bpd - April 2012 +5,000 bpd - April 2013
Fee Escalators	Annual CPI	Annual Benchmark Adjustments

Note: No changes to refinery shutdown or force majeure termination provisions
Source: Partnership reports

Crude Oil Takeaway Constraints Are Creating Increased Gathering Opportunities

Similar to TLLP, other MLPs have benefitted from higher lease gathering margin in areas where crude oil production is regionally constrained. Demand for infrastructure to transport crude production to market has increased, particularly in the new emerging shale plays. This demand has increased the value of the crude/lease gathering services, allowing crude gatherers (such as Plains All American Pipeline, L.P. [PAA] and Sunoco Logistics Partners, L.P. [SXL]) to increase margin for gathered barrels. The increase in demand for crude lease gathering services is also being driven, in part, by the spread between WTI and Brent (or LLS) crude prices, incentivizing producers to pay a premium to deliver their production barrels to market.

MLPs have responded to the increase in takeaway demand by expanding crude gathering infrastructure; for example, several MLPs have ordered additional crude gathering trucks. PAA intends to expand its fleet by 34%, adding 180 trucks in 2011 to a current fleet of 530 trucks within its supply and logistics segment. SXL plans to expand its truck fleet to 200 by year-end from approximately 140.

We anticipate logistical constraints in crude oil shale plays to persist over the next 12-18 months as regional production outpaces takeaway capacity. While lease gathering margin could decline as additional trucks are placed into service, we believe overall lease gathering cash flow should remain at elevated levels in 2012 as MLPs would essentially be swapping margin for higher volume. Given the recurring nature of this margin, we believe MLPs are likely to pay out the increase in lease gathering profits in the form of higher distributions.

Terminalling, Transportation, And Storage. TLLP is investing $40MM of growth capex through 2013 to expand its terminal capacities and services. The investments should generate $5-10MM of incremental EBITDA and increase terminalling volumes by more than 40Mbbls/d by year-end 2013. The partnership plans to expand the capacity at the Los Angeles, Mandan, and Stockton terminals and grow third-party volumes at Boise, Burley, Vancouver, and Stockton. The partnership also plans to continue its infrastructure optimization efforts (e.g. Los Angeles) and has been successfully in generating an incremental 20Mbbls/d in volumes thus far in 2011.

Details On First Dropdown--Martinez Crude Oil Marine Terminal

TLLP plans to acquire the Martinez Crude Oil (Golden Eagle) Marine Terminal located in Martinez, California, from its GP sponsor TSO. The terminal is located on the Sacramento River near the Golden Eagle Refinery (see description below) and has access to the San Francisco Bay. Assets include a dock, five crude oil storage tanks with 425Mbbls of capacity, and related pipelines. The facility supplies TSO's Golden Eagle refinery and Martinez Terminal with crude oil from marine vessels. The wharf capacity is 145Mbbls/d. The projected volume is 70Mbbls/d (48% utilization) and compares to average crude oil throughput of 49.8Mbbls/d in 2010. TLLP has secured a ten-year (with two five-year renewals) fee-based agreement with TSO with a minimum volume commitment on 90% of projected volumes. The transaction is expected to close in early 2012, and is to be funded through the partnership's revolving credit facility.

Acquisition Should Be Highly Accretive To DCF

Management projects annual EBITDA from the Martinez terminal asset to be $8MM and annual maintenance capex to approximate $0.5MM. Assuming an acquisition cost of $75MM, this implies an EBITDA multiple of 9.4x. Notably, we estimate a $75MM cost for the dropdown based on management's guidance of $1.5MM of incremental annual DD&A expense and the implied average depreciable life of 50 years assumed for TLLP's identified growth projects (i.e. $1.5MM x 50 years=$75MM). Our previous model incorporated a $100MM dropdown in Q1 2012 at an EBITDA multiple of 10.0x.

We estimate the acquisition could be about $0.17 accretive to DCF per unit predicated on the partnership's financing plans (i.e. 100% with its credit facility). Our accretion forecast assumes 2012 annualized EBITDA of $8MM, in line with guidance, 100% short-term financing, an average interest rate of 3.1% on TLLP's revolving credit facility, and maintenance capex of $0.5MM (or 6.25% of EBITDA), in line with guidance. Notably, we estimate the accretion to DCF per unit decreases to about $0.08 assuming 50% equity/50% debt financing at a yield of 4.4% and long term interest rate of 7.5%.

Figure 7. Estimated DCF Accretion

DCF Accretion Assuming Long-Term Financing	
Financial Impact ($MM):	**FY2012**
EBITDA	$8.0
(-) Maintenance capex	$0.5
(-) Interest expense	$2.8
Available cash flow	$4.7
(-) Incremental GP distribs.	$0.0
Distributable cash flow	$4.6
DCF per unit accretion	**$0.08**
50% equity, 50% LT debt at 7.5%	

DCF Accretion Assuming Current Financing	
Financial Impact ($MM):	**FY2012**
EBITDA	$8.0
(-) Maintenance capex	$0.5
(-) Interest expense	$2.3
Available cash flow	$5.2
(-) Incremental GP distribs.	$0.0
Distributable cash flow	$5.2
DCF per unit accretion	**$0.17**
100% ST debt at 3.1%	

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Overview of TSO's Martinez Refinery

TSO's Martinez, California, (Golden Eagle) refinery is located approximately 30 miles northeast of San Francisco on 2,206 acres in Martinez, California. It is TSO's largest refinery and the second-largest refinery in northern California, with 166Mbbls/d of refining capacity. In 2010, the Martinez refinery processed an average of 124Mbbls/d of crude oil and other feedstock. It produces transportation fuels including CARB gasoline, CARB diesel fuel, conventional gasoline, diesel fuel, heavy fuel oils, LPG, and petroleum coke.

The Martinez refinery receives crude oil from numerous proprietary and third-party assets. It receives foreign, Alaskan, and California crude oil through its two marine terminals, which have access to the San Francisco Bay, and third-party pipelines. Martinez's refined products are distributed through TLLP's Stockton and soon to be acquired Martinez terminals, TSO's marine and refined products terminal, and third-party terminals.

Balance Sheet/Liquidity Update

The partnership had $118MM of liquidity (including cash) as of the end of Q3 2011. TLLP's 2012 total debt should approximate $177MM (i.e. $51MM outstanding at year-end 2011, $75MM for the Martinez terminal acquisition, and $51MM of 2012 organic capex spending net of excess cash flow. We believe that TLLP will exercise the accordion feature of its credit facility to increase the size to $300MM. This would provide the partnership with the flexibility to undertake additional acquisitions and organic growth initiatives without issuing long-term debt or equity next year. We forecast that the partnership could end 2012 with a pro forma debt-to-EBITDA ratio of 2.3x.

Figure 8. Overview Of 2012 Sources And Uses Of Cash

	($ in millions)	Q1'12A	Q2'12E	Q3'12E	Q4'12E	2012E
Uses Of Cash	**Growth Spending:**					
	Acquisition spending	-	$75	-	-	$75
	Growth capex spending	$18	$17	$15	$14	$64
	Debt Maturities:					
	Long-term debt maturities	-	-	-	-	-
	Total spending	**$18**	**$92**	**$15**	**$14**	**$139**
Sources Of Cash	**Equity Funding:**					
	Secondary equity issuance	-	-	-	-	-
	Excess cash flow	$2	$2	$4	$4	$13
	Cash on hand and other	-	-	-	-	-
	Debt Funding:					
	Long-term debt issuance	-	-	-	-	-
	Credit facility	$16	$90	$11	$10	$126
	Total financing	**$18**	**$92**	**$15**	**$14**	**$139**
	Credit Metrics:					
	Amount drawn on credit facility	$66	$156	$167	$177	$177
	Letters of credit outstanding	$0	$0	$0	$0	$0
	Proforma Debt-to-EBITDA ratio	**0.9x**	**1.9x**	**2.1x**	**2.3x**	**2.3x**

Source: Wells Fargo Securities, LLC estimates

Raising 2012 And 2013 DCF Estimates

We are raising our 2012 and 2013 DCF per unit estimates to $2.10 and $2.66, respectively, from $1.98 and $2.18. Our 2011 DCF per estimate of $1.81 is unchanged. Our 2013 EBITDA forecast of $101MM (excluding a $10MM benefit from our $100MM dropdown assumption in Q1 2013) is essentially in line with management's guidance of $100MM. We are also increasing our 2012 and 2013 distribution per unit estimates to $1.61 and $2.00, respectively, from $1.59 and $1.83.

Our revised 2012 and 2013 DCF estimates reflect the net impact of the following adjustments/assumptions:

1) Estimated annualized EBITDA contribution of $8MM from the acquisition of the Martinez marine terminal assuming the transaction cost $75MM and closes by Q2 2012. This compares to our previous $100MM dropdown assumption in Q1 2012 at an EBITDA multiple of 10x (annualized EBITDA of $10MM).

2) Forecasted 2011-13 growth capex of approximately $150MM (including approximately $50MM of assumed incremental spending above the $100MM of identified projects) and an average return of 3.8x EBITDA. This compares to estimated growth capex of $68MM and an average return of 3.8x incorporated in our previous model.

3) Lower estimated 2012 interest expense of $4.0MM (versus our previous estimate of $7.1MM) based on a smaller estimated dropdown of $75MM financed on TLLP's credit facility at an estimated interest rate of 3.1%. This compares to our previous estimate of a $100MM acquisition funded with debt at an interest rate of 6.5%.

Figure 9. 2012-13 Estimate Changes

($MM, except per unit data)	New 2012E	Old 2012E	Percent Change	New 2013E	Old 2013E	Percent Change
EBITDA						
Crude Oil Gathering	$33.2	$32.1	3.3%	$52.0	$36.9	40.9%
Terminalling, Transportation & Storage	$38.5	$36.5	5.5%	$44.0	$38.9	13.1%
Other, net	($3.2)	($3.2)	0.0%	($3.2)	($3.2)	0.0%
Assumed Drop-Downs	$6.0	$10.0	-	$18.0	$20.0	(10.0%)
Total EBITDA	**$74.5**	$75.4	(1.2%)	**$110.8**	$92.6	19.6%
(-) Interest Expense	$4.0	$7.1	(43.0%)	$15.8	$14.6	8.1%
(-) Maintenance Capex	$5.2	$6.7	(21.9%)	$7.8	$7.9	(1.5%)
(-) Other	$0.0	$0.0	-	$0.0	$0.0	-
Available Cash Flow	$65.3	$61.7	5.8%	$87.2	$70.1	24.4%
(-) GP Interest	$1.3	$1.2	8.7%	$5.7	$3.2	78.9%
Total Distributable Cash Flow	$63.9	$60.5	5.7%	$81.6	$66.9	21.8%
DCF / Unit	**$2.10**	$1.98	5.7%	**$2.66**	$2.18	21.9%
Distribution / Unit	$1.61	$1.59	0.9%	$2.00	$1.83	9.0%
Coverage Ratio	1.3x	1.2x	-	1.3x	1.2x	-
Excess Cash Flow	$15.0	$12.0	25.0%	$20.0	$10.4	91.9%
Net Income	$47.8	$47.9	(0.0%)	$58.3	$53.0	10.1%
LP Income / Unit (EPU)	$1.86	$1.69	10.0%	$2.37	$1.80	31.4%
Average Units Outstanding	30.5	30.5	0.0%	30.7	30.7	(0.0%)

Source: Wells Fargo Securities, LLC estimates

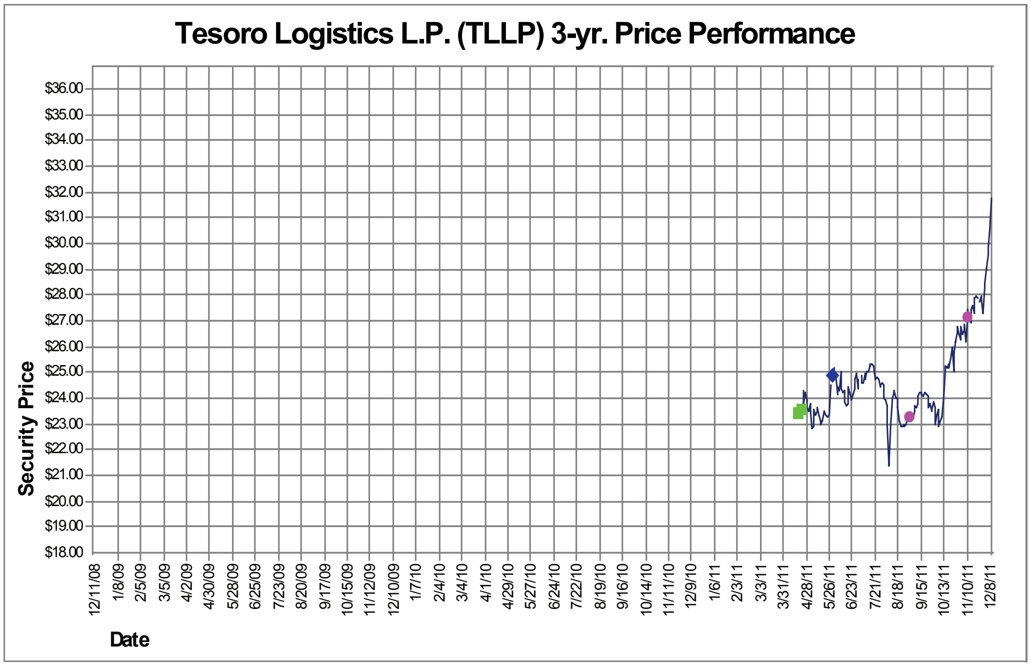
TESORO LOGISTICS, L.P. (TLLP) - OPERATIONAL SUMMARY

Year ended December 31
($ in millions, except for per unit data)

	Q1'11A	Q2'11A	Q3'11A	Q4'11E	PF2011E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E
Crude oil pipeline throughput (Bbls/d)	55,301	55,717	59,530	59,530	57,520	62,020	69,516	77,005	94,481	75,755	109,530	118,040	130,109	144,797
Yr/Yr % Change						*12.2%*	*24.8%*	*29.4%*	*58.7%*	*31.7%*	*44.6%*	*7.8%*	*10.2%*	*11.3%*
Trucking volume (Bbls/d)	21,628	23,212	23,879	23,879	23,150	23,879	27,429	31,429	35,429	29,542	35,429	36,168	37,217	38,493
Yr/Yr % Change						*10.4%*	*18.2%*	*31.6%*	*48.4%*	*27.6%*	*19.9%*	*2.1%*	*2.9%*	*3.4%*
Terminal throughput (Bbls/d)	121,546	134,579	144,997	134,852	133,993	139,852	144,852	149,852	157,852	148,102	167,852	173,852	191,658	206,750
Yr/Yr % Change						*15.1%*	*7.6%*	*3.3%*	*17.1%*	*10.5%*	*13.3%*	*3.6%*	*10.2%*	*7.9%*
Short-haul pipeline throughput (Bbls/d)	62,173	71,395	69,658	69,658	68,221	69,658	69,658	69,658	69,658	69,658	69,658	69,658	73,984	77,650
Yr/Yr % Change						*12.0%*	*-2.4%*	*0.0%*	*0.0%*	*2.1%*	*0.0%*	*0.0%*	*6.2%*	*5.0%*
Storage capacity reserved (Bbls)	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000
Yr/Yr % Change						*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA By Segment														
Crude oil gathering	6.6	6.7	7.4	7.4	28.1	7.3	8.1	8.9	8.9	33.2	52.0	56.8	62.3	67.9
% of Total	*55.4%*	*48.7%*	*41.7%*	*47.3%*	*47.6%*	*46.6%*	*43.2%*	*44.9%*	*43.9%*	*44.6%*	*46.9%*	*41.9%*	*38.4%*	*36.0%*
Terminalling, transportation, and storage	6.1	8.8	11.5	9.0	35.4	9.1	9.5	9.7	10.2	38.5	44.0	49.0	55.2	60.9
% of Total	*51.3%*	*63.5%*	*64.6%*	*57.8%*	*59.9%*	*58.5%*	*50.4%*	*49.1%*	*50.2%*	*51.7%*	*39.7%*	*36.2%*	*34.0%*	*32.3%*
Other	(0.8)	(1.7)	(1.1)	(0.8)	(4.4)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Assumed Drop-Downs	-	-	-	-	-	-	2.0	2.0	2.0	6.0	18.0	33.0	48.0	63.0
% of Total	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*10.6%*	*10.1%*	*9.9%*	*8.1%*	*16.2%*	*24.3%*	*29.6%*	*33.4%*
Total EBITDA	**11.9**	**13.8**	**17.7**	**15.6**	**59.1**	**15.6**	**18.8**	**19.8**	**20.3**	**74.5**	**110.8**	**135.6**	**162.3**	**188.6**
EPU	**$0.30**	**$0.35**	**$0.49**	**$0.40**	**$1.54**	**$0.40**	**$0.48**	**$0.49**	**$0.50**	**$1.86**	**$2.37**	**$2.33**	**$2.42**	**$2.49**
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.7	32.1	33.8	35.4
Distributable Cash Flow (DCF)														
Adjusted EBITDA	11.9	13.8	17.7	15.6	59.1	15.6	18.8	19.8	20.3	74.5	110.8	135.6	162.3	188.6
(-) Interest expense	0.0	0.0	0.3	0.5	0.8	0.5	0.8	1.3	1.4	4.0	15.8	25.1	34.2	43.7
(-) Maintenance capital expenditure	0.1	0.4	0.3	1.5	2.3	1.1	1.3	1.4	1.4	5.2	7.8	9.5	11.4	13.2
(-) Other	-	-	(0.0)	-	(0.0)	-	-	-	-	-	-	-	-	-
Available cash flow	11.8	13.4	17.2	13.6	56.0	14.0	16.7	17.1	17.5	65.3	87.2	101.0	116.7	131.7
General Partner's Interest	0.2	0.2	0.2	0.2	0.9	0.2	0.3	0.4	0.5	1.3	5.7	15.8	22.6	29.4
Distributable Cash Flow	11.6	13.2	17.0	13.4	55.1	13.7	16.4	16.8	17.0	63.9	81.6	85.2	94.1	102.3
DCF Per Unit	**$0.38**	**$0.43**	**$0.56**	**$0.44**	**$1.81**	**$0.45**	**$0.54**	**$0.55**	**$0.56**	**$2.10**	**$2.66**	**$2.65**	**$2.78**	**$2.89**
Distribution Declared Per Unit	**$0.34**	**$0.34**	**$0.35**	**$0.36**	**$1.39**	**$0.38**	**$0.39**	**$0.41**	**$0.43**	**$1.61**	**$2.00**	**$2.35**	**$2.52**	**$2.68**
Yr/Yr % Change						*11.1%*	*16.3%*	*17.1%*	*17.9%*	*15.7%*	*24.3%*	*17.5%*	*7.6%*	*6.3%*
Distribution Coverage	1.1x	1.3x	1.6x	1.2x	1.3x	1.2x	1.4x	1.3x	1.3x	1.3x	1.3x	1.1x	1.1x	1.1x
Excess Cash Flow (Deficit)	1.3	2.9	6.3	2.3	12.8	2.3	4.5	4.2	4.0	15.0	20.0	9.3	8.3	6.8
% of Total Cash Distribution														
General Partner	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.2%	2.8%	3.6%	2.7%	8.4%	17.2%	20.9%	23.5%
Limited Partners	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	97.8%	97.2%	96.4%	97.3%	91.6%	82.8%	79.1%	76.5%
Capital Expenditures														
Acquisition Capex	-	-	-	-	-	-	75.0	-	-	75.0	100.0	150.0	150.0	150.0
Growth Capex	0.4	-	2.1	7.1	9.6	17.9	16.8	15.3	14.5	64.4	75.0	50.0	50.0	50.0
Maintenance Capex	0.1	0.4	0.3	1.5	2.3	1.1	1.3	1.4	1.4	5.2	7.8	9.5	11.4	13.2
Total Capex	**0.5**	**0.4**	**2.3**	**8.6**	**11.9**	**19.0**	**93.1**	**16.7**	**15.9**	**144.6**	**182.8**	**209.5**	**211.4**	**213.2**
Credit Metrics														
Equity Issuances	-	-	-	-	-	-	-	-	-	-	50	75	75	75
Total Debt	50	50	50	51	51	66	156	167	177	177	281	395	513	629
TTM EBITDA				59	59	63	68	70	75	75	111	136	162	189
Debt/EBITDA (TTM)				0.9x	0.9x	1.1x	2.3x	2.4x	2.4x	2.4x	2.5x	2.9x	3.2x	3.3x
Pro forma Debt/EBITDA (TTM)				0.9x	0.9x	0.9x	1.9x	2.1x	2.3x	2.3x	2.1x	2.7x	3.0x	3.2x
Debt/ annualized EBITDA	1.0x	0.9x	0.7x	0.8x	-	1.1x	2.1x	2.1x	2.2x	-	-	-	-	-
EBITDA/Interest Expense (TTM)				70.4x	70.4x	46.1x	31.3x	22.2x	18.5x	18.5x	7.0x	5.4x	4.7x	4.3x
EBITDA/Interest Expense	796.5x	912.8x	56.5x	31.4x	70.4x	29.0x	23.0x	15.3x	14.8x	18.5x	7.0x	5.4x	4.7x	4.3x
Maintenance capex as % of EBITDA	1%	3%	1%	10%	4%	7%	7%	7%	7%	7%	7%	7%	7%	7%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

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
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key
- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- 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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STOCK RATING

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
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TESORO LOGISTICS LP

Solid growth visibility from organic projects and drop downs

Raising price target from $30 to $34 on new growth projects and first drop down. We previously commented TSO's analyst day was a potential catalyst for TLLP, and it turned out to be so. TLLP announced $80mm of new organic projects plus its first asset drop down (estimate $65mm range). While 2012-2013 capex was roughly in line with our assumptions, expected returns exceed our previous estimates. We believe TLLP's announcements provide increased visibility on its strong growth prospects. We forecast TLLP to post 3-year distribution CAGR of 14.3%, among the highest in the MLP sector.

TLLP releases 2012 business plan, more Bakken growth, drop in 1Q. In conjunction with the parent's analyst day in New York, TLLP announced $80mm of new organic projects and its first drop down. The organic projects are comprised of crude gathering and trucking expansions in the Bakken and refined product terminal expansions. The first TLLP drop down is the Martinez, CA crude oil marine terminal serving TSO's 166,000 bpd Golden Eagle refinery (TSO's largest refinery), expected to close in 1Q12. While management did not provide a purchase price (terms still being discussed), we assume a price tag of approximately $65mm based on 8x multiple on EBITDA of $8mm. Completing the transaction within its first year of being public enhances investor confidence in the drop down component of TLLP's growth story, in our opinion.

Raising price target on higher-than-expected EBITDA. Combining contributions from new growth projects (about $19mm or 4x multiple) and the first drop down ($8mm or 8x multiple estimate), TTLP guided 2013 EBITDA to $100mm, which exceeds our previous $88mm estimate. Our $34 price target is based on 12-month distribution run rate of $1.69 (previously $1.58) and a 5% target yield (previously 5.25%).

TLLP: Quarterly and Annual EPS (USD)

	2010	2011			2012			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2011	2012
Q1	N/A	0.00A	0.00A	-0.19A	0.40E	0.40E	0.40E	N/A	40%
Q2	N/A	0.25A	0.25A	0.25A	0.41E	0.41E	0.43E	N/A	64%
Q3	N/A	0.49A	0.49A	0.49A	0.49E	0.58E	0.48E	N/A	18%
Q4	N/A	0.40E	0.41E	0.40E	0.47E	0.55E	0.49E	N/A	34%
Year	N/A	1.14E	1.15E	0.99E	1.77E	1.93E	1.80E	N/A	68%
P/E	N/A		27.6			16.4			

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 4.

Stock Rating	**1-OVERWEIGHT**
	Unchanged
Sector View	**2-NEUTRAL**
	Unchanged
Price Target	**USD 34.00**
	raised 13% from USD 30.00

Price (09-Dec-2011)	USD 31.74
Potential Upside/Downside	+7%
Tickers	TLLP

Market Cap (USD mn)	922
Shares Outstanding (mn)	30.20
Free Float (%)	83.02
52 Wk Avg Daily Volume (mn)	0.2
Dividend Yield (%)	0.0
Return on Equity TTM (%)	34.24
Current BVPS (USD)	3.42

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 31.89-21.07

Link to Barclays Capital Live for interactive charting

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COMPANY SNAPSHOT

Tesoro Logistics LP U.S. MLPs

Income statement ($mn)	2010A	2011E	2012E	2013E	CAGR
EBITDA	na	54	78	100	NA
EBIT	na	31	67	87	NA
Pre-tax income	na	36	61	76	NA
Net income	na	36	61	76	NA
Reported EPS	na	$1.15	$1.93	$2.18	NA
Diluted shares (m)	na	31	31	33	NA
Cash Distribution per Unit	na	$1.38	$1.57	$1.84	NA

Balance Sheet and Cash flow ($m)					CAGR
Cash	na	13	6	6	NA
Net PP&E	na	142	206	283	NA
Debt	na	52	159	224	NA
Operating cash flow	na	35	71	89	NA
Distributable cash flow	na	49	64	79	NA

Valuation and leverage metrics					Average
Distribution coverage ratio %	na	133.5	131.0	124.0	130
EV/EBITDA (x)	na	18.6	13.0	10.0	13.9
EV/EBITDA less MC, GP (x)	na	20.1	14.6	11.6	15.4
Price/DCF(x)	na	19.5	15.1	13.6	16.1
EBITDA/interest expense (x)	na	32.8	12.5	9.0	18.1
Debt/EBITDA (x)	na	1.0	2.0	2.2	1.8

Operating metrics (volumes in 000 bpd)					Average
Crude oil pipeline volumes	na	57.5	59.5	60.7	59.2
Trucking volume	na	23.2	23.8	24.5	23.9
Terminal volumes	na	133.3	139.8	141.1	138.1
Short-haul pipeline volumes	na	66.0	69.5	72.0	69.2
Storage capacity (000 bbls)	na	878.0	878.0	886.0	880.7

Source: Company data, Barclays Capital

Stock Rating	**1-OVERWEIGHT**
Sector View	**2-NEUTRAL**
Price (09-Dec-2011)	**$31.74**
Price Target	**$34**
Ticker	**TLLP**

Investment case

TLLP is a high-growth, relatively low-risk crude oil/refined products pipeline MLP with an attractive mid-teens total return value proposition. Growth supported by organic projects, including the emerging Bakken Shale, and asset drop downs. Stability supported by long-term volume commitments from parent.

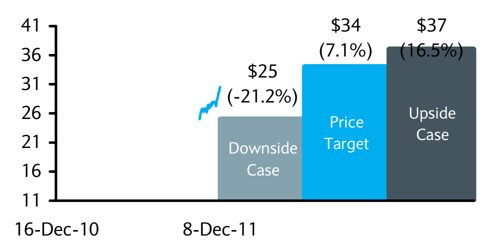
Upside case **$37**

Could see upside from asset dropdown or third party acquisition over next 12 months, which could drive higher growth rate, increasing forward distribution estimate to $1.70 and lowering target yield to 4.6%

Downside case **$25**

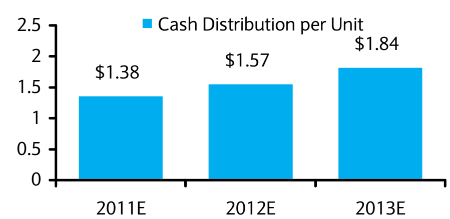
Weakening macro conditions or failure to generate expected returns on current growth projects could increase equity risk premium, increasing target yield to 6% and lowering forward distribution estimate to $1.48.

Upside/downside scenarios



Source: FactSet

Cash Distribution per Unit



Note: FY end Dec.

High return expansion projects support growth

On 12/5, TLLP announced $80mm of new organic projects and its first drop down. Combining $11.5mm of EBITDA from previously announced organic projects, $18.5mm of EBITDA from the new organic projects and $8mm from the drop down, 2013 EBITDA guidance is $100mm, which is higher than our previous $88mm estimate and up significantly from TLLP's current $62mm run rate. The $80mm of new organic projects are expected to be done at attractive multiples of 4X EBITDA and backed by long-term contracts with TSO.

New organic projects in Bakken and West Coast terminals

The $80mm of new organic projects are comprised of crude gathering and truck volume expansions in the Bakken and refined product terminal expansions. In the Bakken, TLLP is adding approximately $53mm of new projects to increase crude gathering capacity on its High Plains system and trucking capacity to accommodate TSO's growing demand for Bakken crude. Combining TSO's 10,000 bpd Mandan refinery expansion, 30,000 bpd Anacortes rail project and gathering expansions in the Bakken, TLLP's High Plains system is expected to add 50,000 bpd of new volumes by 2013, raising its total volumes to more than 100,000 bpd.

On the trucking side, TLLP is expanding its fleet and expects volumes to increase 10,000 bpd to 35,000 bpd by 2013. In addition, TLLP lengthened its trucking contract with TSO from 2 years to 5 years and increased minimum volume commitments from 22,000 bpd to 27,000 bpd in 2012 and 32,000 bpd in 2013.

The remaining new projects comprise approximately $27mm for terminal expansions at Los Angeles, Stockton and Mandan. Including previously announced storage projects, TLLP will invest approximately $40mm on terminal projects through 2013, which is expected to increase volumes by 40,000 bpd to approximately 185,000 bpd.

First drop down expected 1Q12, to be debt financed

Management announced the first drop down will be the Martinez, CA crude oil marine terminal serving TSO's 166,000 bpd Golden Eagle refinery (TSO's largest refinery). Expected close is 1Q12. While management did not provide a purchase price (terms still being discussed), we assume a price tag of approximately $65mm based on 8x multiple on EBITDA of $8mm.

The Martinez crude oil marine terminal is comprised of 145,000 bpd of wharf capacity, 425,000 bpd of storage capacity and interconnecting pipes. Similar to other TLLP assets, the Martinez terminal cash flows will be supported by a 10-year contract with TSO with minimum volume commitment for 90% of projected volumes of 70,000 bpd.

Given TLLP's high liquidity and low leverage, we expect the drop down and growth projects to be financed with debt.

ANALYST(S) CERTIFICATION(S)

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Primary Stocks (Ticker, Date, Price)

Tesoro Logistics LP (TLLP, 09-Dec-2011, USD 31.74), 1-Overweight/2-Neutral

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Calumet Specialty Products Partners, L.P. (CLMT)	Chesapeake Midstream Partners LP (CHKM)	Constellation Energy Partners LLC (CEP)
Copano Energy LLC (CPNO)	Crosstex Energy LP (XTEX)	DCP Midstream Partners LP (DPM)
Eagle Rock Energy Partners LP (EROC)	El Paso Pipeline Partners, L.P. (EPB)	Enbridge Energy Partners (EEP)
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Holly Energy Partners LP (HEP)	Inergy L.P. (NRGY)	Kinder Morgan Energy Prtnrs LP (KMP)
Linn Energy LLC (LINE)	Magellan Midstream Partners, LP (MMP)	Markwest Energy Partners, LP (MWE)
Niska Gas Storage Partners LLC (NKA)	NuStar Energy LP (NS)	Oiltanking Partners LP (OILT)
ONEOK Partners LP (OKS)	PAA Natural Gas Storage LP (PNG)	Plains All American Pipeline (PAA)
Regency Energy Partners LP (RGP)	Spectra Energy Partners, LP (SEP)	Suburban Propane Partners (SPH)

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Sunoco Logistics Partners L.P. (SXL)	Targa Resources Partners LP (NGLS)	TC Pipelines, LP (TCLP)
Teekay Offshore Partners LP (TOO)	Tesoro Logistics LP (TLLP)	Vanguard Natural Resources (VNR)
Western Gas Partners LP (WES)	Williams Partners LP (WPZ)	

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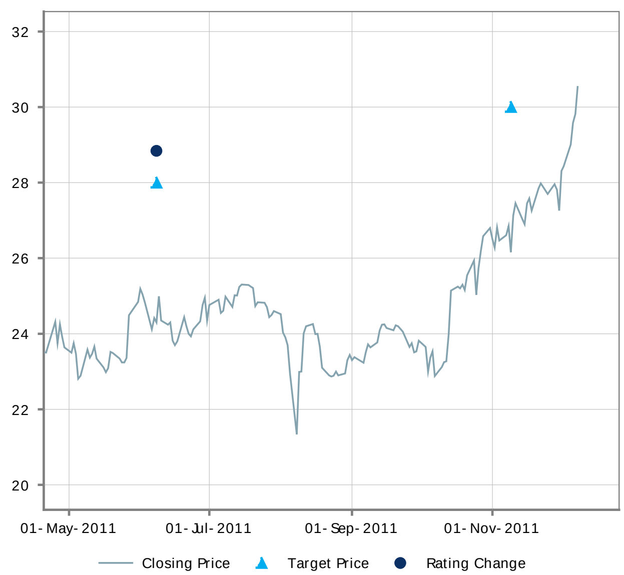
Tesoro Logistics LP (TLLP)

	Stock Rating	Sector View
USD 31.74 (09-Dec-2011)	**1-OVERWEIGHT**	**2-NEUTRAL**

Rating and Price Target Chart - USD (as of 09-Dec-2011)



Link to Barclays Capital Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Price Target
09-Nov-2011	26.16		30.00
08-Jun-2011	24.30	1-Overweight	28.00

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Valuation Methodology: Our $34 price target is based on a 12-month distribution run rate of $1.69 and a 5% target yield.

Risks which May Impede the Achievement of the Price Target: Customer concentration, rising interest rates, acquisition integration risk, pipeline tariff rates subject to regulatory review, lower refined product demand, lower crude oil production in the Bakken Shale, more stringent energy regulations, construction cost overruns, change in MLP tax status.

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OPPENHEIMER

December 9, 2011

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$34.50
TLLP - NASDAQ	$30.53

3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$30.61-$21.00
Shares Outstanding	15.3M
Float	12.8M
Market Capitalization	$922.2M
Avg. Daily Trading Volume	49,498
Dividend/Div Yield	$1.40/4.59%
Fiscal Year Ends	Dec
Book Value	$3.49
2011E ROE	NA
LT Debt	$50.0M
Preferred	NA
Common Equity	$106M
Convertible Available	No

DCFPU	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	0.29A	0.56A	0.44	1.28	23.9x
2012E	0.43	0.52	0.52	0.57	2.03	15.0x
Prior (E)	*0.45*	*0.48*	*0.54*	*0.56*	*--*	*15.0x*

EBITDA	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	10A	18A	15	43	21.8x
2012E	15	19	20	22	77	12.2x
Prior (E)	*16*	*17*	*21*	*21*	*74*	*12.7x*

Distribution	Q1	Q2	Q3	Q4	Year	Yield
2011E	--	0.338A	0.350A	0.362	1.050	3.4%
Prior (E)	*--*	*--*	*--*	*0.360*	*--*	
2012E	0.375	0.388	0.400	0.412	1.575	5.2%
Prior (E)	*0.370*	*0.380*	*0.390*	*0.400*	*1.540*	

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ENERGY/MASTER LIMITED PARTNERSHIPS

Tesoro Logistics Partners

2012 Outlook Bests our Street-high Estimates

SUMMARY

We reiterate our Outperform rating and raise our PT to $34.50 from $30 after TSO's analyst meeting and the release of TLLP's 2012 business plan. The outlook is even better than we previously believed, with $100M of EBITDA expected in 2013. Both the High Plains system and terminalling are experiencing better than expected growth. We now believe 2012 distribution growth will be 13.5% and that TLLP can grow at 12% annually for the next four years. Mgmt guided to an early 2012 dropdown of the Martinez terminal that will add $8M of annual EBITDA, and we believe there is no need for equity financing for the next several years as the partnership's leverage ratio is so low compared to peers.

KEY POINTS

- **Outlook from analyst day even better than we thought.** Mgmt's 2013 EBITDA target of $100M bested even our Street-high $96M estimate. Organic growth from the High Plains system (Bakken crude oil gathering) and crude oil terminalling drives this outlook. We are increasing our estimates across the board to reflect this growth.
- **Raising distribution growth estimates.** We are raising our distribution estimates. We now assume that TLLP increases its distributions by $0.0125 quarterly instead of $0.01. We now expect 13.5% growth in 2012 and 12.7% growth in 2013. While a solid base case, these estimates could be conservative given a solid 1.4x coverage ratio by 2013.
- **Price target increases to $34.50 from $30.** We derive our $34.50 price target though a combination of a DDM and target yield methodology. Our DDM gives us a price of $36 and the target yield model a price of $33. Assigning a 50% weighting to each method results in a price target of $34.50.
- **First dropdown to take place soon.** TLLP indicated that its first dropdown will take place in early 2012. The asset being acquired is the Martinez Crude Oil Marine Terminal in CA. The terminal will include 10-year fee-based contracts with 90% under minimum volume commitments. Projected EBITDA is $8M.
- **Equity not needed in the next several years.** Even including the Martinez dropdown (estimated purchase price of $80M) and another dropdown in 2013 of $100M, we believe TLLP does not need to issue equity. Current D/EBITDA is below 1x. Given the company's risk profile, we believe it can carry 4x with comfort.

Stock Price Performance

Company Description

TLLP is a fee-based, growth-oriented MLP formed by Tesoro to own, operate, develop and acquire crude oil and refined products logistics assets. Assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin, eight refined products terminals in the Midwest and West, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Logistics LP; (TLLP) OUTPERFORM										**Bernie Colson (816) 932-8022**
Summary Financial Statements										
Millions of Dollars Except for Per Unit Amounts										
Fiscal Year Ending December 31,										
Summary Income Statement	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Crude Oil Gathering	50	10.7	13.8	14.3	38.8	14.1	14.3	15.4	15.5	59.3
Terminalling, transportation and storage	44	9.1	13.3	13.5	35.9	13.3	13.6	14.5	15.0	56.4
Total Revenues	93	19.8	27.1	27.8	74.7	27.4	27.9	29.9	30.5	115.7
Operating expenses										
Operating and maintenance expense	37	8.1	7.4	10.8	26.3	10.7	10.9	11.6	11.9	45.1
Depreciation expense	8	2.0	2.0	2.8	6.8	2.7	2.8	3.0	3.1	11.6
General and administrative expense	3	2.1	2.0	1.7	5.7	1.7	1.7	1.9	1.9	7.2
Total operating expenses	48	12.2	11.4	15.3	38.9	15.2	15.4	16.5	16.9	63.9
Operating income	45	7.5	15.7	12.6	35.9	12.3	12.5	13.4	13.7	51.8
Interest Expense	2	0.5	0.6	0.4	1.4	1.0	2.2	2.4	2.6	8.2
Income before income taxes	42	7.1	15.1	12.2	34.4	11.3	10.2	10.9	11.1	43.5
Interest Expense	2	0.5	0.6	0.4	1.4	1.0	2.2	2.4	2.6	8.2
Net income	42	7.1	15.1	12.2	34.4	11.3	10.2	10.9	11.1	43.5
Less: Allocations to GP	1	0.1	0.3	0.3	0.7	0.2	0.2	0.3	0.3	1.0
Net Income allocable to LP	42	6.9	14.8	11.9	33.7	11.0	10.0	10.7	10.8	42.6
Earnings Per LP Unit	1.34	0.22	0.49	0.39	1.09	0.36	0.33	0.35	0.35	1.40
Distributable Cash Flow Calculation	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Net Income	42	7.1	15.1	12.2	34.4	11.3	10.2	10.9	11.1	43.5
Depreciation Expense	8	2.0	2.0	2.8	6.8	2.7	2.8	3.0	3.1	11.6
Interest Expense	2	0.5	0.6	0.4	1.4	1.0	2.2	2.4	2.6	8.2
EBITDA	53	9.6	17.7	15.4	42.7	15.0	15.3	16.3	16.7	63.4
Acquisition/Project EBITDA	0	0.0	0.0	0.0	0.0	0.0	3.9	3.9	5.6	13.4
Adjusted EBITDA	**53**	**9.6**	**17.7**	**15.4**	**42.7**	**15.0**	**19.2**	**20.2**	**22.3**	**76.7**
Cash Interest	2	0.0	0.3	0.2	0.6	0.7	1.7	2.6	2.8	7.9
Cash Taxes	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Capex	2	0.3	0.3	1.5	2.1	1.1	1.3	1.6	1.8	5.8
Other	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributable Cash Flow	**49**	**9.2**	**17.2**	**13.6**	**40.0**	**13.2**	**16.1**	**16.0**	**17.7**	**63.0**
Total DCF / Unit	1.57	0.30	0.56	0.45	1.30	0.43	0.53	0.52	0.58	2.07
GP distribution	0.00	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.03
DCF / LP unit	**1.57**	**0.29**	**0.56**	**0.44**	**1.28**	**0.43**	**0.52**	**0.52**	**0.57**	**2.03**
LP distribution / Unit		**0.3375**	**0.3500**	**0.3625**	**1.0500**	**0.3750**	**0.3875**	**0.4000**	**0.4125**	**1.5750**
LP distribution / Growth							*15%*	*14%*	*14%*	***50%***
Coverage		0.9x	1.6x	1.2x	**1.2x**	1.1x	1.3x	1.3x	1.4x	**1.3x**
Summary Statement of Cash Flow	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Cash Flow From Operations	0	4.6	15.8	15.1	35.5	14.3	13.6	13.7	13.9	55.5
Capital Expenditures	0	(1.4)	(1.8)	(14.0)	(17.2)	(13.6)	(13.8)	(14.1)	(14.3)	(55.8)
Sales (Purchases) of Assets	0	0.0	0.0	0.0	0.0	0.0	(80.0)	0.0	0.0	(80.0)
Cash Flow From Investing	0	(1.4)	(1.8)	(14.0)	(17.2)	(13.6)	(93.8)	(14.1)	(14.3)	(135.8)
Distributions	0	(333.3)	(7.6)	(11.3)	(352.2)	(11.7)	(12.1)	(12.1)	(13.0)	(48.3)
Net Equity Issuance	0	294.3	0.0	0.0	294.3	0.0	0.0	0.0	0.0	0.0
Net Debt Issuance	0	35.8	6.2	10.2	52.1	10.9	92.3	12.5	13.4	128.7
Cash Flow From Financing	0	6.8	(6.3)	(1.1)	(0.6)	(0.7)	80.2	0.4	0.4	80.3
Summary Balance Sheet	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Cash	3	10.0	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Total Current Assets	3	19.3	29.7	29.7	29.7	29.7	29.7	29.7	29.7	29.7
Net PP&E	132	133.6	133.9	148.0	148.0	161.5	255.4	269.5	283.8	283.8
Total Assets	137	154.8	165.3	179.4	179.4	192.9	286.8	300.9	315.2	315.2
Short-Term Debt	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	0	7.2	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9
Long-Term Debt	50	50.0	50.0	60.2	60.2	71.1	163.4	175.9	189.3	189.3
Total Liabilities	50	57.2	58.9	69.1	69.1	80.1	172.4	184.9	198.2	198.2
Total Equity	87	97.5	106.4	110.3	110.3	112.9	114.4	116.0	116.9	116.9
Total Liabilities & Equity	137	154.8	165.3	179.4	179.4	192.9	286.8	300.9	315.2	315.2
Operating Data	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Crude Gathering										
Pipeline Throughput (bpd)	50,695	56,635	59,530	62,507	57,880	62,819	63,133	63,449	63,766	63,292
Trucking Volume (bpd)	23,305	23,212	23,879	24,595	23,719	24,718	24,842	24,966	25,091	24,904
Terminalling, Transportation and Storage										
Terminal Throughput (bpd)	113,950	131,812	144,997	137,747	132,240	137,747	137,747	137,747	137,747	137,747
Short Haul Pipeline Volume (bpd)	60,666	66,174	69,658	73,141	67,865	73,141	73,141	73,141	73,141	73,141
Storage capacity reserved	878,000	878,000	878,000	878,000	878,000	878,000	886,000	886,000	886,000	884,000
Source: Company reports; Oppenheimer & Co. estimates; SNL. Please refer to Opco reports for more details										12/9/11

Investment Thesis

We believe TLLP represents the first opportunity in several years to own a 100% fee-based (low-risk) MLP with significant dropdown and organic growth potential early in its life cycle. We forecast double-digit distribution growth CAGR for the next several years as TLLP expands organically and completes acquisitions. Assets include a large crude oil gathering system in North Dakota and Montana that provides exposure to Bakken formation growth. We believe the Bakken is in the very early stages of development and that TLLP provides one of the most concentrated ways to invest in Bakken production.

Price Target Calculation

We derive our $34.50 price target by combining our DDM ($36 value) with a target yield methodology ($33 value). The assumptions underlying our DDM are stage one (years 1 & 2) growth of 12%, stage two (years 3-5) growth of 12%, a terminal growth rate of 2% and a discount rate of 8.0%. The terminal distribution is projected to be $2.47 and is achieved in 2016. The assumptions underlying our target yield methodology are a forecasted annualized distribution in 4Q12 of $1.65 divided by a target yield of 5%. We assign a 50% weighting to each methodology.

Key Risks to Price Target

- Weak refined product demand
- Potential to overpay for acquisition
- Acquisition integration
- Rising interest rates
- Economic weakness
- Capital markets access
- Major change in MLP tax code
- FERC regulatory risk
- Conflicts of interest between LPs and GPs
- Counterparty credit risk
- Energy infrastructure overbuild
- Extreme weather
- A unitholder whose units are loaned to a short seller to cover a short sale of units may be viewed as having sold the units. Unitholders who want to be assured of keeping their status as partners and avoid the risk of gain recognition from a loan to a short seller should consider modifying any brokerage account agreements to prohibit their brokers from borrowing their units. Because of the nature of the MLP structure, all investors should consult a qualified tax counsel before making an investment in the sector.

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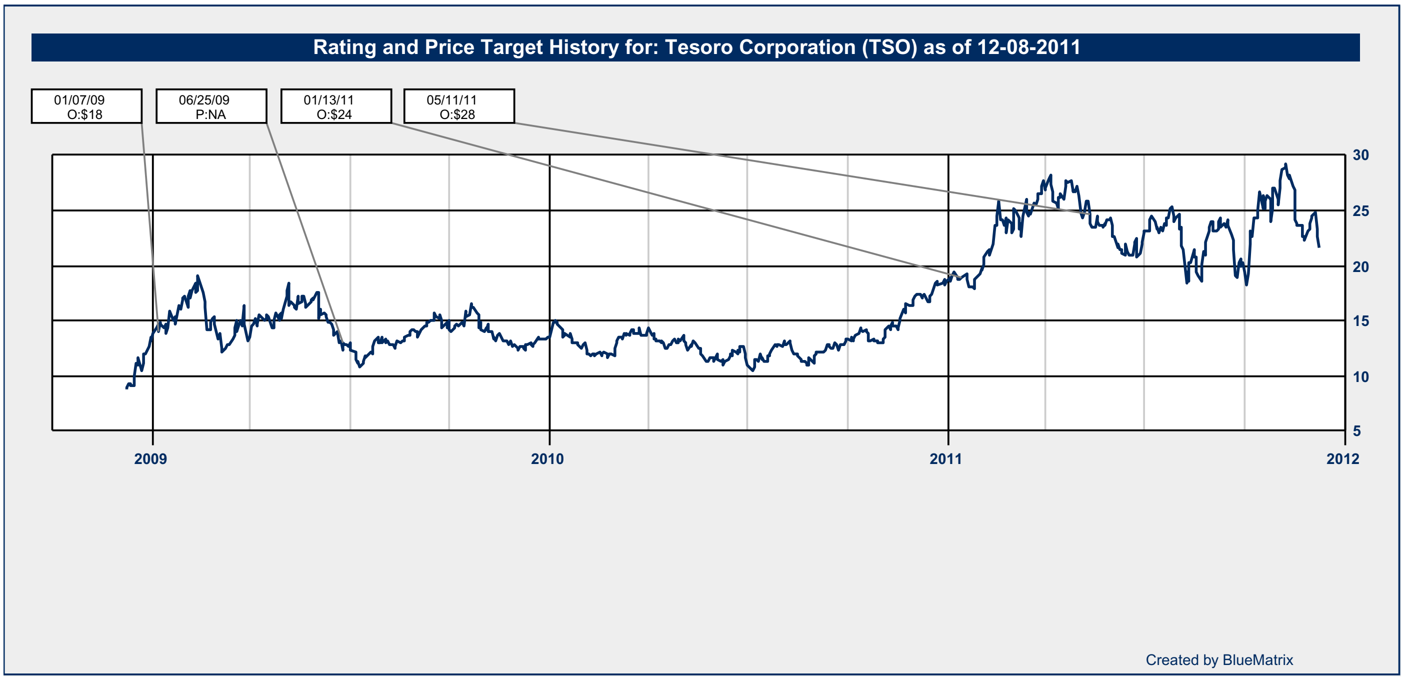
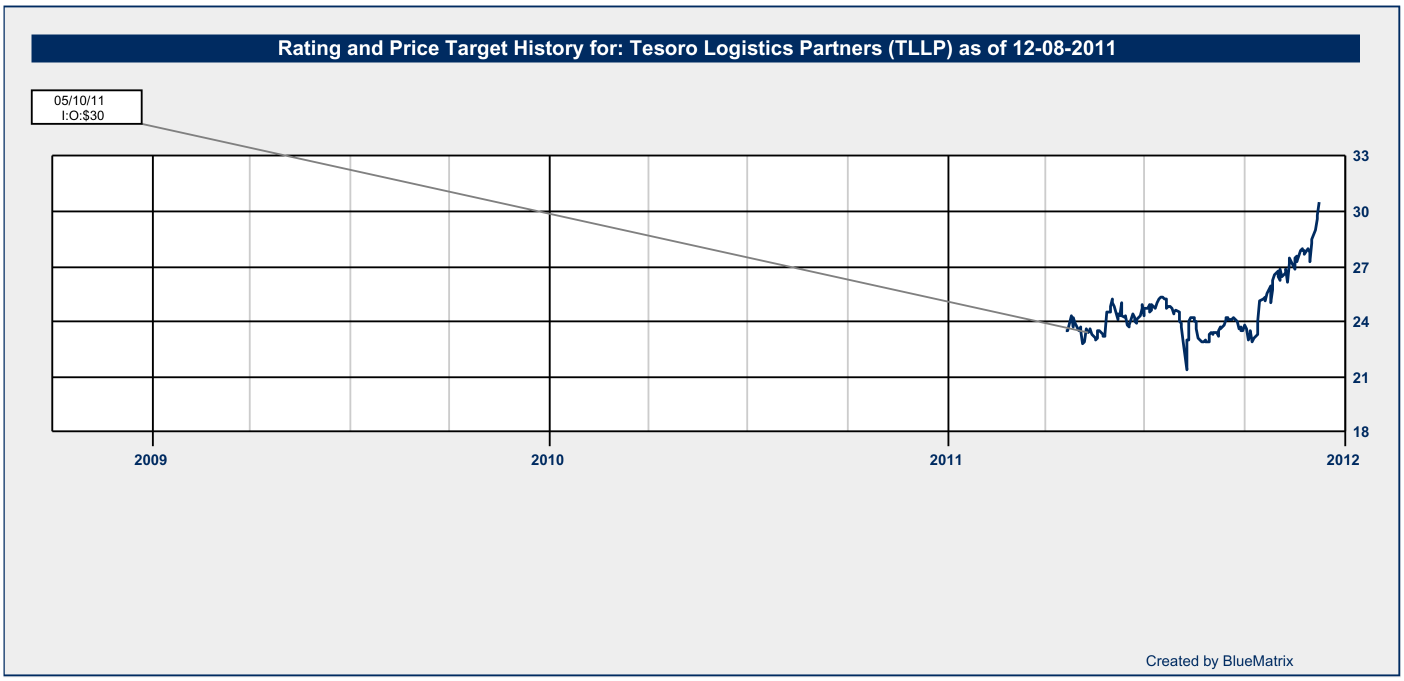
Stock Prices as of December 9, 2011

Tesoro Corporation (TSO - NYSE, 21.68, OUTPERFORM)





All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide

			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent
OUTPERFORM [O]	334	56.00	144	43.11
PERFORM [P]	255	42.80	85	33.33
UNDERPERFORM [U]	7	1.20	3	42.86

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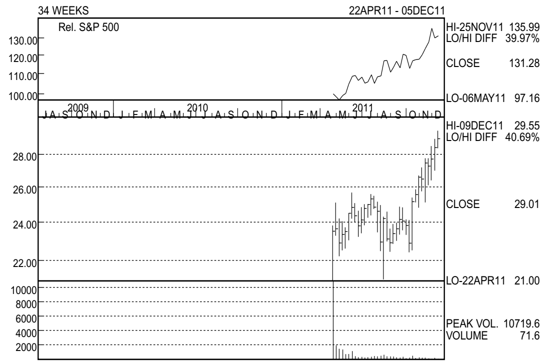
PRICE TARGET REVISION | COMMENT

DECEMBER 6, 2011

Tesoro Logistics LP (NYSE: TLLP)

Treasure Chest of Growth Opportunities; Raising Price Target



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FY Dec	2011E	2012E	2013E
DCF - FD	1.31	2.30	3.00
Prev.	1.27	2.11	2.48
EPU (Op) - FD	1.13	1.98	2.53
Prev.	1.12	1.81	2.04
EBITDA (MM)	39.1	80.2	105.0
Prev.	38.9	74.3	90.9
P/DCF	22.1x	12.6x	9.7x
P/EPU	25.7x	14.7x	11.5x
EV/EBITDA	22.6x	11.0x	8.4x

DCF - FD	Q1	Q2	Q3	Q4
2011	0.00A	0.29A	0.56A	0.47E
Prev.				0.43E
2012	0.49E	0.55E	0.59E	0.62E
Prev.	0.46E	0.51E	0.54E	0.56E
EPU (Op) - FD				
2011	0.00A	0.23A	0.49A	0.42E
Prev.				0.41E
2012	0.43E	0.48E	0.52E	0.56E
Prev.	0.40E	0.45E	0.47E	0.49E
EBITDA (MM)				
2011	(3.8)A	9.6A	17.7A	15.6E
Prev.				15.3E
2012	17.1E	19.4E	21.0E	22.6E
Prev.	16.2E	17.9E	19.6E	20.6E

All values in USD unless otherwise noted.

Outperform
Average Risk

Price:	29.01	**Price Target:**	35.00 ↑ 30.00
		Implied All-In Return:	25%
Shares O/S (MM):	30.5	**Market Cap (MM):**	885
Dividend:	1.40	**Yield:**	4.8%
Float (MM):	30.2	**Avg. Daily Volume (MM):**	0.05
Debt to Cap:	32%	**Est Tax Deferral:**	80%

Event: Announces 2012 MLP Business Plan Highlights at Parent TSO Analyst Day

Investment Opinion

Raising Price Target on Growth Visibility: We raise our price target to $35 as identified organic growth opportunities have surpassed our expectations and substantial ROFO (right of first offer) assets remain available for acquisition. TLLP announced plans for $100M of organic CapEx through 2013 at attractive cash flow multiples (less than 4x EBITDA) which exceeds our prior assumption of $33M during that period. Additionally, our current estimate of ~$15M in drop-down EBITDA through 2013 represents only 20%-30% of the total available ROFO EBITDA of $50-$80M. We therefore raise our 2012/2013 EBITDA/DCF estimates and our medium-term distribution growth assumption (12% from 8% prior), which implies a premium target yield of 5.1%.

Announces 2012 Business Plan: TLLP guided 2013 EBITDA to $100M in 2013, which compares to prior RBC and Street estimates of $90.9M and $88.4M respectively. The plan contemplates organic CapEx of $100M over the next two years (including previously announced projects of $15M), which will double Bakken crude volumes (60% of CapEx) and boost terminal throughput by 40 Mbpd (~28%).

Announces First Drop-Down Transaction: TLLP announced the first ROFO asset drop-down (Martinez Crude Oil Marine Terminal) from TSO, which should close in 1Q12 and add $8M in annualized EBITDA. The terminal supplies TSO's Golden Eagle refinery and TLLP expects throughput of 70 Mbpd after close. We have assumed a $60M purchase price for the Martinez terminal, implying a 7.5x EBITDA multiple. We believe the 30 Mbpd Anacortes rail facility under construction by TSO (4Q12 completion) remains a logical drop-down candidate for 2013 with further expansion to 45 Mbpd possible. We assume a $50M drop-down in 1Q13 at ~7x cash flow contributing ~$7M in annualized EBITDA.

Further Growth on The Horizon: Management noted that the total book value of the TSO midstream portfolio is roughly 125% larger than the initial assets contributed to TLLP (including Martinez). With a pristine un-levered balance sheet, the partnership is poised to deliver maximum accretion to LP unitholders with minimal equity dilution on drop-downs. Given the substantial opportunity, we remain confident that the partnership will deliver top-tier distribution growth over the next 5-years and continue to recommend the units.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 4.

Valuation

We derive our 12-month price target of $35 for TLLP using our multi-stage distribution discount model (DDM). Our DDM is based on our distribution estimates for the four quarters starting one year out followed by a 5-year growth rate of 12%, which, from the current distribution implies a 5-year CAGR of 17.4%. Our long-term distribution schedule assumes that over the subsequent 11 years growth converges to the 1% perpetual rate. We discount our distributions at a 9.0% discount rate, which incorporates our interest rate expectations and a risk premium based on TLLP-specific risks and is consistent with an Average risk qualifier. Our $35 price target implies a yield of 5.1% on our one year out annualized distribution of $1.80 per unit.

Price Target Impediment

Among the key issues that could impede our price target are:

- Acquisition risk;
- Damage to pipeline infrastructure;
- Commodity price risks;
- TLLP is dependent on Tesoro Corp parent for substantially all of its revenue, so any inability to meet its requirements with Tesoro would negatively impact results.
- Trading liquidity in the units is relatively low; and
- Other risks, including prolonged declines in volumes, interest rates, and regulatory risk.

Company Description

TLLP is a growth oriented MLP formed by Tesoro to operate its gathering and processing and short-haul pipelines, trucking and terminalling logistics assets. The partnership intends to operate its assets under long-term, minimum volume contracts with Tesoro and pursue asset drop-down growth opportunities. The initial assets are strategically located near Tesoro refineries in the Bakken Shale, West Coast, Rockies and Alaska with potential drop-downs near existing infrastructure.

($ in MM, except per share data & ratios)	2011 Quarterly Results				2012 Quarterly Results				Annual Results		
	Q111A	Q211A	Q311A	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Crude Oil Gathering	5.6	10.7	13.8	13.9	14.1	15.4	17.4	19.8	44.0	66.7	88.9
Terminalling, Transport. & Storage	0.7	9.1	13.3	12.6	14.5	18.0	18.7	18.9	35.7	70.1	90.7
Total Revenue	**$6.3**	**$19.8**	**$27.1**	**$26.5**	**$28.6**	**$33.4**	**$36.1**	**$38.7**	**$79.7**	**$136.8**	**$179.7**
Total Costs and Expenses	12.1	12.2	11.4	13.0	14.4	17.0	18.3	19.4	48.7	69.0	90.7
Operating Income	**($5.8)**	**$7.5**	**$15.7**	**$13.6**	**$14.3**	**$16.4**	**$17.8**	**$19.3**	**$31.0**	**$67.8**	**$89.0**
Interest Expense	-	(0.5)	(0.6)	(0.5)	(1.0)	(1.6)	(1.7)	(1.8)	(1.6)	(6.1)	(10.1)
Net Income	**($5.8)**	**$7.1**	**$15.1**	**$13.1**	**$13.3**	**$14.8**	**$16.1**	**$17.5**	**$29.5**	**$61.7**	**$78.9**
General Partner Interest	-	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.7	1.4	1.7
LP Interest In Net Income	**($5.8)**	**$6.9**	**$14.8**	**$12.8**	**$13.0**	**$14.5**	**$15.7**	**$17.1**	**$28.7**	**$60.3**	**$77.1**
Diluted Earnings (loss) per Unit		**$0.23**	**$0.49**	**$0.42**	**$0.43**	**$0.48**	**$0.52**	**$0.56**	**$1.13**	**$1.98**	**$2.53**
Average Units Outstanding	-	30.5	30.5	30.5	30.5	30.5	30.5	30.5	22.9	30.5	30.5
Adjusted EBITDA	**($3.8)**	**$9.6**	**$17.7**	**$15.6**	**$17.1**	**$19.4**	**$21.0**	**$22.6**	**$39.1**	**$80.2**	**$105.0**
Distributable Cash Flow											
Adjusted EBITDA	**($3.8)**	**$9.6**	**$17.7**	**$15.6**	**$17.1**	**$19.4**	**$21.0**	**$22.6**	**$39.1**	**$80.2**	**$105.0**
Cash Interest Expense	-	(0.0)	(0.3)	(0.4)	(0.8)	(1.3)	(1.4)	(1.5)	(0.7)	(5.1)	(8.4)
Maintenance CapEx	(0.2)	(0.7)	(0.3)	(0.8)	(1.0)	(1.2)	(1.3)	(1.5)	(1.9)	(4.9)	(5.0)
General Partner Interest	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.4)	(0.7)	(0.6)	(1.6)	(7.9)
Distributable Cash Flow to LP	**($4.0)**	**$8.7**	**$17.0**	**$14.2**	**$15.0**	**$16.7**	**$17.9**	**$18.9**	**$35.9**	**$68.6**	**$83.7**
Distributable CF Per Unit		**$0.29**	**$0.56**	**$0.47**	**$0.49**	**$0.55**	**$0.59**	**$0.62**	**$1.31**	**$2.30**	**$3.00**
Distributions per Unit	**-**	**$0.24480**	**$0.35000**	**$0.36500**	**$0.38000**	**$0.42000**	**$0.45000**	**$0.48000**	**$0.95980**	**$1.73000**	**$2.22000**
Total Unit Coverage	**-**	**1.17x**	**1.59x**	**1.28x**	**1.30x**	**1.30x**	**1.30x**	**1.29x**	**1.36x**	**1.33x**	**1.35x**
Balance Sheet											
Total Assets	$138.7	$154.8	$165.3	$153.3	$231.7	$249.2	$263.7	$276.3	$153.3	$276.3	$344.0
Total Partners' Capital	132.2	97.5	106.4	108.6	110.5	113.5	116.4	119.4	108.6	119.4	126.3
Net Debt	**-**	**$40.0**	**$32.2**	**$32.9**	**$108.7**	**$121.6**	**$132.4**	**$141.1**	**$32.9**	**$141.1**	**$199.7**
Net Debt / TTM EBITDA	.0x	23.3x	1.4x	.8x	1.8x	1.7x	1.8x	1.8x	.8x	1.8x	1.9x
Interest Coverage	-	20.8x	29.5x	31.6x	17.5x	12.4x	12.2x	12.3x	25.2x	13.1x	10.4x

Source: RBC Capital Markets estimates & Company Reports

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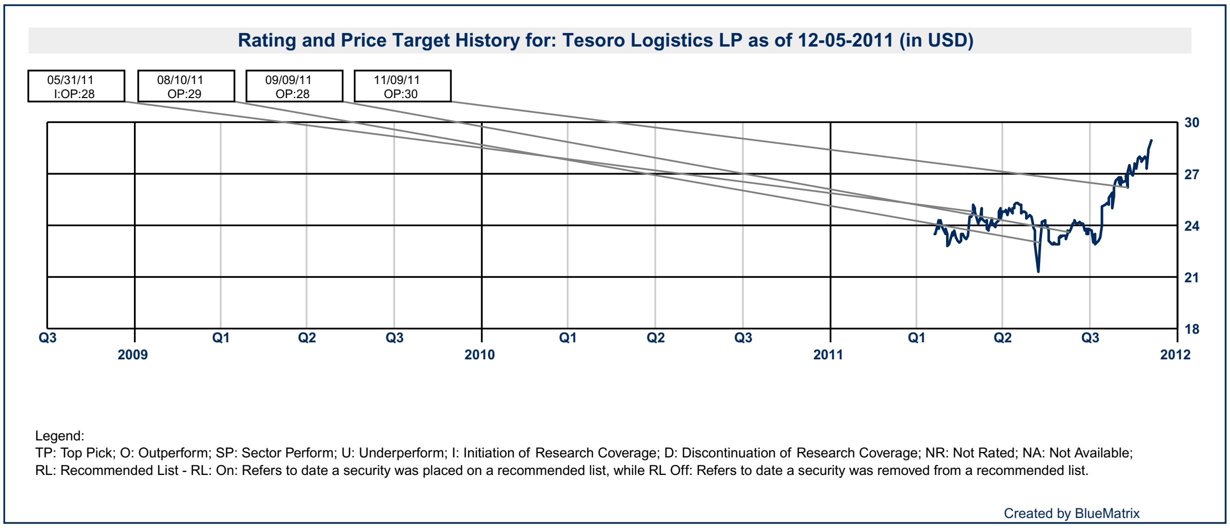

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WUNDERLICH SECURITIES

Energy: Master Limited Partnerships

TESORO LOGISTICS LP (TLLP: $29.01)

December 6, 2011

Raising Price Target
Rating: Buy
Price Target: Old - $27.50; New - $33.00

Market Data	
12-18 Month Price Target	$33.00
52-Week Range	$29.55 - $21.00
ADTV - 90Day (000s)	49.8
Market Cap ($MM)	$885.1
Shares Out (MM)	30.5
Public Market Float (MM)	13.0
Dividend	$1.40
Dividend/Yield	4.83%

Earnings Per Unit (EPU) ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.42E	$0.53	$0.61E
Q2	$0.25A	$0.47	$0.49E	$0.54	$0.62E
Q3	$0.49A	–	$0.57E	$0.56	$0.63E
Q4	$0.38E	$0.54	$0.56E	$0.53	$0.62E
YEAR	$1.12E	$2.00	$2.04E	$2.16	$2.48E

Distribution Per Unit ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.370E	$0.410	$0.430E
Q2	$0.245A	–	$0.380E	$0.420	$0.450E
Q3	$0.350A	$0.390	$0.400E	$0.430	$0.470E
Q4	$0.360E	$0.400	$0.410E	$0.440	$0.480E
YEAR	$0.955E	$1.540	$1.560E	$1.700	$1.830E

Valuation Ratio

	FY11	FY12	FY13
Debt/EBITDA	1.2x	0.6x	0.5x
EBITDA/Interest	24.8x	46.8x	58.9x
EV/EBITDA	21.7x	11.5x	9.1x
P/DCF	22.8x	13.1x	11.2x

Financial Data

	FY11	FY12	FY13
EBITDA	$42.2E	$79.6E	$100.1E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$166.3E	$286.9E	$310.0E
Long Term Debt	$50.0E	$155.0E	$155.0E
Total SOE and Liab.	$166.3E	$286.9E	$310.0E

Increasing Price Target on Higher Long-Term Distribution Growth Outlook

Summary

Tesoro Logistics LP (TLLP) announced its updated 2012 business plan. Capital spending and an asset dropdown should help to push EBITDA above our previous estimates. We are increasing our outlook for the partnership's distribution. Because of the improved outlook, we are increasing our price target to $33/unit from $27.75/unit. We believe Tesoro's distribution growth should be solid over the next several years, including estimated 2013 distribution growth at 17.3%. We have a Buy rating on Tesoro's units.

Key Points

- **Updated 2012 plan.** Tesoro announced its 2012 business plan, which should result in 2013 EBITDA of $100 million. The highlights of the plan are capital expenditures of $100 million between 2012 and 2013 and the acquisition of a crude oil terminal from Tesoro Corporation (TSO-NR). The partnership plans to spend $60 million on its High Plains System, which should continue to benefit from growth in the Bakken. Spending on the Terminals segment is budgeted at $40 million.
- **Asset dropdown.** The partnership's first dropdown from its parent will be the Martinez Crude Oil Marine Terminal in Martinez, CA. The asset should generate $8 million in EBITDA annually and is supported by a 10-year commitment with two five-year renewals. The transaction should close by the end of 1Q12 or the beginning of 2Q12 and should be financed with Tesoro's credit facility. The purchase price has not been disclosed yet.
- **Our take.** Our previous estimates did not include any dropdowns. The healthy capex spending and the asset acquisition should enable Tesoro to increase its distribution over the long term at a rate greater than we had modeled. After speaking with management, we are also comfortable that there are other organic growth projects the partnership will pursue and further potential asset dropdowns. We believe Tesoro could also pursue third-party acquisitions.
- **Estimates.** We are maintaining our 2011 distribution estimate at $0.9548/unit, increasing our 2012 estimate to $1.56/unit from $1.54/unit and upping our 2013 estimate to $1.83/unit from $1.70/unit. Our estimates provide a 17.3% growth rate in 2013. Our distributable cash flow estimate are $2.22/unit for 2012 and $2.60/unit in 2013, which equates to coverage ratios of 1.4x for both years. Our estimates do not include any further asset dropdowns.
- **Investment thesis.** We believe Tesoro will be among the leaders in distribution growth over the next several years, including estimated 2013 distribution growth at 17.3%. In addition, the partnership should benefit from its organic growth capital spending and potential dropdown acquisitions. The partnership's assets are well-postioned to take advantage of growing production from the Bakken Shale.

Company Description

Tesoro Logistics is a Master Limited Partnership that gathers, transports, and stores crude oil and distributes, transports, and stores refined products. Its assets consist of a crude oil gathering system in the Bakken Shale/ Williston Basin area, eight refined products terminals, and a crude oil and refined products storage facility and five related short-haul pipelines.

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For Required Disclosures and Reg AC, please see page 4 of report

Updated 2012 Plan

Tesoro announced its 2012 business plan, which should result in 2013 EBITDA of $100 million. The highlights of the plan are capital expenditures of $100 million between 2012 and 2013 and the acquisition of a crude oil terminal from Tesoro Corporation.

The partnership plans to spend $60 million on its High Plains System, which should continue to benefit from growth in the Bakken. This system should realize benefits from growth at Tesoro Corporation's Mandan and Anacortes refineries. In addition, the partnership is expanding its trucking fleet to increase volumes. Capital spending should total $60 million, which should result in an EBITDA contribution of $20 million to $25 million. The capital spending includes some previously announced projects.

Spending on the Terminals segment is budgeted at $40 million, which should lead to an EBITDA contribution of $5 million to $10 million. The partnership's goal is to grow terminalling volumes over 40,000 barrels per day by the end of 2013.

The partnership's first dropdown from its parent will be the Martinez Crude Oil Marine Terminal in Martinez, CA. The asset should generate $8 million in EBITDA annually and is supported by a 10-year commitment with two five-year renewals. The transaction should close by the end of 1Q12 or the beginning of 2Q12 and should be financed with Tesoro's credit facility. The purchase price has not been disclosed yet.

Distribution

We are maintaining our 2011 distribution estimate at $0.9548/unit, increasing our 2012 estimate to $1.56/unit from $1.54/unit and upping our 2013 estimate to $1.83/unit from $1.70/unit. Our estimates provide a 17.3% growth rate in 2013. Our distributable cash flow estimate are $2.22/unit for 2012 and $2.60/unit in 2013, which equates to coverage ratios of 1.4x for both years. Our estimates do not include any further asset dropdowns.

Estimates

We are keeping our 2011 EBITDA estimate at $42.2 million and increasing our 2012 EBITDA estimate to $79.6 million from $72.8 million. We are maintaining our 2011 DCF estimate at $39.5 million upping our 2012 DCF estimate to $69.4 million from $67.1 million.

Figure 1 – Tesoro Logistics – Model

$ in millions except per unit data	1Q11	2Q11	3Q11	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	15.7	12.4	**35.7**	13.8	16.8	19.5	19.4	**69.5**	21.1	21.7	22.0	21.8	**86.7**
Interest expense, net	-	(0.5)	(0.6)	(0.6)	**(1.7)**	(0.8)	(1.6)	(1.7)	(1.9)	**(5.950)**	(1.9)	(1.9)	(1.9)	(1.9)	**(7.5)**
Other income	-	0.8	0.0	0.0	**0.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Pre-tax income	-	7.9	15.1	11.8	**34.9**	13.0	15.2	17.8	17.5	**63.5**	19.2	19.9	20.2	19.9	**79.2**
Income Tax	-	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Net Income	**-**	**7.9**	**15.1**	**11.8**	**34.9**	**13.0**	**15.2**	**17.8**	**17.5**	**63.5**	**19.2**	**19.9**	**20.2**	**19.9**	**79.2**
Net Income to General Partner	-	0.2	0.3	0.2	**0.7**	0.3	0.3	0.4	0.5	**1.4**	0.6	0.8	1.0	1.1	**3.5**
Net Income to Limited Partners	**-**	**7.7**	**14.8**	**11.6**	**34.2**	**12.7**	**14.9**	**17.4**	**17.1**	**62.1**	**18.6**	**19.0**	**19.2**	**18.8**	**75.7**
Net Income/Unit (Limited)	**-**	**$0.25**	**$0.49**	**$0.38**	**$1.12**	**0.42**	**$0.49**	**$0.57**	**$0.56**	**$2.04**	**0.61**	**$0.62**	**$0.63**	**$0.62**	**$2.48**
Limited Partnership Units	-	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**
EBITDA (total)	-	10.0	17.7	14.5	**42.2**	15.8	19.4	22.2	22.2	**79.6**	24.4	25.1	25.5	25.2	**100.1**
EBITDA (Limited Partners)	-	9.9	17.4	14.2	**41.5**	15.5	19.1	21.8	21.8	**78.2**	23.8	24.3	24.5	24.1	**96.6**
Other	-	(0.0)	(0.3)	(0.4)	**(0.7)**	(0.5)	(0.9)	(1.0)	(1.1)	**(3.6)**	(1.8)	(1.8)	(1.8)	(1.8)	**(7.1)**
Maintenance CAPEX	-	(0.3)	(0.3)	(1.5)	**(2.1)**	(1.2)	(1.1)	(2.1)	(2.1)	**(6.6)**	(2.3)	(2.3)	(2.3)	(2.3)	**(9.4)**
Distributable Cash Flow	-	9.7	17.2	12.6	**39.5**	14.1	17.3	19.0	19.0	**69.4**	20.3	21.0	21.4	21.1	**83.7**
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	**(0.8)**	(0.3)	(0.3)	(0.5)	(0.5)	**(1.6)**	(0.8)	(1.0)	(1.3)	(1.4)	**(4.4)**
Distributable Cash Flow (LP)	-	9.5	16.8	12.3	**38.7**	13.8	17.0	18.6	18.5	**67.8**	19.5	19.9	20.1	19.7	**79.3**
Distributable Cash Flow/Unit	**-**	**$0.31**	**$0.55**	**$0.40**	**$1.27**	**0.45**	**$0.56**	**$0.61**	**$0.60**	**$2.22**	**0.64**	**$0.65**	**$0.66**	**$0.65**	**$2.60**
Distribution		$0.2448	$0.3500	$0.3600	**$0.9548**	$0.3700	$0.3800	$0.4000	$0.4100	**$1.5600**	$0.4300	$0.4500	$0.4700	$0.4800	**$1.8300**
Coverage Ratio					**1.3x**					**1.4x**					**1.4x**
Distribution Growth															**17.3%**
Debt/EBITDA										**1.9x**					**1.5x**
EBITDA/Interest Expense										**13.4x**					**13.4x**

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Disclosures:

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I John R. Cusick, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- We have a Buy rating on TLLP and a $33 price target. Our price target is derived through a two-stage distribution discount model, which assumes a required rate of return of 8% and a long-term growth rate of 2.0%. Our terminal value in 2016 is $38.08.
- MLPs are tax-advantaged investments. Congress or the IRS could decide to remove these tax benefits. This is the biggest risk to all MLPs.

General disclosures:

Prices are as of the close of 12/05/11.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	138	62.40	18	13.04
Hold -rated	80	36.20	7	8.75
Sell -rated	3	1.40	0	0.00

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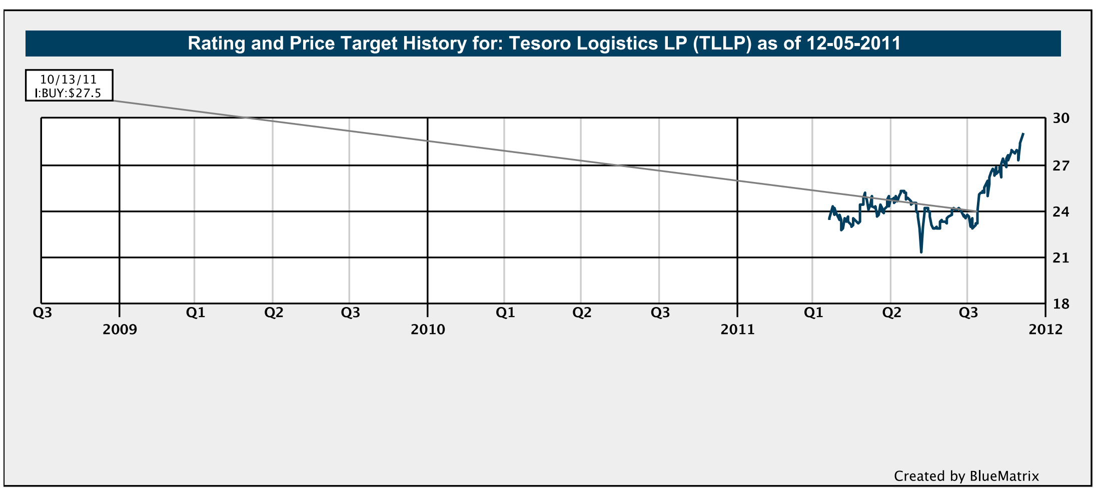

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Equity Research

Flash Comment

WELLS FARGO SECURITIES

December 6, 2011

TLLP-NYSE--Outperform (1) / V

Small Cap Pipeline MLPs

TLLP: Highlights from the Wells Fargo Energy Conference

Sharon Lui, CPA, Senior Analyst (212) 214-5035

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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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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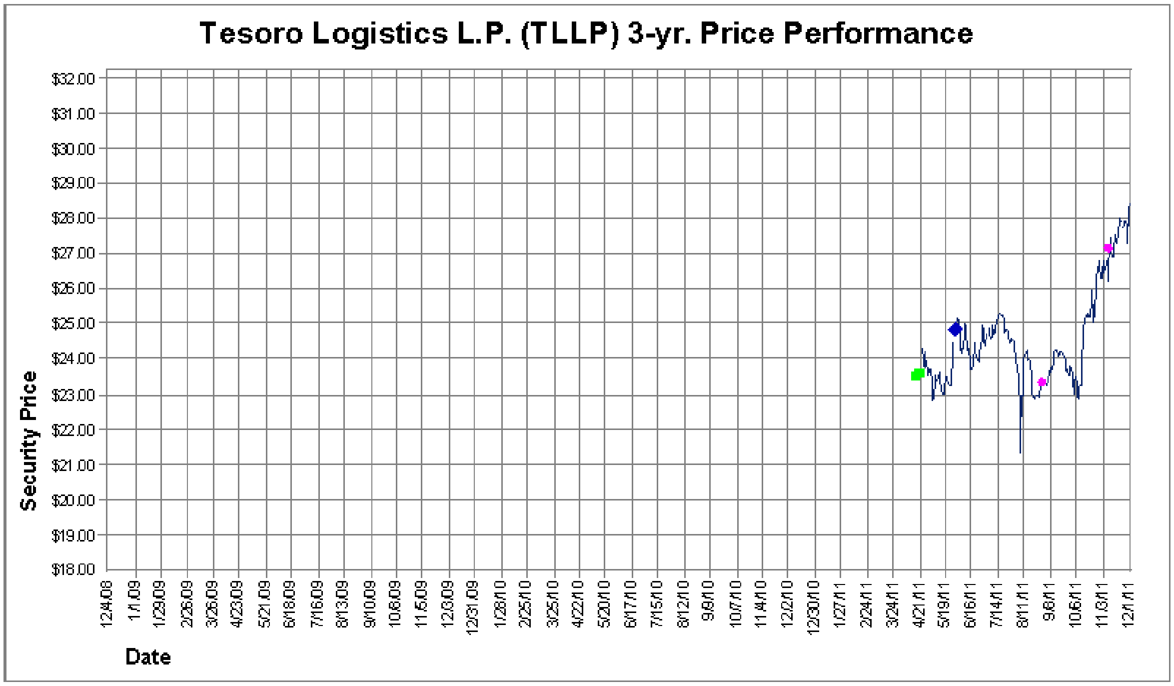
Required Disclosures



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

Rating Code Key
1 Outperform/Buy
2 Market Perform/Hold
3 Underperform/Sell
SR Suspended
NR Not Rated
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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.
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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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CREDIT SUISSE

06 December 2011
Americas/United States
Equity Research
Master Limited Partnerships

Tesoro Logistics LP (TLLP)

Rating	**OUTPERFORM***
Price (05 Dec 11, US$)	29.01
Target price (US$)	(from 29.00) 33.00[1]
52-week price range	29.01 - 21.34
Market cap. (US$ m)	885.09
Adjusted EV	—

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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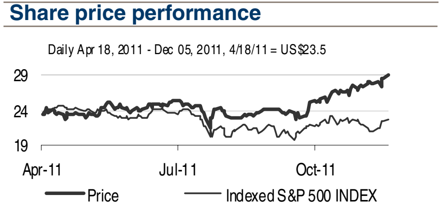
INCREASE TARGET PRICE

Growth Poised to Accelerate

- **Raising Estimates and Target Price:** Following TLLP's '2012 Business Plan Update' released on 12/6/2011, we are raising our distribution growth CAGR over the next five years from 8.8% to 12.0%. We reiterate our Outperform rating with a revised target price of $33 (from $29). Our DDM assumes a discount rate of 9.0%, distribution CAGR of 12.0% over the first five years and 5.0% over the following five years and a terminal growth rate of 1.5%.
- **2012 Business Plan Update:** 1) TLLP plans to invest heavily in its organic growth projects, to the tune of $100 million by 2013 (up from $15 million). Management plans to double the volumes from the Bakken supported by demand from its sponsor Tesoro Corp (TSO). 2) Martinez Crude Oil Marine Terminal will be the first asset to be dropped down. We have modeled the dropdown at 10 times estimated EBITA to $8 million. 3) As a result of these investments management expects to grow EBITDA to $100 million in 2013. This compares to our previous estimate of $82.1 million.
- **Strong Fundamentals with Visible Growth:** TLLP maintains strong financial flexibility and is able to finance its 2012 organic growth and dropdown projects via their revolver. TLLP has $100 million remaining on its $150 million revolver (that is expandable to $300 million). However, we are modeling an equity offering in 3Q12 to be conservative. This provides management with additional dry powder and will improve the trading liquidity of its units. To note, TLLP plans to maintain a distribution coverage ratio of 1.1 times over the long term. Lastly, we suspect that TLLP is evaluating other potential projects in and around the Bakken projects.

Share price performance



On 12/05/11 the S&P 500 INDEX closed at 1262.09

Qtrly EPU	Q1	Q2	Q3	Q4
2010A	—	—	—	—
2011E	-0.19	0.25	0.49	0.40
2012E	0.33	0.41	0.47	0.44

Financial and valuation metrics

Year	12/10A	12/11E	12/12E	12/13E
EBITDA (US$ m)	53	44	74	99
Distribution/unit - DPU (US$ m)	—	1.05	1.58	1.78
Earnings/unit - EPU (US$)	1.36	0.95	1.66	2.14
EPU - consensus (US$)	—	0.95	1.76	1.91
Distributable CF/unit (US$)	1.51	1.15	1.96	2.32
Distribution coverage (x)	—	1.21	1.27	1.39
P/DCF (x)	—	—	—	—
Adj. current EV/EBITDA (x)	—	18.1	21.8	44.7

Dist./unit - DPU (Next Qtr., US$)	0.36	Distribution yield (%)	1.2
Units outstanding (m)	31	GP take (%)	—
Net debt current (US$ m)	33.4	Net debt/EBITDA (x)	0.74
6-month ADV (000's)	14,087	Net debt/market cap. (%)	—
Free float (%)	—	Institutional ownership (%)	—

Source: Company data, Credit Suisse estimates.

Investment Thesis

TLLP is a fee-based, growth oriented MLP formed by Tesoro Corp to own, operate and acquire crude oil and refined products logistics assets. In other words, TLLP was formed to be Tesoro Corp's vehicle to grow its logistics infrastructure business. Initially, substantially all of TLLP's revenue will be derived from Tesoro, primarily under various long-term, fee-based commercial agreements that include minimum volume commitments. Over the next several years, there is visible growth from, 1) organic projects tied to its strategies in the Bakken shale; 2) multi year inventories of dropdown assets from Tesoro Corp, and the 3) development of third party businesses.

Company Description

Tesoro Logistics (TLLP) is a fee-based, growth oriented MLP formed by Tesoro Corp (TSO) to own, operate and acquire crude oil and refined products logistics assets. TLLP's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area, eight refined products terminals in the western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Corp is the second largest refiner in the US with core area of operations in the midwestern and western United States. It owns and operates seven refineries that serve markets in Alaska, Arizona, California, Hawaii, Idaho, Minnesota, Nevada, North Dakota, Oregon, Utah, Washington and Wyoming. Tesoro Corp trades under the symbol TSO and has a market cap that approximates $3.5 billion. TSO retains a significant ownership in the MLP as it will own about 50% of the limited partner interest and the 2.0% general partner interest and associated incentive distribution rights.

Exhibit 1: TLLP Asset Map

Source: Company data, Credit Suisse estimates

Martinez Crude Oil Terminal Dropdown

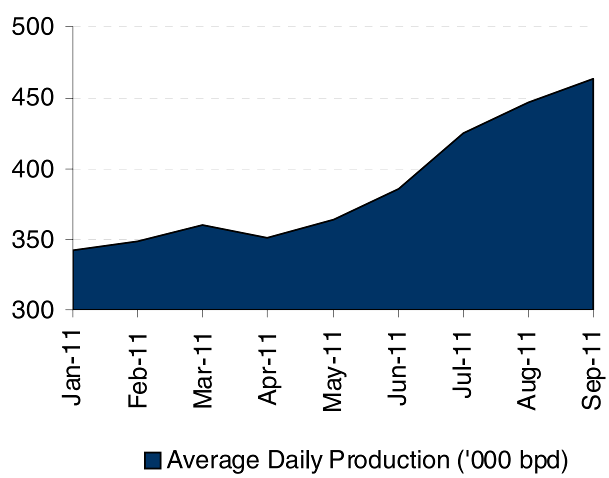
TSO plans to dropdown Martinez Crude Oil Marine Terminal to TLLP in early 2012. The company projects the EBITDA contribution from the dropdown at about $8 million annually. We model the dropdown at an EBITDA multiple of 10 times, on approximately $80 million. TLLP expects to finance the entire deal with its available revolver (that is expandable to $300 million). We have modeled the acquisition as 50/50 debt/equity to be conservative, with cost of debt at 6.0% and an annual maintenance capital expenditure of $0.5 million. We expect the dropdown to be in the range of $0.07 - 0.11 or 4.4% - 7.4% accretive to cash flow, depending on the multiple of the dropdown transaction. The terminal's projected volume is 70,000bpd with minimum volume commitments of 65,000bpd. In addition, the terminal has a wharf capacity of 145,000bpd and storage capacity of 425,000 barrels.

Focus on Bakken Shale

TLLP plans to expand its High Plains system to accommodate increasing crude production from the Bakken Shale. Management targets to grow system volumes to over 100,000bpd by 2013. This is supported by expansion at TSO's Mandan refinery (+10,000 bpd) and Anacortes refinery (+30,000bpd).

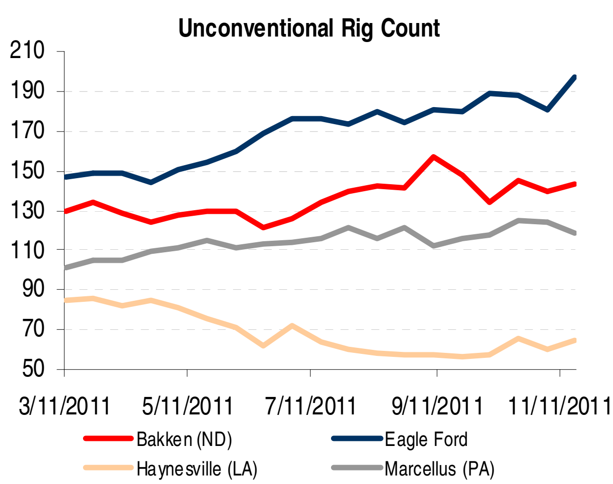
The Bakken Shale play is one of the premier oil plays in North America today. This unconventional play extends from North Dakota and eastern Montana in the United States into the Canadian provinces of Saskatchewan and Manitoba. The Bakken Shale play in North Dakota is currently the most actively drilled oil play in the US. According to the Land Rig Newsletter, the current rig count is 143 (all time high was 157 in September 2011). Oil production was at 463,754 bpd, up from 342,876 bpd in January 2011 and 137,642 bpd in January 2008, according to the North Dakota Industrial Commission (NDIC).

Exhibit 2: Production Growth in North Dakota



Source: North Dakota Industrial Commission (NDIC), Credit Suisse estimates

Exhibit 3: Bakken Drilling Activity Remains Strong



Source: Land Rig Newsletter, Credit Suisse

Exhibit 4: TLLP Changes to Model

	4Q11E	2011E	2012E	2013E	2014E	2015E	4Q11E	2011E	2012E	2013E	2014E	2015E
Crude oil gathering	7.0	14.0	29.9	32.7	33.4	34.2	8.0	15.8	32.4	44.1	48.2	49.0
Terminalling, transportation and storage	9.3	31.5	42.0	44.7	46.6	48.7	8.6	33.5	41.6	48.0	51.1	51.9
Acquisitions	0.0	0.0	4.7	10.9	17.2	23.4	0.0	0.0	6.0	12.7	18.9	25.2
Recurring EBITDA	**14.8**	**40.0**	**70.5**	**82.1**	**90.8**	**99.8**	**15.1**	**44.2**	**73.8**	**98.6**	**111.9**	**119.6**
Operating and maintenance	10.0	36.6	44.9	48.6	51.2	54.1	9.6	33.9	46.9	59.4	65.3	67.5
Depreciation and amortization	2.3	8.6	14.4	16.4	18.4	20.4	2.3	8.4	14.4	16.4	18.4	20.4
General and administrative	1.8	6.9	9.0	11.6	14.3	16.9	1.8	7.2	9.5	12.3	15.0	17.6
EBIT (operating income recurring)	**12.5**	**31.4**	**56.1**	**65.7**	**72.4**	**79.4**	**12.8**	**35.8**	**59.4**	**82.1**	**93.5**	**99.2**
Interest expense (income), net	(0.4)	(1.3)	(3.8)	(6.6)	(8.3)	(10.1)	(0.5)	(1.5)	(6.4)	(10.0)	(12.4)	(13.8)
Net income (recurring)	**12.1**	**30.1**	**52.3**	**59.1**	**64.1**	**69.3**	**12.4**	**34.3**	**53.1**	**72.1**	**81.1**	**85.4**
Non-recurring Items	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0
Reported Net Income	**12.1**	**30.9**	**52.3**	**59.1**	**64.1**	**69.3**	**12.4**	**35.1**	**53.1**	**72.1**	**81.1**	**85.4**
EPU	**0.4**	**0.8**	**1.7**	**1.9**	**2.0**	**2.1**	**0.4**	**0.9**	**1.7**	**2.1**	**2.3**	**2.3**
EBITDA - Recurring	14.8	40.0	70.5	82.1	90.8	99.8	15.1	44.2	73.8	98.6	111.9	119.6
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	31.2	32.3	32.3	32.3
Distributable Cash Flow (DCF)												
Net income	12.1	24.7	52.3	59.1	64.1	69.3	12.4	28.8	53.0	72.1	81.1	85.4
(+) Interest expense, net	0.4	1.3	3.8	6.6	8.3	10.1	0.5	1.5	6.4	10.0	12.4	13.8
(+) Depreciation and amortization	2.3	8.6	14.4	16.4	18.4	20.4	2.3	8.4	14.4	16.4	18.4	20.4
EBITDA	**14.8**	**34.6**	**70.5**	**82.1**	**90.8**	**99.8**	**15.1**	**38.7**	**73.8**	**98.6**	**111.9**	**119.6**
(-) Cash interest paid	0.4	0.8	3.8	6.6	8.3	10.1	0.5	0.8	6.4	10.0	12.4	13.8
(-) Maintenance capital expenditure	1.1	2.6	5.9	6.9	7.6	8.4	1.1	1.8	3.7	4.9	5.6	6.0
(-) Other	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Avaliable Cash	**13.3**	**30.8**	**60.8**	**68.6**	**74.9**	**81.3**	**13.6**	**35.7**	**63.8**	**83.6**	**94.0**	**99.8**
Cash paid to the general partner	0.2	0.6	1.0	1.8	3.3	4.9	0.2	0.7	1.2	2.7	5.0	10.3
GP portion of surplus cash flow	0.0	0.0	0.7	3.1	3.8	4.8	0.0	0.1	1.4	5.9	7.7	9.6
Distributable cash flow to LP	**13.1**	**30.1**	**59.1**	**63.8**	**67.8**	**71.6**	**13.3**	**34.9**	**61.2**	**75.0**	**81.2**	**79.9**
DCF per LP unit	**$0.43**	**$0.99**	**$1.94**	**$2.09**	**$2.22**	**$2.35**	**$0.44**	**$1.15**	**$1.96**	**$2.32**	**$2.51**	**$2.47**
Cash Distribution Declared Per Unit	**$0.36**	**$1.04**	**$1.53**	**$1.69**	**$1.85**	**$2.00**	**$0.36**	**$1.05**	**$1.58**	**$1.78**	**$1.98**	**$2.18**
Total declared cash distributions	11.1	32.5	47.7	53.4	59.8	65.8	11.3	32.7	50.3	60.1	68.8	80.5
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)	2.2	2.2	13.1	15.3	15.1	15.6	2.3	6.9	13.4	23.6	25.1	19.3
Distribution Coverage (Total DCF/Total Distribution Declared)	**1.20x**	**1.07x**	**1.28x**	**1.29x**	**1.25x**	**1.24x**	**1.20x**	**1.21x**	**1.27x**	**1.39x**	**1.37x**	**1.24x**

$ in millions, except for per unit data
Coverage Ratio = Total DCF/Total Cash Dist

Source: Partnership data, Credit Suisse estimates

Exhibit 5: TLLP Abbreviated Financial Statements

Tesoro Logistics, L.P. (NYSE: TLLP) — **Credit Suisse - Master Limited Partnerships and Natural Gas**

Abbreviated Financial Statements — Yves Siegel, CFA (212) 325-8462

Year ending December 31 ($ millions, except per unit data)	TLLP Predecessor			Pro Forma	Pro Forma								
	2008	2009	2010	2010	1Q11	2Q11	3Q11	4Q11E	2011E	2012E	2013E	2014E	2015E
Crude oil gathering	4	(0)	(1)	28	1	5	7	8	16	32	44	48	49
% of Total	*-47%*	*1%*	*5%*	*53%*	*-19%*	*55%*	*42%*	*53%*	*36%*	*44%*	*45%*	*43%*	*41%*
Terminalling, transportation and storage	(10)	(11)	(10)	28	(3)	6	11	9	33	42	48	51	52
% of Total	*125%*	*82%*	*78%*	*54%*	*89%*	*59%*	*65%*	*57%*	*76%*	*56%*	*49%*	*46%*	*43%*
Acquisitions	0	0	0	0	0	0	0	0	0	6	13	19	25
% of Total	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*8%*	*13%*	*17%*	*21%*
EBITDA - Recurring	**(8)**	**(13)**	**(13)**	**53**	**(4)**	**10**	**18**	**15**	**44**	**74**	**99**	**112**	**120**
y/y change (%)										*67%*	*33%*	*14%*	*7%*
EPU	$0.00	$0.00	$0.00	$1.36	($0.19)	$0.25	$0.49	$0.40	$0.95	$1.66	$2.14	$2.35	$2.32
Average Units Outstanding	-	-	-	30.5	30.5	30.5	30.5	30.5	30.5	31.2	32.3	32.3	32.3
Distributable Cash Flow (DCF)													
Net income				42	(6)	7	15	12	29	53	72	81	85
(+) Interest expense, net				2	0	0	1	0	2	6	10	12	14
(+) Depreciation and amortization				8	2	2	2	2	8	14	16	18	20
EBITDA				**53**	**(4)**	**10**	**18**	**15**	**39**	**74**	**99**	**112**	**120**
(-) Cash interest paid				2	0	0	0	0	1	6	10	12	14
(-) Maintenance capital expenditure				2	0	0	0	1	2	4	5	6	6
(-) Other				3	0	0	(0)	0	0	0	0	0	0
Distributable Cash Flow				**46**	**(4)**	**9**	**17**	**14**	**36**	**64**	**84**	**94**	**100**
DCF per LP unit				**$1.51**	**($0.13)**	**$0.29**	**$0.55**	**$0.44**	**$1.15**	**$1.96**	**$2.32**	**$2.51**	**$2.47**
Cash Distribution Declared Per Unit						**$0.34**	**$0.35**	**$0.36**	**$1.05**	**$1.58**	**$1.78**	**$1.98**	**$2.18**
% yr/yr growth									*NA*	*16.7%*	*12.7%*	*11.3%*	*10.1%*
Total declared cash distributions						11	11	11	33	50	60	69	81
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)						(2)	6	2	7	13	24	25	19
Distribution Coverage (Total DCF/Total Distribution Declared)						**0.85x**	**1.58x**	**1.20x**	**1.21x**	**1.27x**	**1.39x**	**1.37x**	**1.24x**
% of Total Cash Distribution													
General Partner						2%	2%	2%	2%	2%	5%	7%	13%
Limited Partners						98%	98%	98%	98%	98%	95%	93%	87%
Capital Expenditures & Acquisitions													
Growth Capex	10	6	0	0	0	1	2	3	6	60	40	0	0
Maintenance Capex	8	3	2	2	0	0	0	1	2	4	5	6	6
Acquisitions	0	0	0	0	0	0	0	0	0	80	50	50	50
Total Capital Expenditures & Acquisitions	**19**	**9**	**2**	**2**	**1**	**1**	**3**	**4**	**8**	**144**	**95**	**56**	**56**
Financing and Credit Metrics													
Equity Issuances ($ Millions)				0	0	294	0	0	294	40	0	0	0
Net Debt Issuances ($ Millions) - includes credit facility				0	0	50	0	(0)	50	84	64	23	27
Total Debt ($ Millions)				50	0	50	50	50	50	134	198	221	248
Net Debt-to-TTM EBITDA				0.9x	0.0x	1.2x	0.9x	0.8x	0.7x	1.6x	1.9x	1.9x	2.1x
Interest Expense, Net ($ Millions)				2	0	0	1	0	2	6	10	12	14
EBITDA-to-Interest Expense				21.9x	NA	20.8x	29.5x	31.5x	28.6x	11.6x	9.9x	9.1x	8.7x
Maintenance Capex As % of EBITDA				3%	-3%	3%	2%	7%	4%	5%	5%	5%	5%
Abbreviated Balance Sheet													
Cash and Equivalents	0	0	0	3	0	10	18	17	17	13	9	6	3
Current Assets	**0**	**3**	**4**	**3**	**4**	**19**	**30**	**29**	**29**	**29**	**29**	**27**	**25**
Property Plant and Equipment, Net	139	138	132	132	135	134	134	135	135	345	473	560	646
Other Assets	3	0	0	2	(0)	2	2	2	2	2	2	2	2
Total Assets	**142**	**141**	**136**	**137**	**139**	**155**	**165**	**166**	**166**	**375**	**504**	**589**	**672**
Current Liabilities	**0**	**5**	**5**	**0**	**5**	**7**	**9**	**9**	**9**	**12**	**15**	**16**	**17**
Credit facility	0	0	0	50	50	50	50	50	50	54	93	91	93
Long term debt, less current portion & Credit Facility	0	0	0	0	0	0	0	0	0	80	105	130	155
Other Liabilities	9	1	2	50	1	50	50	50	50	54	93	91	93
Total Liabilities	**9**	**5**	**7**	**50**	**6**	**57**	**59**	**59**	**59**	**146**	**213**	**237**	**265**
Partners Capital	133	136	129	87	132	98	106	108	108	229	290	352	407
Total Liabilities & Partners Capital	**142**	**141**	**136**	**137**	**139**	**155**	**165**	**166**	**166**	**375**	**504**	**589**	**672**

*Note: GP portion of surplus cash flow refers to the excess cash flow, above distributions paid, to which the general partner would be entitled if excess cash flow were fully distributed. Similarly, GP portion of cash flow deficit refers to the portion of the shortfall that the GP would share in the event that distributions were paid only out of DCF.

Source: Partnership reports, Credit Suisse estimates

Source: Partnership data, Credit Suisse estimates

Companies Mentioned *(Price as of 05 Dec 11)*
Tesoro Corp. (TSO, $24.83, NEUTRAL [V], TP $35.00)
Tesoro Logistics LP (TLLP, $29.01, OUTPERFORM [V], TP $33.00)

Disclosure Appendix

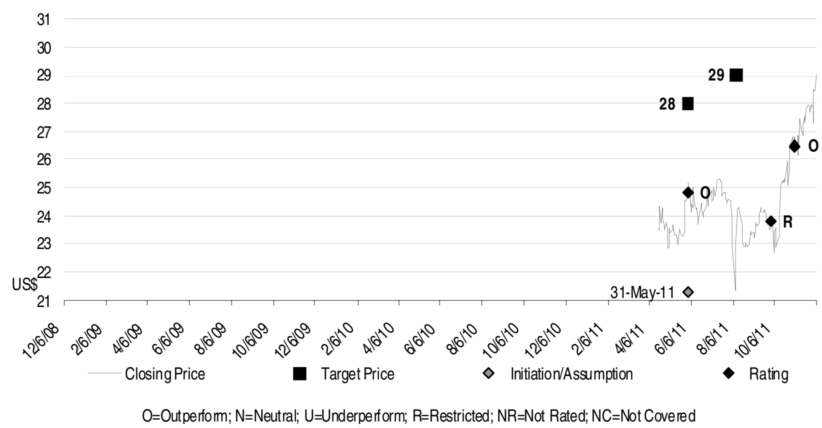
Important Global Disclosures

I, Yves Siegel, CFA, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for TLLP

TLLP Date	Closing Price (US$)	Target Price (US$)	Rating	Initiation/ Assumption
5/31/11	24.84	28	O	X
8/10/11	22.99	29		
9/30/11	23.8		R	
11/4/11	26.47		O	



The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities.

Analysts' stock ratings are defined as follows:

Outperform (O): The stock's total return is expected to outperform the relevant benchmark* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral (N): The stock's total return is expected to be in line with the relevant benchmark* (range of ±10-15%) over the next 12 months.

Underperform (U): The stock's total return is expected to underperform the relevant benchmark* by 10-15% or more over the next 12 months.

Relevant benchmark by region: As of 29th May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe**. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively.*

***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

Restricted (R): In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe* versus the relevant broad market benchmark:**

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

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

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

**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*
***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

	Global Ratings Distribution	
Outperform/Buy*	48%	(61% banking clients)
Neutral/Hold*	40%	(57% banking clients)
Underperform/Sell*	10%	(54% banking clients)
Restricted	2%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

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Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

See the Companies Mentioned section for full company names.
Price Target: (12 months) for (TLLP)
Method: We derived our $33 price target through a three-stage distribution discount model (DDM). Our assumptions include a discount rate of 12.0%, distribution compounded annual growth rate of 8.0% over the next five years and 5.0% over the following five years and a terminal growth rate of 1.5%.
Risks: Risks to our $33 price target for TLLP are potential refinery closings which would negatively impact volumes, dependence upon TSO for the majority of revenue, difficulty predicting timing of drop-down acquisitions which could result in lower than expected growth, potential for interest rate increases, which would negatively impact interest expense at the partnership's revolving credit facility, and demand destruction and/or declining volumes in the areas in which TLLP operates.

Please refer to the firm's disclosure website at www.credit-suisse.com/researchdisclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names.
The subject company (TLLP) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.
Credit Suisse provided investment banking services to the subject company (TLLP) within the past 12 months.
Credit Suisse has managed or co-managed a public offering of securities for the subject company (TLLP) within the past 12 months.
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November 10, 2011

WELLS FARGO SECURITIES

Equity Research

Tesoro Logistics L.P.

TLLP: Q3 Ahead Of Forecast--Raising Valuation And Estimate Risk/Reward Favorable With Bakken And Drop-Down Opportunities

Outperform / V

- **Key Takeaways.** Q3 operating results beat our estimates and management's guidance. We are increasing our 2011 DCF per unit estimate to $1.81 from $1.65 to reflect the Q3 variance. The timing of TLLP's first distribution increase to $0.35 per unit was also earlier than anticipated. We are raising our valuation range by $1 to $26-28 per unit to reflect a slightly higher 5-year distribution CAGR forecast of 10.0% versus 9.6% previously. We are maintaining our Outperform rating as risk/reward remains compelling, in our view. TLLP offers investors an attractive and relatively low-risk way to participate in (1) the anticipated growth in Bakken infrastructure and (2) potential upside tied to drop-down opportunities from the GP sponsor.

- **Q3 2011 Results Ahead Of Expectations.** TLLP reported Q3 2011 total EBITDA of $17.7MM, beating our estimate of $14.4MM, consensus of $15.3MM, and management's guidance of $14-15MM. The variance from our forecast was primarily attributable to higher-than-expected revenues for both the crude oil gathering and terminalling segments and lower-than-anticipated operating expenses. DCF/unit was $0.56, which was also above our estimate of $0.42 due to Q3 operating results. TLLP raised its distribution for the first time since its IPO to $0.35 per unit, which was above our forecast of $0.34. The Q3 distribution coverage was strong at 1.6x (or excess cash flow of $6.3MM).

- **Updated EBITDA Guidance Slightly Higher Than Expected.** Management expects the partnership will generate annualized EBITDA of $62MM ($15.5MM) excluding the anticipated benefit from announced growth projects. This forecast was slightly higher than our previous Q4 estimate of $14.4MM and compares to our revised estimate of $15.6MM. TLLP also provided an update on its organic growth initiatives. In general, the timing, total capital expenditures and anticipated returns remain essentially unchanged [i.e. growth capex budget of $25MM (versus $23MM previously) and an average EBITDA multiple of 2.2x (versus 2.1x previously)].

Valuation Range: $26.00 to $28.00 **from $25.00 to $27.00**
Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 9% and a long-term growth rate of 1.25%, and (2) a price-to-DCF multiple of 13x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Investment Thesis:
TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year growth outlook from potential drop-down opportunities and organic growth initiatives, and (3) TLLP's low-risk business model. We forecast a five-year distribution CAGR of 10%, assuming average annual (1) acquisitions of $100-150 million and (2) growth capex of $25 million. At least 80% of TLLP's distribution is expected to be tax deferred.

Sector: Small Cap Pipeline MLPs
Overweight

Earnings Estimates Revised Up

	2010A	2011E		2012E	
DCF/unit		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	NA	$0.38 A	NC	$0.49	NC
Q2 (June)	NA	0.43 A	NC	0.48	NC
Q3 (Sep.)	NA	**0.56 A**	**0.42**	0.51	NC
Q4 (Dec.)	NA	**0.44**	**0.42**	0.50	NC
FY	NA	**$1.81**	**1.65**	$1.98	NC
CY	NA	$1.81		$1.98	
FY P/DCF	NM	14.3x		13.1x	
Rev.(MM)	NE	$101		$120	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

Ticker	TLLP
Price (11/09/2011)	$25.89
52-Week Range:	$21-28
Shares Outstanding: (MM)	30.5
Market Cap.: (MM)	$789.6
S&P 500:	1,228.32
Avg. Daily Vol.:	44,809
Dividend/Yield:	$1.40/5.4%
LT Debt: (MM)	$50.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	10.0%
CY 2011 Est. P/DCF/unit-to-Growth:	1.4x
Last Reporting Date:	11/08/2011 Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Company Description:

Tesoro Logistics, L.P. is a publicly traded MLP that owns and operates a crude oil gathering system in the Bakken Shale, eight refined products terminals that primarily serve the Western United States market, and pipeline and storage assets located in Salt Lake City, Utah. The general partner of TLLP is Tesoro Corporation, which is one of the largest independent refiners in the United States.

Other Q3 Takeaways

- TLLP continues to assess drop-down opportunities and plans to provide an update on its growth initiatives during Tesoro Corp.'s (TSO) Analyst and Investor Day on December 5. In addition to potential acquisitions, management is analyzing potential investments to expand TLLP's footprint in the Bakken and further enhance the utilization of its assets. Notably, our model reflects an assumed $100MM drop-down in Q1'12 at an EBITDA multiple of 10x.

- Crude oil trucking volumes should remain relatively level at approximately 24,000 Bbls/d until 2012. Activity levels in the Bakken is expected to ramp up next year when TLLP's High Plains expansion project is placed into service in Q2'12. Management indicated that there may be an opportunity to grow its trucking business as volumes on TLLP's system pick up.

- TLLP continues its efforts to secure additional outlet connections between the High Plains System and third-party regional pipelines in the Bakken. The partnership could potentially provide additional volumes to feed into the announced expansions of these pipelines.

Q3'11 Results Ahead Of Expectations

TLLP reported Q3'11 total EBITDA of $17.7MM, beating our estimate of $14.4MM, consensus of $15.3MM, and proforma Q2'11 results of $13.8MM. The variance from our forecast was primarily attributable to higher than expected revenues for both the crude oil gathering and terminalling segments and lower than anticipated operating expenses. DCF/unit was $0.56, which was also above our estimate of $0.42 due to Q3 operating results. TLLP raised its distribution for the first time since its IPO to $0.35 per unit, which was earlier than anticipated and above our forecast of $0.34. Q3 distribution coverage was strong at 1.6x (or excess cash flow of $6.3MM). The partnership reported EPU of $0.49 versus our estimate of $0.37 and consensus of $0.44.

Figure 1. TLLP Q3'11 Results Versus Our Estimates

($MM, except per unit data)	Q2'11A	Q3'11A	Q3'11E	Var ($)	Var (%)
Segment EBITDA					
Crude Oil Gathering	**$6.7**	**$7.4**	$6.9	$0.5	(2.0%)
Terminalling, Transportation & Storage	**$8.8**	**$11.5**	$8.3	$3.2	5.9%
Other, net	**($1.7)**	**($1.1)**	($0.8)	($0.3)	NM
Assumed Drop-Downs	**$0.0**	**$0.0**	$0.0	$0.0	NM
EBITDA	**$13.8**	**$17.7**	14.4	$3.4	(3.7%)
(-) Interest Expense	**$0.0**	**$0.3**	$0.5	($0.2)	(96.8%)
(-) Maintenance Capex	**$0.4**	**$0.3**	$1.0	($0.7)	(56.4%)
(-) Other	**$0.0**	**($0.0)**	$0.0	($0.0)	NM
Available Cash Flow	**$13.4**	**$17.2**	$12.9	$4.3	3.7%
(-) GP Interest	**$0.2**	**$0.2**	$0.2	$0.0	0.0%
Total Distributable Cash Flow	**$13.2**	**$17.0**	$12.7	$4.3	3.8%
DCF / Unit	**$0.43**	**$0.56**	$0.42	$0.1	3.8%
Distribution / Unit	**$0.34**	**$0.35**	$0.34	$0.0	0.0%
Coverage Ratio	**1.28x**	**1.58x**	1.23x	NM	NM
Excess Cash Flow	**$2.9**	**$6.3**	2.4	$3.9	20.1%
LP Income / Unit (EPU)	**$0.35**	**$0.49**	$0.37	$0.1	(4.4%)
Average Units Outstanding	**30.5**	**30.5**	30.5	0.0	0.0%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Q3 Crude Oil Gathering segment EBITDA was $7.4MM versus our estimate of $6.9MM. Revenues exceeded our expectations based on both higher than anticipated throughput and average pipeline revenue per Bbl. Q3 throughput increased 6% sequentially as volumes recovered from weather related disruptions experienced in Q2 (i.e. from 78, 929 Bbls/d to 83,409 Bbls/d, compared to our estimate of 80,710 Bbls/d). Average pipeline revenue per Bbl increased from $1.24 in Q2'11 to $1.35 in Q3'11 (vs. our estimate of $1.25), while trucking revenue per barrel increased from $2.86 in Q2'11 to $2.90 in Q3'11 (vs. our estimate of $2.95). The pipeline rate benefitted from a 7% increase (FERC PPI-based adjustment) effective 7/1/11.

Terminalling. Transportation and Storage segment EBITDA was $11.5MM versus our forecast of $8.3MM. Segment operating and maintenance expense of $1.4MM was lower than our estimate of $3.5MM primarily due to the inclusion of a $2MM credit for the sale of product collected under TLLP's terminal loss allowance provision. Management anticipates operating expenses will increase sequentially in Q4 based on an anticipated $1MM decrease in the credit. The impact of higher than anticipated terminalling volumes of 144,997 Bbls/d (compared to our estimate of 134,579 Bbls/d) more than offset slightly lower than forecasted short-haul pipeline throughput (i.e. 69,658 Bbls/d vs. our estimate of 71,395 Bbls/d). Notably, terminalling volumes from third-parties (not TSO) increased sequentially by approximately 1,000 Bbls/d.

TLLP Provides EBITDA Guidance And Project Update

Management expects the partnership will generate annualized EBITDA of $62MM ($15.5MM quarterly) excluding the anticipated benefit from announced growth projects. This forecast was slightly higher than our previous Q4 estimate of $14.4MM and compares to our revised forecast of $15.6MM.

Figure 2. Annualized EBITDA Guidance

	Our Annualized Q4'11 Ests.	TLLP Annual Run Rate Guidance	Var ($)	Var (%)
Net Income	$49.9	$50.0	($0.1)	(0.3%)
Depreciation & Amortization	$10.1	$10.0	$0.1	0.7%
Interest Expense	$2.4	$2.0	$0.4	17.6%
Income tax expense	$0.0	$0.0	$0.0	NM
Other	$0.0	$0.0	$0.0	NM
EBITDA	$62.3	$62.0	$0.3	0.5%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

TLLP also provided an update on its organic growth initiatives. In general, the timing, total capital expenditures and anticipated returns remain essentially unchanged [i.e. growth capex budget of $25MM (versus $23MM previously) and an average EBITDA multiple of 2.2x (versus 2.1x previously)].

Figure 3. Identified Growth Capex And Returns

$ in MM	Previous Guidance			Revised Guidance		
Project	Growth Capex Total	Projected EBITDA	Completion Date	Growth Capex Total	Projected EBITDA	Completion Date
High Plains expansion	$5.0	$5.0	Q2'12	$6.0	$5.0	Q2'12
Rangeland interconnect	$3.0	$1.0	Q2'12	$1.5	$1.5	Q2'12
Connelly gathering hub	$5.0	$0.0	Q2'12	$4.0	$0.0	Q1'12
TSO reimbursement	($5.0)			($4.0)		
Total Crude Oil Gathering Segment	**$8.0**	**$6.0**		**$7.5**	**$6.5**	
Ethanol blending	$3.0	$1.0	Q2'11-Q1'12	$4.5	$1.0	Q2'11-Q1'12
Los Angeles terminal transmix	$3.0	$0.5	Q1'12	$3.0	$0.5	Q3'12
Stockton terminal storage	$9.0	$2.5	Q1'12	$10.0	$2.5	Q4'12
Los Angeles terminal permit expansion	$0.0	$1.0	Q1'12	$0.0	$1.0	Q1'12
Total Terminalling, Transportation and Storage Segment	**$15.0**	**$5.0**		**$17.5**	**$5.0**	
Total Growth Capex	**$23.0**	**$11.0**		**$25.0**	**$11.5**	
Average EBITDA Multiple	**2.1x**			**2.2x**		

Source: Partnership reports

Outlook For 2012

For 2012, we forecast TLLP will generate EBITDA of $75.4MM, which represents a 28% ($16MM) improvement over proforma 2011 results. The increase in our cash flow estimates is driven primarily by contributions from an assumed $100MM drop-down transaction in Q1'12. Our forecast also reflects the benefit from $12M of estimated growth capex invested in 2011 and partial year contributions from an assumed $31MM of growth capex invested in 2012.

Raising 2011 DCF Estimate

We are raising our 2011 DCF per unit estimate to $1.81 from $1.65 previously primarily to reflect Q3 results. Our 2011 distribution per unit forecast increases to $1.39 from $1.36 based on the higher than anticipated rate declared for Q3. We are also raising our 2012 distribution per unit estimate from $1.55 to $1.59, which represents a 14.8% year-over-year increase. There is no change to our 2012 DCF per unit estimate of $1.98.

Figure 4. Overview Of Changes To Our TLLP Estimates

($MM, except per unit data)	New 2011E	Old 2011E	Percent Change	New 2012E	Old 2012E	Percent Change
EBITDA						
Crude Oil Gathering	$28.1	$27.2	3.6%	$32.1	$31.4	2.4%
Terminalling, Transportation & Storage	$35.4	$31.5	12.3%	$36.5	$36.9	(1.1%)
Other, net	($4.4)	($4.1)	8.1%	($3.2)	($3.2)	0.0%
Assumed Drop-Downs	$0.0	$0.0	-	$10.0	$10.0	0.0%
Total EBITDA	**$59.1**	$54.6	8.3%	**$75.4**	$75.1	0.5%
(-) Interest Expense	$0.8	$1.0	(17.0%)	$7.1	$7.1	(1.1%)
(-) Maintenance Capex	$2.3	$2.5	(8.6%)	$6.7	$6.5	2.2%
(-) Other	($0.0)	$0.0	-	$0.0	$0.0	-
Available Cash Flow	$56.0	$51.1	9.7%	$61.7	$61.4	0.4%
(-) GP Interest	$0.9	$0.8	1.8%	$1.2	$1.1	10.5%
Total Distributable Cash Flow	$55.1	$50.2	9.8%	$60.5	$60.3	0.3%
DCF / Unit	**$1.81**	$1.65	9.8%	**$1.98**	$1.98	0.3%
Distribution / Unit	$1.39	$1.36	1.8%	$1.59	$1.55	2.6%
Coverage Ratio	1.3x	1.2x	-	1.2x	1.3x	-
Excess Cash Flow	$12.9	$8.7	47.6%	$12.0	$13.0	(8.2%)
Net Income	$47.9	$42.9	11.4%	$53.0	$52.3	1.2%
LP Income / Unit (EPU)	$1.54	$1.38	11.4%	$1.69	$1.68	1.0%
Average Units Outstanding	30.5	30.5	0.0%	30.5	30.5	0.0%

Source: Wells Fargo Securities, LLC estimates

Raising Valuation Range To $26-28 Per Unit

We are raising our valuation range for TLLP by $1 per unit to $26-28 to reflect a slightly higher five-year distribution CAGR forecast of 10.0% versus 9.6% previously. Our valuation range is based on: (1) a three-stage distribution discount model assuming a 9% required rate of return and a 1.25% long-term growth rate and (2) a price-to-distributable cash flow multiple of about 13x our 2012 estimate. Risks to TLLP trading in our valuation range include: a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Figure 5. TLLP Versus Small-Cap Pipeline MLPs

	Current Price	Current Yield	Price/DCF 2011E	Price/DCF 2012E	Distrib. Growth Est. 2012E	Distrib. Growth Est. 3-Year	P/DCF To Growth Ratio
Tesoro Logistics LP	$26.16	5.4%	14.5x	13.2x	14.8%	13.7%	1.0x
Small Cap Pipeline MLP Median		6.8%	12.3x	10.5x	4.6%	4.7%	2.3x

Source: FactSet and Wells Fargo Securities, LLC estimates

APPENDIX

Figure 6. TLLP Sources & Uses Of Cash In 2011

	($ in millions)	Q1'11A	Q2'11A	Q3'11A	Q4'11E	2011E
Uses Of Cash	**Growth Spending:**					
	Acquisition spending	-	-	-	-	-
	Growth capex spending	$0	-	$2	$9	$12
	Debt Maturities:					
	Long-term debt maturities	-	$0	-	$2	$3
	Total spending	**$0**	**$0**	**$2**	**$11**	**$14**
Sources Of Cash	**Equity Funding:**					
	Excess cash flow		$1	$3	$6	$10
	Secondary equity issuance	-	-	-	-	-
	Cash and other, net	-	($49)	$1	$8	($41)
	Debt Funding:					
	Long-term debt issuance	-	($2)	($1)	($3)	($6)
	Credit facility	$0	$50	-	-	$50
	Total financing	**$0**	**$0**	**$2**	**$11**	**$14**
	Credit Metrics:					
	Amount drawn on credit facility / CP	$0	$50	$50	$50	$50
	Utilization	0%	33%	33%	33%	33%
	Liquidity	$150	$100	$100	$100	$100
	Debt/EBITDA ratio				**0.9x**	**0.9x**

Source: Partnership reports and Wells Fargo Securities, LLC estimates

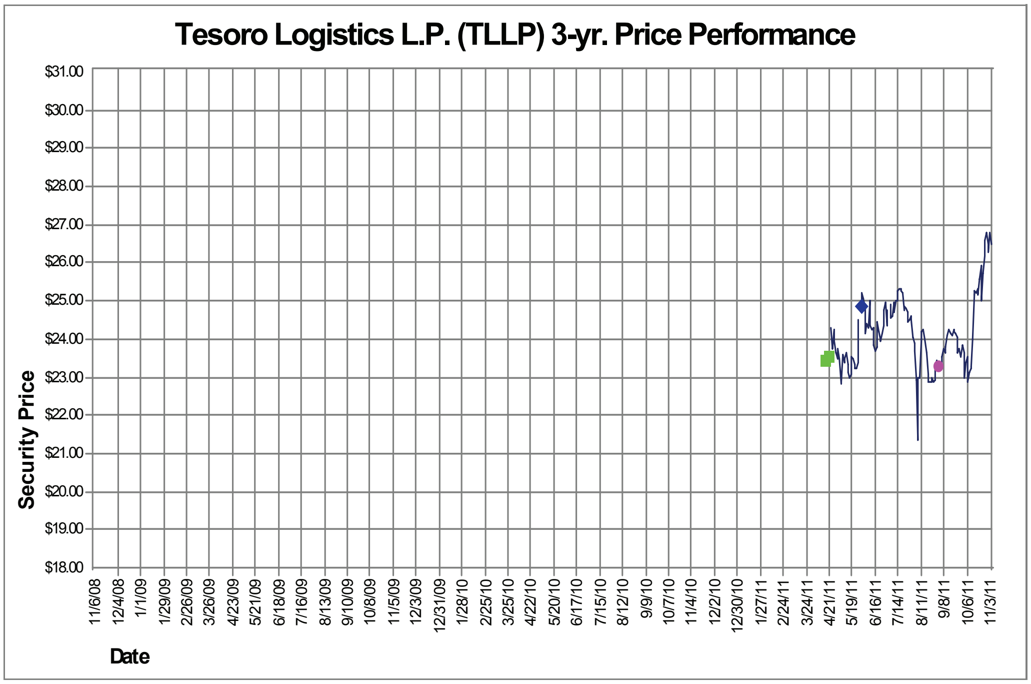
TESORO LOGISTICS, L.P. (TLLP) - OPERATIONAL SUMMARY

Year ended December 31
($ in millions, except for per unit data)

	Q1'11A	*Q2'11A*	*Q3'11A*	*Q4'11E*	**PF2011E**	*Q1'12E*	*Q2'12E*	*Q3'12E*	*Q4'12E*	**FY2012E**	**FY2013E**	**FY2014E**	**FY2015E**	**FY2016E**
Crude oil pipeline throughput (Bbls/d)	55,301	55,717	59,530	59,530	57,520	59,530	66,597	66,597	66,597	64,830	72,805	76,806	81,607	87,657
Yr/Yr % Change						*7.6%*	*19.5%*	*11.9%*	*11.9%*	*12.7%*	*12.3%*	*5.5%*	*6.3%*	*7.4%*
Trucking volume (Bbls/d)	21,628	23,212	23,879	23,879	23,150	23,879	25,852	25,852	25,852	25,359	27,585	28,702	30,043	31,732
Yr/Yr % Change						*10.4%*	*11.4%*	*8.3%*	*8.3%*	*9.5%*	*8.8%*	*4.0%*	*4.7%*	*5.6%*
Terminal throughput (Bbls/d)	121,546	134,579	144,997	134,852	133,993	134,852	134,852	134,852	134,852	134,852	138,670	138,670	138,670	138,670
Yr/Yr % Change						*10.9%*	*0.2%*	*-7.0%*	*0.0%*	*0.6%*	*2.8%*	*0.0%*	*0.0%*	*0.0%*
Short-haul pipeline throughput (Bbls/d)	62,173	71,395	69,658	69,658	68,221	69,658	69,658	69,658	69,658	69,658	72,007	72,007	72,007	72,007
Yr/Yr % Change						*12.0%*	*-2.4%*	*0.0%*	*0.0%*	*2.1%*	*3.4%*	*0.0%*	*0.0%*	*0.0%*
Storage capacity reserved (Bbls)	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000
Yr/Yr % Change						*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA By Segment														
Crude oil gathering	6.6	6.7	7.4	7.4	28.1	7.2	7.8	8.6	8.6	32.1	36.9	40.3	43.7	47.1
% of Total	*55.4%*	*48.7%*	*41.7%*	*47.3%*	*47.6%*	*40.6%*	*42.3%*	*43.6%*	*43.6%*	*42.6%*	*39.9%*	*36.0%*	*33.2%*	*31.2%*
Terminalling, transportation, and storage	6.1	8.8	11.5	9.0	35.4	8.8	8.9	9.4	9.4	36.5	38.9	39.9	41.0	42.0
% of Total	*51.3%*	*63.5%*	*64.6%*	*57.8%*	*59.9%*	*49.8%*	*48.4%*	*47.7%*	*47.7%*	*48.4%*	*42.0%*	*35.6%*	*31.2%*	*27.9%*
Other	(0.8)	(1.7)	(1.1)	(0.8)	(4.4)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Assumed Drop-Downs	-	-	-	-	-	2.5	2.5	2.5	2.5	10.0	20.0	35.0	50.0	65.0
% of Total	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*14.1%*	*13.6%*	*12.7%*	*12.7%*	*13.3%*	*21.6%*	*31.2%*	*38.0%*	*43.1%*
Total EBITDA	**11.9**	**13.8**	**17.7**	**15.6**	**59.1**	**17.7**	**18.4**	**19.7**	**19.7**	**75.4**	**92.6**	**112.0**	**131.5**	**150.9**
EPU	**$0.30**	**$0.35**	**$0.49**	**$0.40**	**$1.54**	**$0.43**	**$0.41**	**$0.43**	**$0.43**	**$1.69**	**$1.80**	**$1.84**	**$1.83**	**$1.84**
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.7	32.3	34.3	36.2
Distributable Cash Flow (DCF)														
Adjusted EBITDA	11.9	13.8	17.7	15.6	59.1	17.7	18.4	19.7	19.7	75.4	92.6	112.0	131.5	150.9
(-) Interest expense	0.0	0.0	0.3	0.5	0.8	0.8	1.8	2.3	2.3	7.1	14.6	22.2	29.2	36.4
(-) Maintenance capital expenditure	0.1	0.4	0.3	1.5	2.3	1.8	1.6	1.7	1.7	6.7	7.9	9.5	11.2	12.8
(-) Other	-	-	(0.0)	-	(0.0)	-	-	-	-	-	-	-	-	-
Available cash flow	11.8	13.4	17.2	13.6	56.0	15.2	15.0	15.7	15.7	61.7	70.1	80.3	91.0	101.7
General Partner's Interest	0.2	0.2	0.2	0.2	0.9	0.2	0.3	0.3	0.4	1.2	3.2	6.2	10.1	13.6
Distributable Cash Flow	11.6	13.2	17.0	13.4	55.1	15.0	14.8	15.4	15.3	60.5	66.9	74.2	80.9	88.1
DCF Per Unit	**$0.38**	**$0.43**	**$0.56**	**$0.44**	**$1.81**	**$0.49**	**$0.48**	**$0.51**	**$0.50**	**$1.98**	**$2.18**	**$2.29**	**$2.36**	**$2.43**
Distribution Declared Per Unit	**$0.34**	**$0.34**	**$0.35**	**$0.36**	**$1.39**	**$0.38**	**$0.39**	**$0.41**	**$0.42**	**$1.59**	**$1.83**	**$2.04**	**$2.15**	**$2.23**
Yr/Yr % Change						*11.1%*	*15.6%*	*15.7%*	*16.7%*	*14.8%*	*15.1%*	*11.2%*	*5.7%*	*3.7%*
Distribution Coverage	1.13x	1.28x	1.58x	1.21x	1.30x	1.30x	1.24x	1.24x	1.19x	1.24x	1.17x	1.11x	1.08x	1.07x
Excess Cash Flow (Deficit)	1.3	2.9	6.3	2.4	12.9	3.5	2.9	3.1	2.5	12.0	10.4	7.8	6.6	6.9
% of Total Cash Distribution														
General Partner	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.1%	2.6%	3.1%	2.5%	5.3%	8.5%	12.0%	14.3%
Limited Partners	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	97.9%	97.4%	96.9%	97.5%	94.7%	91.5%	88.0%	85.7%
Capital Expenditures														
Acquisition Capex	-	-	-	-	-	100.0	-	-	-	100.0	100.0	150.0	150.0	150.0
Growth Capex	0.4	-	2.1	9.1	11.6	11.1	8.0	6.5	5.7	31.4	25.0	25.0	25.0	25.0
Maintenance Capex	0.1	0.4	0.3	1.5	2.3	1.8	1.6	1.7	1.7	6.7	7.9	9.5	11.2	12.8
Total Capex	**0.5**	**0.4**	**2.3**	**10.6**	**13.9**	**112.9**	**9.6**	**8.2**	**7.4**	**138.1**	**132.9**	**184.5**	**186.2**	**187.8**
Credit Metrics														
Equity Issuances	-	-	-	-	-	-	-	-	-	-	50	75	75	75
Total Debt	50	50	50	53	53	162	166	170	172	172	236	328	421	514
TTM EBITDA				59	59	65	69	71	75	75	93	112	131	151
(+) adjustments					-	9	8	6	5	5	4	4	4	4
Pro forma TTM EBITDA	-	-	-	59	59	74	77	78	81	81	97	116	136	155
Debt/EBITDA (TTM)				0.9x	0.9x	2.5x	2.4x	2.4x	2.3x	2.3x	2.6x	2.9x	3.2x	3.4x
Pro forma Debt/EBITDA (TTM)				0.9x	0.9x	2.2x	2.2x	2.2x	2.1x	2.1x	2.4x	2.8x	3.1x	3.3x
Debt/ annualized EBITDA	1.0x	0.9x	0.7x	0.8x	-	2.3x	2.3x	2.2x	2.2x	-	-	-	-	-
EBITDA/Interest Expense (TTM)				71.0x	71.0x	41.4x	20.8x	13.5x	10.7x	10.7x	6.3x	5.1x	4.5x	4.1x
EBITDA/Interest Expense	796.5x	912.8x	56.5x	31.9x	71.0x	23.6x	10.3x	8.7x	8.7x	10.7x	6.3x	5.1x	4.5x	4.1x
Maintenance capex as % of EBITDA	1%	3%	1%	10%	4%	10%	9%	9%	9%	9%	9%	9%	9%	9%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

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

Source: Wells Fargo Securities, LLC estimates and Reuters data

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

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

Additional Information Available Upon Request

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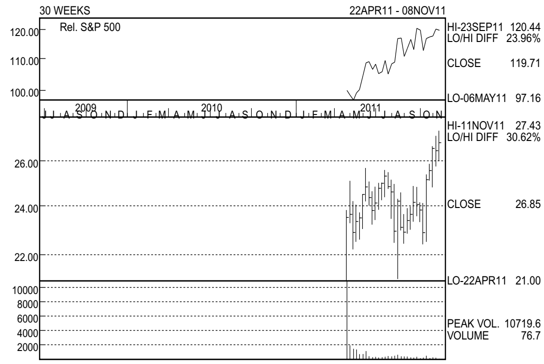

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FY Dec	2011E	2012E	2013E
DCF - FD	1.27	2.11	2.48
Prev.	1.17	1.96	2.41
EPU (Op) - FD	1.12	1.81	2.04
Prev.	1.00	1.58	1.89
EBITDA (MM)	38.9	74.3	90.9
Prev.	36.8	70.6	90.0
P/DCF	21.1x	12.7x	10.8x
P/EPU	24.0x	14.8x	13.2x
EV/EBITDA	21.1x	11.0x	9.0x

DCF - FD	Q1	Q2	Q3	Q4
2011	0.00A	0.29A	0.56A	0.43E
Prev.			0.43E	0.46E
2012	0.46E	0.51E	0.54E	0.56E
Prev.	0.43E	0.48E	0.49E	0.52E
EPU (Op) - FD				
2011	0.00A	0.23A	0.49A	0.41E
Prev.			0.39E	0.39E
2012	0.40E	0.45E	0.47E	0.49E
Prev.	0.36E	0.40E	0.40E	0.42E
EBITDA (MM)				
2011	(3.8)A	9.6A	17.7A	15.3E
Prev.			15.0E	16.0E
2012	16.2E	17.9E	19.6E	20.6E
Prev.	15.4E	17.5E	18.1E	19.6E

All values in USD unless otherwise noted.

PRICE TARGET REVISION | COMMENT

NOVEMBER 9, 2011

Tesoro Logistics LP (NYSE: TLLP)

Solid 3Q11; 2012 Plan and Asset-Drop Are the Next Catalysts

Outperform
Average Risk

Price:	26.85	**Price Target:**	30.00 ↑ 28.00
		Implied All-In Return:	17%
Shares O/S (MM):	30.5	**Market Cap (MM):**	819
Dividend:	1.40	**Yield:**	5.2%
Float (MM):	30.2	**Avg. Daily Volume (MM):**	0.07
Debt to Cap:	32%	**Est Tax Deferral:**	80%

3Q11 Beats on Terminal Performance; Look for More Clarity Around Asset Drop on December 5th

Investment Opinion

3Q11 Beat Driven by Terminal Results: 3Q11 EBITDA of $17.7M exceeded our $15M and the $14.4M consensus on seasonally strong terminal throughput and a return to normalcy in the Bakken after severe flooding impacted Q2. Results also benefited from a fee escalation on the crude pipeline (+7%) and higher rates for trucking (+2%) and terminalling (+2%). Profitability was boosted further by a $2M credit for terminal loss allowances, which reduces OpEx, expected to total $1M in future quarters. DCF/unit of $0.56 compares to our $0.43 and resulted in coverage of 1.6x the declared distribution of $0.35 (above our $0.33825 and +4% Q/Q).

Terminal Optimization Bearing Fruit: Seasonally strong throughput of 145 Mbpd was 8% above our estimate as 6 locations achieved record volumes. TLLP's optimization efforts continue to bear fruit driving growth in volumes from both TSO and third parties (+1 Mbpd in Q3). TLLP has $17.5M of growth projects underway expected to generate $5M of annual EBITDA and further expansions could be on the horizon.

Evaluating Additional Bakken Opportunities: Bakken infrastructure constraints show no sign of easing as production and reserve estimates move higher. TTLP has $11.5M of crude projects underway with longer-term opportunities around additional gathering and trucking capacity along with interstate pipeline interconnects. Admittedly, infrastructure constraints pose a gating factor near-term, but support from TSO, which has a vested interest in Bakken crude supply, should help.

Looking for Clarity Around First Drop at TSO Analyst Day: On December 5th, TSO will hold an analyst day and release the 2012 financial plan for the partnership. We look for clarity on the timing of the first asset drop-down and potential for near-term crude trucking expansion. Our model now assumes the first $50M drop in 1Q12 (from 4Q11 prior) financed entirely with availability under the revolver.

Raising Estimates and Price Target: We have increased our estimates to reflect higher terminal loss allowance credits which are partially offset by pushing back our first drop-down assumption. We raise our price target to $30 on distribution roll-over and maintain our Outperform rating given our expectation for highly accretive debt funded drop-downs and above-average distribution growth.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 4.

Valuation

We derive our 12-month price target of $30 for TLLP using our multi-stage distribution discount model (DDM). Our DDM is based on our distribution estimates for the four quarters starting one year out followed by a 5-year growth rate of 8%, which, from the current distribution implies a 5-year CAGR of 13.1%. Our long-term distribution schedule assumes that over the subsequent 11 years growth converges to the 1% perpetual rate. We discount our distributions at a 9.0% discount rate, which incorporates our interest rate expectations and a risk premium based on TLLP-specific risks and is consistent with an Average risk qualifier. Our $30 price target implies a yield of 5.8% on our one year out annualized distribution of $1.72 per unit.

Price Target Impediment

Among the key issues that could impede our price target are:

- Acquisition risk;
- Damage to pipeline infrastructure;
- Commodity price risks;
- TLLP is dependent on Tesoro Corp parent for substantially all of its revenue, so any inability to meet its requirements with Tesoro would negatively impact results.
- Trading liquidity in the units is relatively low; and
- Other risks, including prolonged declines in volumes, interest rates, and regulatory risk.

Company Description

TLLP is a growth oriented MLP formed by Tesoro to operate its gathering and processing and short-haul pipelines, trucking and terminalling logistics assets. The partnership intends to operate its assets under long-term, minimum volume contracts with Tesoro and pursue asset drop-down growth opportunities. The initial assets are strategically located near Tesoro refineries in the Bakken Shale, West Coast, Rockies and Alaska with potential drop-downs near existing infrastructure.

($ in MM, except per share data & ratios)	2011 Quarterly Results				2012 Quarterly Results				Annual Results		
	Q111A	Q211A	Q311A	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Crude Oil Gathering	5.6	10.7	13.8	13.2	13.3	13.3	14.6	15.2	43.3	56.4	63.9
Terminalling, Transport. & Storage	0.7	9.1	13.3	12.6	14.9	17.7	19.0	20.2	35.7	71.9	89.2
Total Revenue	**$6.3**	**$19.8**	**$27.1**	**$25.9**	**$28.1**	**$31.1**	**$33.7**	**$35.4**	**$79.0**	**$128.3**	**$153.1**
Total Costs and Expenses	12.1	12.2	11.4	12.6	14.6	15.8	17.4	18.0	48.3	65.9	78.6
Operating Income	**($5.8)**	**$7.5**	**$15.7**	**$13.2**	**$13.5**	**$15.2**	**$16.3**	**$17.3**	**$30.7**	**$62.4**	**$74.5**
Interest Expense	-	(0.5)	(0.6)	(0.6)	(1.0)	(1.3)	(1.6)	(1.9)	(1.7)	(5.9)	(10.8)
Net Income	**($5.8)**	**$7.1**	**$15.1**	**$12.6**	**$12.5**	**$13.9**	**$14.7**	**$15.4**	**$29.0**	**$56.5**	**$63.7**
General Partner Interest	-	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.7	1.3	1.4
LP Interest In Net Income	**($5.8)**	**$6.9**	**$14.8**	**$12.4**	**$12.2**	**$13.6**	**$14.4**	**$15.1**	**$28.3**	**$55.3**	**$62.2**
Diluted Earnings (loss) per Unit		**$0.23**	**$0.49**	**$0.41**	**$0.40**	**$0.45**	**$0.47**	**$0.49**	**$1.12**	**$1.81**	**$2.04**
Average Units Outstanding	-	30.5	30.5	30.5	30.5	30.5	30.5	30.5	22.9	30.5	30.5
Adjusted EBITDA	**($3.8)**	**$9.6**	**$17.7**	**$15.3**	**$16.2**	**$17.9**	**$19.6**	**$20.6**	**$38.9**	**$74.3**	**$90.9**

Distributable Cash Flow	Q111A	Q211A	Q311A	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Adjusted EBITDA	**($3.8)**	**$9.6**	**$17.7**	**$15.3**	**$16.2**	**$17.9**	**$19.6**	**$20.6**	**$38.9**	**$74.3**	**$90.9**
Cash Interest Expense	-	(0.0)	(0.3)	(0.5)	(0.9)	(1.1)	(1.3)	(1.6)	(0.8)	(4.9)	(9.0)
Maintenance CapEx	(0.2)	(0.7)	(0.3)	(1.5)	(1.1)	(1.2)	(1.4)	(1.4)	(2.6)	(5.0)	(6.4)
General Partner Interest	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.5)	(0.6)	(1.3)	(5.0)
Distributable Cash Flow to LP	**($4.0)**	**$8.7**	**$17.0**	**$13.2**	**$14.0**	**$15.4**	**$16.5**	**$17.1**	**$34.9**	**$63.1**	**$70.5**
Distributable CF Per Unit		**$0.29**	**$0.56**	**$0.43**	**$0.46**	**$0.51**	**$0.54**	**$0.56**	**$1.27**	**$2.11**	**$2.48**
Distributions per Unit	**-**	**$0.24480**	**$0.35000**	**$0.36500**	**$0.38000**	**$0.40500**	**$0.43000**	**$0.45500**	**$0.95980**	**$1.67000**	**$2.07000**
Total Unit Coverage	**-**	**1.17x**	**1.59x**	**1.18x**	**1.21x**	**1.25x**	**1.26x**	**1.23x**	**1.33x**	**1.26x**	**1.20x**

Balance Sheet	Q111A	Q211A	Q311A	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Total Assets	$138.7	$154.8	$165.3	$171.1	$225.0	$217.9	$271.1	$271.9	$171.1	$271.9	$372.0
Total Partners' Capital	132.2	97.5	106.4	108.2	109.3	111.3	113.4	115.2	108.2	115.2	113.7
Net Debt	**-**	**$40.0**	**$32.2**	**$39.7**	**$91.7**	**$92.2**	**$142.4**	**$140.9**	**$39.7**	**$140.9**	**$240.5**
Net Debt / TTM EBITDA	.0x	23.3x	1.4x	1.0x	1.6x	1.4x	2.1x	1.9x	1.0x	1.9x	2.6x
Interest Coverage	-	20.8x	29.5x	25.7x	15.4x	13.5x	12.3x	10.8x	23.4x	12.7x	8.4x

Source: RBC Capital Markets estimates & Company Reports

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			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
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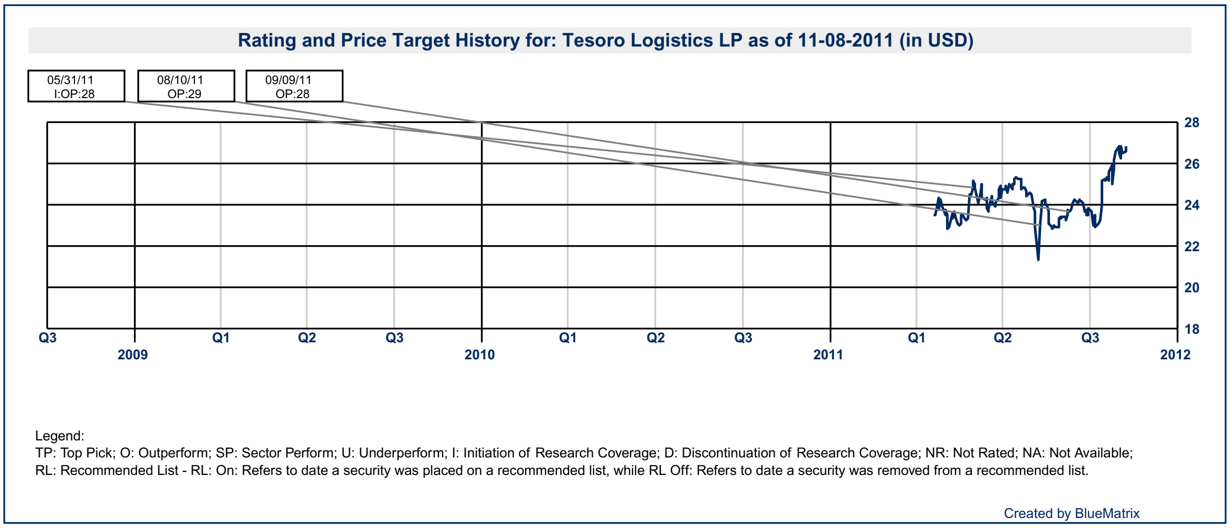
HOLD[SP]	628	42.80	136	21.66
SELL[U]	65	4.40	6	9.23



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TESORO LOGISTICS LP

Raising Price Target to $30

Off to good start with bump in first full quarter post IPO, next potential catalyst analyst day. We raise our price from $28 to $30 to reflect solid 3Q results, sooner-than-expected distribution bump, and improving growth visibility. Our $30 PT is based on a 12-month distribution run rate of $1.58 (previously $1.48) and target yield of 5.25% (previously 5.3%). Double-digit distribution growth visibility (we expect 12.7% in 2012) is supported by organic projects, including the emerging Bakken Shale and drop down opportunities. The next potential catalyst is TLLP's 12/5 analyst day, were management will provide guidance on 2012 expansion capex and likely its dropdown expectations.

3Q results above estimates, distribution bump sooner-than-expected. EBITDA was $17.7mm vs. our $14.2mm estimate and $14.3mm consensus. Distributable cash flow was $17.2mm vs. our $12.6mm estimate. Upside to our estimates was driven by higher-than-expected crude gathering and terminalling volumes, lower-than-expected maintenance capex, and a gain from product sale under terminal loss allowance. TLLP posted its first distribution bump sooner than we forecasted. The Partnership increased its quarterly distribution 3.7% QoQ to $0.35 per unit ($1.40 annualized). Distribution coverage was a healthy 1.58x in 3Q. In addition, management slightly increased its quarterly EBITDA run rate by $0.5mm to $15.5mm.

Organic projects on track, awaiting first dropdown. Though the current expansion capex budget is relatively small at $29mm ($20.5mm net of $8.5mm reimbursements from parent), it is comprised of a diverse set of highly accretive midstream projects with an aggregate EBITDA multiple less than 2x. Expected incremental EBITDA of $11.5mm translates to 19% YoY growth. Additional growth should come from dropdown (we assume $50mm in 2012). Given TLLP's low leverage (less than 1x), we expect current organic projects and the first dropdown will be debt financed.

TLLP: Quarterly and Annual EPS (USD)

	2010	2011			2012			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2011	2012
Q1	N/A	0.32A	0.00A	-0.19A	0.38E	0.40E	0.38E	N/A	40%
Q2	N/A	0.25A	0.25A	0.25A	0.41E	0.41E	0.41E	N/A	64%
Q3	N/A	0.37E	0.49A	0.37E	0.48E	0.49E	0.44E	N/A	0%
Q4	N/A	0.37E	0.40E	0.38E	0.46E	0.47E	0.44E	N/A	17%
Year	N/A	0.99E	1.14E	0.92E	1.72E	1.77E	1.65E	N/A	55%
P/E	N/A		23.6			15.2			

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

Stock Rating	1-OVERWEIGHT
	Unchanged
Sector View	2-NEUTRAL
	Unchanged
Price Target	USD 30.00
	raised 7% from USD 28.00

Price (08-Nov-2011)	USD 26.85
Potential Upside/Downside	+12%
Tickers	TLLP

Market Cap (USD mn)	804
Shares Outstanding (mn)	30.20
Free Float (%)	82.67
52 Wk Avg Daily Volume (mn)	0.2
Dividend Yield (%)	0.0
Return on Equity TTM (%)	N/A
Current BVPS (USD)	6.52

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 27.43-21.07

Link to Barclays Capital Live for interactive charting

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COMPANY SNAPSHOT

Tesoro Logistics LP — U.S. MLPs

Income statement ($mn)	2010A	2011E	2012E	2013E	CAGR
EBITDA	na	54	69	88	NA
EBIT	na	30	60	76	NA
Pre-tax income	na	36	56	70	NA
Net income	na	36	56	70	NA
Reported EPS	na	$1.14	$1.77	$2.04	NA
Diluted shares (m)	na	31	31	33	NA
Cash Distribution per Unit	na	$1.38	$1.55	$1.72	NA

Balance Sheet and Cash flow ($m)					CAGR
Cash	na	13	4	5	NA
Net PP&E	na	142	155	226	NA
Debt	na	52	97	122	NA
Operating cash flow	na	35	65	81	NA
Distributable cash flow	na	49	60	74	NA

Valuation and leverage metrics					Average
Distribution coverage ratio %	na	132.2	123.9	126.9	127.7
EV/EBITDA (x)	na	14.8	11.4	9.0	11.7
EV/EBITDA less MC, GP (x)	na	16.0	12.6	10.1	12.9
Price/DCF(x)	na	15.2	12.5	11.0	12.9
EBITDA/interest expense (x)	na	32.5	15.7	13.7	20.6
Debt/EBITDA (x)	na	1.0	1.4	1.4	1.3

Operating metrics (volumes in 000 bpd)					Average
Crude oil pipeline volumes	na	57.5	59.5	60.7	59.2
Trucking volume	na	23.2	23.8	24.5	23.9
Terminal volumes	na	133.3	139.8	141.1	138.1
Short-haul pipeline volumes	na	66.0	69.5	72.0	69.2
Storage capacity (000 bbls)	na	878.0	878.0	886.0	880.7

Source: Company data, Barclays Capital

Stock Rating	1-OVERWEIGHT
Sector View	2-NEUTRAL
Price (08-Nov-2011)	$26.85
Price Target	$30
Ticker	TLLP

Investment case

TLLP is a high-growth, relatively low-risk crude oil/refined products pipeline MLP with an attractive mid-teens total return value proposition. Growth supported by organic projects, including the emerging Bakken Shale, and asset drop downs. Stability supported by long-term volume commitments from parent.

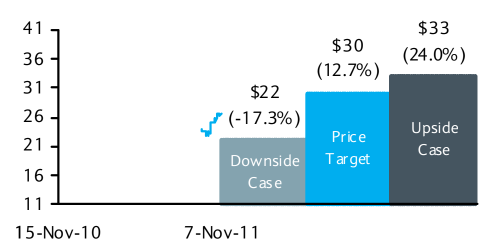
Upside case — $33

Could see upside from asset dropdown or third party acquisition over next 12 months, which could drive higher growth rate, increasing forward distribution estimate to $1.60 and lowering target yield to 4.85%

Downside case — $22

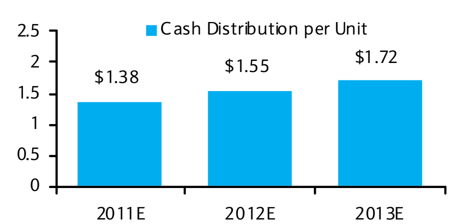
Weakening macro conditions or failure to generate expected returns on current growth projects could increase equity risk premium, increasing target yield to 6.5% and lowering forward distribution estimate to $1.40.

Upside/downside scenarios



Source: FactSet

Cash Distribution per Unit



Note: FY end Dec.

High-return organic projects should drive double-digit distribution growth

TLLP has 7 projects totalling $29mm gross or $20.5mm net (parent will reimburse TTLP $8.5mm for Connolly gathering and Salt Lake City/Burley ethanol blending projects) and expected to generate incremental EBITDA of $11.5mm, translating to a 1.8x multiple. Of the 7 projects, 3 are in the emerging Bakken. The $6mm High Plains expansion will add pumping, tankage and truck unloading capacity related to TSO's 10,000 bpd Mandan, ND refinery expansion. Expected EBITDA is $5mm and in-service date is 2Q12. The $1.5mm Rangeland interconnect project will connect TLLP's High Plains pipeline system to Rangeland's North Dakota terminal and pipeline. Expected EBITDA is $1.5mm and in-service date is 2Q12. The $4mm Connolly gathering project will build a new gathering expected to transport 1,500 bpd of crude. TSO will reimburse TLLP the $4mm cost. The project is EBITDA neutral, as it replaces trucked barrels with piped barrels. However, Connolly provides TLLP with a new gathering hub for future expansions. Expected in-service date is 1Q12. The remaining projects are terminal expansions in Los Angeles and Stockton, CA and ethanol blending in Burley, ID (Salt Lake completed in 2Q11) with expected in-service dates from 1Q12 to 4Q12.

Figure 1: TLLP Expansion Capex ($ in million, net)

Project	Capex	EBITDA	multiple	Expected completion
Salt Lake/Burley ethanol blending (a)	0.0	1.0	n/a	2Q11/2Q12
Connolly gathering (a)	0.0	0.0	n/a	1Q12
Los Angeles terminal permit expansion	0.0	1.0	n/a	1Q12
High Plains Pipeline	6.0	5.0	1.2x	2Q12
Rangeland interconnect	1.5	1.5	1.0x	2Q12
Los Angeles terminal transmix	3.0	0.5	6.0x	3Q12
Stockton terminal	10.0	2.5	4.0x	4Q12
Total	**20.5**	**11.5**	**1.8x**	

(a) TSO is reimbursing TLLP $4.5mm for ethanol and $4mm for Connolly projects

Source: Company filings

No update on first dropdown but we expect color at Dec analyst day

TLLP is in discussions with TSO regarding the first asset dropdown. However, no further color such as size or type of asset was provided during the 11/8 earnings conference call. We believe TLLP will provide more detail on its dropdown schedule at the 12/5 analyst day in New York. We forecast TLLP to do a $50mm dropdown in 1Q12.

Balance sheet update

At the end of 3Q, TLLP had $100mm of availability on its $150mm revolver. Debt/EBITDA was below 1x. Given its low leverage, TLLP will likely not raise equity for its current slate of organic projects and its first dropdown, assuming the drop is below $100mm.

Figure 2: Potential asset dropdowns

Asset	Location	Description
Refined products terminals	Martinez, CA	38,000 bpd
Refined products terminals	Nikiski, AK	211,000 barrels storage capacity & 2,6000 bpd truck rack
Refined products terminals	Anacortes, WA	1,700 bpd
Marine terminals	Long Beach, CA	104,200 bpd crude/refined products
Marine terminals	Martinez, CA	61,000 bpd crude and 425,000 barrels storage
Marine terminals	Martinez, CA	product wharf with limited volumes currently
Marine terminals	Nikiski, AK	74,000 bpd crude/refined products and 930,000 barrels storage
Marine terminals	Anacortes, WA	54,000 bpd crude/refined products and 1.4MM barrels storage
Pipelines	Nikiski, AK	31,000 bpd volume serving TSO AK refinery
Pipelines	Los Angeles, CA	9 lines with 45,000 bpd volume serving TSO LA refinery

Source: Company filings

3Q Review

3Q EBITDA $17.7mm was vs. our $14.2mm estimate and $14.3mm consensus. Distributable cash flow was $17.2mm vs. our $12.6mm estimate. Upside to our estimates was driven by higher-than-expected crude gathering and terminalling volumes, lower-than-expected maintenance capex and gain from product sale under terminal loss allowance. TLLP posted its first distribution bump sooner than we forecasted. The Partnership increased its quarterly distribution 3.7% QoQ to $0.35 per unit ($1.40 annualized). Distribution coverage was a healthy 1.58x in 3Q. In addition, management slightly increased its quarterly EBITDA run rate by $0.5mm to $15.5mm.

Figure 3: TLLP Operating Metrics

	2Q11	3Q11	% change
Crude oil pipeline volumes (bpd)	55,717	59,530	6.8%
Crude oil pipeline tariff (per barrel)	$1.24	$1.35	8.9%
Crude oil trucking volumes (bpd)	23,212	23,879	2.9%
Crude oil trucking revenue (per barrel)	$2.86	$2.90	1.4%
Terminalling volumes (bpd)	134,579	144,997	7.7%
Terminalling revenue (per barrel)	$0.76	$0.78	2.6%
Storage capacity reserved (barrels)	878,000	878,000	0.0%
Storage fee (per month)	$0.50	$0.51	2.0%
Short-haul pipeline volumes (bpd)	71,395	69,658	-2.4%
Short-haul pipeline tariff (per barrel)	$0.25	$0.25	2.0%

Source: Company filings

3Q11 marked TLLP's first full quarter results as an MLP (IPO in April). As such, YoY comps are not helpful. That being said, we will review 3Q11 results vs. 2Q11 (from April 26). Overall pipeline, trucking and terminal volumes increased QoQ. Crude oil pipeline volumes grew 6.8% due to improved weather conditions in North Dakota (2Q had flooding). Trucking volumes increased 2.9%. Crude pipeline tariff increased 8.9% YoY to $1.35 largely due to a 7% increase in the tariff rate beginning July 1. Trucking fees increased 1.4% due to an inflation adjustor. Terminal volumes increased 7.7% due to higher seasonal demand and higher utilization. Terminal fees per barrel increased 2.6% partially due to inflation adjustor. Storage capacity and short-haul pipeline fees increased 2% also due to inflation adjustments. Short-haul pipe volumes declined 2.4%.

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Primary Stocks (Ticker, Date, Price)

Tesoro Logistics LP (TLLP, 08-Nov-2011, USD 26.85), 1-Overweight/2-Neutral

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Calumet Specialty Products Partners, L.P. (CLMT)	Chesapeake Midstream Partners LP (CHKM)	Constellation Energy Partners LLC (CEP)
Copano Energy LLC (CPNO)	Crosstex Energy LP (XTEX)	DCP Midstream Partners LP (DPM)
Eagle Rock Energy Partners LP (EROC)	El Paso Pipeline Partners, L.P. (EPB)	Enbridge Energy Partners (EEP)
Encore Energy Partners LP (ENP)	Energy Transfer Equity LP (ETE)	Energy Transfer Partners LP (ETP)
Enterprise Products Prtns LP (EPD)	Exterran Partners LP (EXLP)	Ferrellgas Partners (FGP)
Global Partners LP (GLP)	Holly Energy Partners LP (HEP)	Inergy L.P. (NRGY)
Kinder Morgan Energy Prtnrs LP (KMP)	Linn Energy LLC (LINE)	Magellan Midstream Partners, LP (MMP)
Markwest Energy Partners, LP (MWE)	Niska Gas Storage Partners LLC (NKA)	NuStar Energy LP (NS)
Oiltanking Partners LP (OILT)	ONEOK Partners LP (OKS)	PAA Natural Gas Storage LP (PNG)
Plains All American Pipeline (PAA)	Regency Energy Partners LP (RGP)	Spectra Energy Partners, LP (SEP)

IMPORTANT DISCLOSURES CONTINUED

Suburban Propane Partners (SPH)	Sunoco Logistics Partners L.P. (SXL)	Targa Resources Partners LP (NGLS)
TC Pipelines, LP (TCLP)	Teekay Offshore Partners LP (TOO)	Tesoro Logistics LP (TLLP)
Vanguard Natural Resources (VNR)	Western Gas Partners LP (WES)	Williams Partners LP (WPZ)

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IMPORTANT DISCLOSURES CONTINUED

Tesoro Logistics LP (TLLP)

USD 26.85 (08-Nov-2011)

Stock Rating **1-OVERWEIGHT**

Sector View **2-NEUTRAL**

Rating and Price Target Chart - USD (as of 08-Nov-2011)

Link to Barclays Capital Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Price Target
08-Jun-2011	24.30	1-Overweight	28.00

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Valuation Methodology: Our $30 price target is based on a 12-month distribution run rate of $1.58 and a 5.25% target yield.

Risks which May Impede the Achievement of the Price Target: Customer concentration, rising interest rates, acquisition integration risk, pipeline tariff rates subject to regulatory review, lower refined product demand, lower crude oil production in the Bakken Shale, more stringent energy regulations, construction cost overruns, change in MLP tax status.

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OPPENHEIMER

EQUITY RESEARCH

QUARTERLY UPDATE

November 8, 2011

ENERGY/MASTER LIMITED PARTNERSHIPS

Tesoro Logistics Partners

Attractive Ahead of Dec. 5th Analyst Meeting

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$30.00
TLLP - NASDAQ	$26.61
3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$27.18-$21.00
Shares Outstanding	30.5M
Float	12.8M
Market Capitalization	$803.8M
Avg. Daily Trading Volume	69,413
Dividend/Div Yield	$1.40/5.26%
Fiscal Year Ends	Dec
Book Value	$3.41
2011E ROE	NA
LT Debt	$50.0M
Preferred	NA
Common Equity	$104M
Convertible Available	No

DCFPU	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	0.29A	0.56A	0.44	1.28	20.8x
Prior (E)	*--*	*--*	*0.38*	*0.41*	*1.08*	*24.6x*
2012E	0.45	0.48	0.54	0.56	2.03	13.1x
Prior (E)	*0.42*	*0.44*	*0.50*	*0.53*	*1.89*	*14.1x*

EBITDA	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	10A	18A	15	43	18.7x
Prior (E)	*--*	*--*	*14*	*--*	*38*	*21.2x*
2012E	16	17	21	21	74	10.9x
Prior (E)	*15*	*16*	*20*	*--*	*71*	*11.3x*

Distribution	Q1	Q2	Q3	Q4	Year	Yield
2011E	--	0.338A	0.350A	0.360	1.050	3.9%
Prior (E)	*--*	*--*	*0.338*	*0.345*	*1.020*	
2012E	0.370	0.380	0.390	0.400	1.540	5.8%
Prior (E)	*0.355*	*0.365*	*0.375*	*0.385*	*1.480*	

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SUMMARY

We reiterate our Outperform rating and $30 price target on TLLP after 3Q11 results. EBITDA, DCFPU and distribution were all better than we (or consensus) expected and coverage was 1.6x. Results were strong across the two main segments. We continue to believe that TLLP is positioned to grow rapidly as its largest asset is located in one of the fastest growing oil supply basins in the US (Bakken shale). In addition, it has low financial leverage, which will allow a highly accretive debt-financed acquisition in the near future. We are buyers of TLLP ahead of parent company TSO's analyst meeting in New York on December 5th where we believe a positive outlook will be offered.

KEY POINTS

- **3Q11 results well ahead of expectations.** EBITDA of $17.7M handily beat both our expectation of $13.8M and consensus of $14.4M. DCFPU was $0.56 vs. our $0.38 expectation. TLLP raised its distribution from the MQD of $0.3375/unit to $0.35/unit, or 4% seq. We were expecting $0.3375. Coverage of this higher distribution was 1.6x for the quarter.
- **Strength across the business.** Both segments experienced nice growth q/q. Crude Gathering throughput volumes were up 5% seq. as 2Q11 weather-related effects subsided. Terminalling, Transportation and Storage was also up sharply. We are raising ests across the board to reflect better-than-expected results.
- **We believe TLLP will grow faster than peers.** We are raising our distribution estimates to reflect the higher-than-expected 3Q11 base and reiterate that we believe TLLP will be an attractive grower compared to other fee-based MLPs. We expect almost 12% distribution growth in 2012 vs. peer average (of companies we cover) of ~5.5%.
- **Bakken oil gathering system is key.** We believe TLLP will benefit from Bakken production growth as its system is strategically placed to transport new volumes. We may have to wait until next year before this growth materializes, however.
- **TLLP is well positioned to acquire.** TLLP has little financial leverage. We estimate D/EBITDA stands at 1.0x at the end of 3Q. We believe the associated financial flexibility will allow TLLP to make an acquisition (probably from parent TSO) with reduced equity needs. Debt-financed acquisitions are highly accretive in this low interest rate environment.

Stock Price Performance

Company Description

TLLP is a fee-based, growth-oriented MLP formed by Tesoro to own, operate, develop and acquire crude oil and refined products logistics assets. Assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin, eight refined products terminals in the Midwest and West, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Logistics LP; (TLLP) OUTPERFORM										Bernie Colson (816) 932-8022
Summary Financial Statements										
Millions of Dollars Except for Per Unit Amounts										
Fiscal Year Ending December 31,										
Summary Income Statement	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Crude Oil Gathering	50	10.7	13.8	14.3	38.8	14.5	15.4	17.3	18.0	65.3
Terminalling, transportation and storage	44	9.1	13.3	13.5	35.9	13.9	14.7	15.8	16.5	61.0
Total Revenues	93	19.8	27.1	27.8	74.7	28.4	30.1	33.1	34.5	126.2
Operating expenses										
Operating and maintenance expense	37	8.1	7.4	10.8	26.3	11.1	11.8	12.9	13.5	49.2
Depreciation expense	8	2.0	2.0	2.8	6.8	2.8	3.0	3.3	3.5	12.6
General and administrative expense	3	2.1	2.0	1.7	5.7	1.8	1.9	2.1	2.2	7.9
Total operating expenses	48	12.2	11.4	15.3	38.9	15.7	16.7	18.3	19.1	69.7
Operating income	45	7.5	15.7	12.6	35.9	12.7	13.5	14.8	15.5	56.5
Interest Expense	2	0.5	0.6	0.3	1.4	0.7	0.7	2.0	2.0	5.4
Income before income taxes	42	7.1	15.1	12.3	34.5	12.0	12.8	12.8	13.4	51.1
Interest Expense	2	0.5	0.6	0.3	1.4	0.7	0.7	2.0	2.0	5.4
Net income	42	7.1	15.1	12.3	34.5	12.0	12.8	12.8	13.4	51.1
Less: Allocations to GP	1	0.1	0.3	0.3	0.7	0.3	0.3	0.3	0.3	1.1
Net Income allocable to LP	42	6.9	14.8	12.0	33.8	11.8	12.5	12.5	13.1	49.9
Earnings Per LP Unit	1.34	0.22	0.49	0.39	1.10	0.39	0.41	0.41	0.43	1.64
Distributable Cash Flow Calculation	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Net Income	42	7.1	15.1	12.3	34.5	12.0	12.8	12.8	13.4	51.1
Depreciation Expense	8	2.0	2.0	2.8	6.8	2.8	3.0	3.3	3.5	12.6
Interest Expense	2	0.5	0.6	0.3	1.4	0.7	0.7	2.0	2.0	5.4
EBITDA	53	9.6	17.7	15.4	42.7	15.6	16.5	18.1	18.9	69.1
Dropdown Addition to EBITDA	0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.5	5.0
Adjusted EBITDA	**53**	**9.6**	**17.7**	**15.4**	**42.7**	**15.6**	**16.5**	**20.6**	**21.4**	**74.1**
Cash Interest	2	0.0	0.3	0.2	0.5	0.5	0.5	2.2	2.2	5.5
Cash Taxes	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Capex	2	0.3	0.3	1.5	2.1	1.1	1.2	1.7	1.7	5.6
Other	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributable Cash Flow	**49**	**9.2**	**17.2**	**13.6**	**40.0**	**13.9**	**14.8**	**16.8**	**17.5**	**63.0**
Total DCF / Unit	1.57	0.30	0.56	0.45	1.30	0.46	0.49	0.55	0.57	2.07
GP distribution	0.00	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.03
DCF / LP unit	**1.57**	**0.29**	**0.56**	**0.44**	**1.28**	**0.45**	**0.48**	**0.54**	**0.56**	**2.03**
LP distribution / Unit		**0.3375**	**0.3500**	**0.3600**	**1.0475**	**0.3700**	**0.3800**	**0.3900**	**0.4000**	**1.5400**
LP distribution / Growth							*13%*	*11%*	*11%*	***47%***
Coverage		0.9x	1.6x	1.2x	**1.2x**	1.2x	1.3x	1.4x	1.4x	**1.3x**
Summary Statement of Cash Flow	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Cash Flow From Operations	0	4.6	17.4	15.2	37.2	15.0	16.0	15.9	16.7	63.6
Capital Expenditures	0	(1.4)	(4.8)	(6.0)	(12.2)	(3.1)	(3.2)	(3.7)	(3.7)	(13.6)
Sales (Purchases) of Assets	0	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	0.0	(100.0)
Cash Flow From Investing	0	(1.4)	(4.8)	(6.0)	(12.2)	(3.1)	(3.2)	(103.7)	(3.7)	(113.6)
Distributions	0	(333.3)	(10.9)	(11.2)	(355.4)	(11.5)	(11.8)	(12.1)	(12.5)	(47.9)
Net Equity Issuance	0	294.3	0.0	0.0	294.3	0.0	0.0	0.0	0.0	0.0
Net Debt Issuance	0	35.8	(1.8)	2.1	36.1	(0.4)	(1.0)	99.8	(0.5)	97.9
Cash Flow From Financing	0	6.8	(12.7)	(9.1)	(15.0)	(11.9)	(12.8)	87.7	(13.0)	50.0
Summary Balance Sheet	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Cash	3	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total Current Assets	3	19.3	19.3	19.3	19.3	19.3	19.3	19.3	19.3	19.3
Net PP&E	132	133.6	138.4	144.4	144.4	147.5	150.7	254.3	258.0	258.0
Total Assets	137	154.8	159.5	165.6	165.6	168.6	171.8	275.4	279.2	279.2
Short-Term Debt	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	0	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Long-Term Debt	50	50.0	48.2	50.3	50.3	49.9	48.9	148.7	148.2	148.2
Total Liabilities	50	57.2	55.5	57.5	57.5	57.1	56.1	155.9	155.4	155.4
Total Equity	87	97.5	104.1	108.0	108.0	111.5	115.7	119.5	123.7	123.7
Total Liabilities & Equity	137	154.8	159.5	165.6	165.6	168.6	171.8	275.4	279.2	279.2
Operating Data	**2010A**	2011Q2A	2011Q3A	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**
Crude Gathering										
Pipeline Throughput (bpd)	50,695	56,635	59,530	62,507	57,880	65,007	68,257	71,670	73,820	69,688
Trucking Volume (bpd)	23,305	23,212	23,879	24,595	23,719	25,333	26,600	27,930	29,326	27,297
Terminalling, Transportation and Storage										
Terminal Throughput (bpd)	113,950	131,812	144,997	137,747	132,240	144,635	151,866	153,385	153,385	150,818
Short Haul Pipeline Volume (bpd)	60,666	66,174	69,658	73,141	67,865	74,604	76,096	77,237	78,396	76,583
Storage capacity reserved	878,000	878,000	878,000	878,000	878,000	878,000	886,000	886,000	886,000	884,000
Source: Company reports; Oppenheimer & Co. estimates; SNL. Please refer to Opco reports for more details										11/8/11

Investment Thesis

We believe TLLP represents the first opportunity in several years to own a 100% fee-based (low-risk) MLP with significant dropdown and organic growth potential early in its life cycle. We forecast double-digit distribution growth CAGR for the next several years as TLLP expands organically and completes acquisitions. Assets include a large crude oil gathering system in North Dakota and Montana that provides exposure to Bakken formation growth. We believe the Bakken is in the very early stages of development and that TLLP provides one of the most concentrated ways to invest in Bakken production.

Price Target Calculation

Our price target of $30 per unit is derived using our distribution discount model (DDM). The assumptions underlying this price target are stage one (years 1 & 2) growth of 10%, stage two (years 3-5) growth of 8%, a terminal growth rate of 2% and a discount rate of 8.0%. The terminal distribution is projected to be $2.06 and is achieved in 2016.

Key Risks to Price Target

- Weak refined product demand
- Potential to overpay for acquisition
- Acquisition integration
- Rising interest rates
- Economic weakness
- Capital markets access
- Major change in MLP tax code
- FERC regulatory risk
- Conflicts of interest between LPs and GPs
- Counterparty credit risk
- Energy infrastructure overbuild
- Extreme weather
- A unitholder whose units are loaned to a short seller to cover a short sale of units may be viewed as having sold the units. Unitholders who want to be assured of keeping their status as partners and avoid the risk of gain recognition from a loan to a short seller should consider modifying any brokerage account agreements to prohibit their brokers from borrowing their units. Because of the nature of the MLP structure, all investors should consult a qualified tax counsel before making an investment in the sector.

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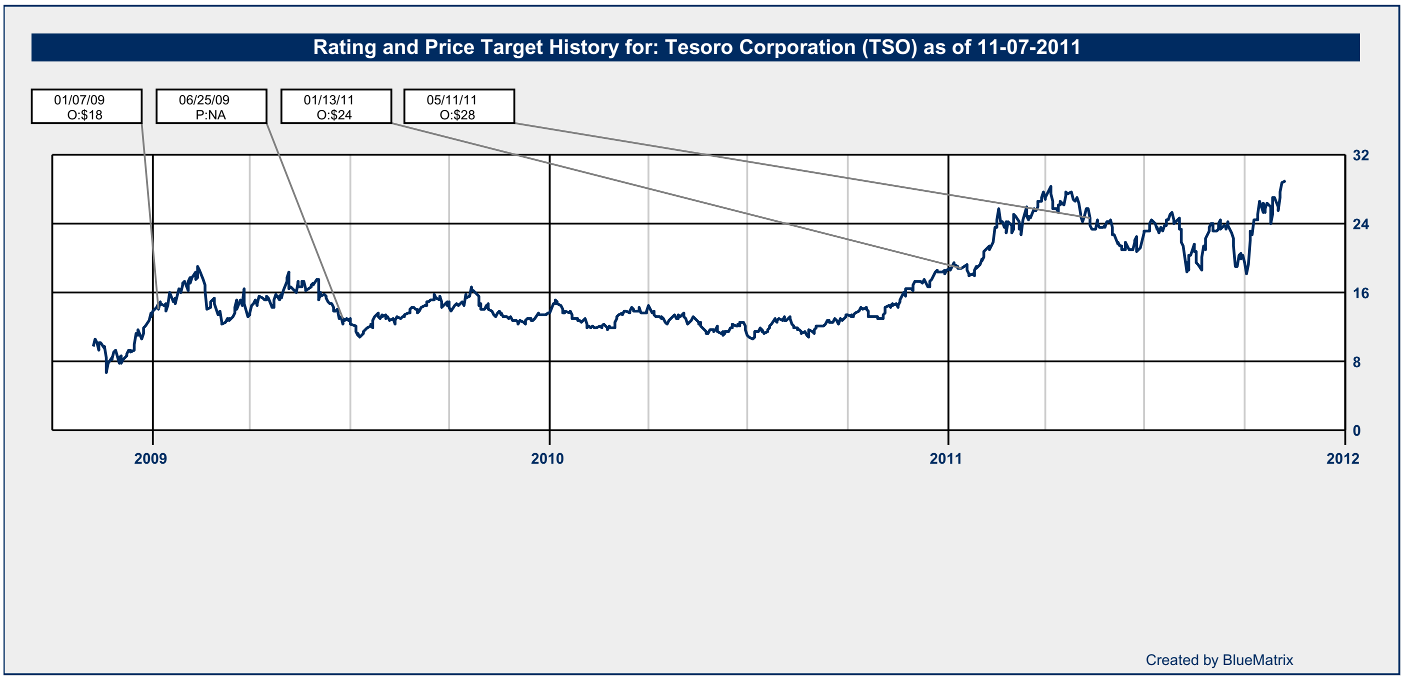
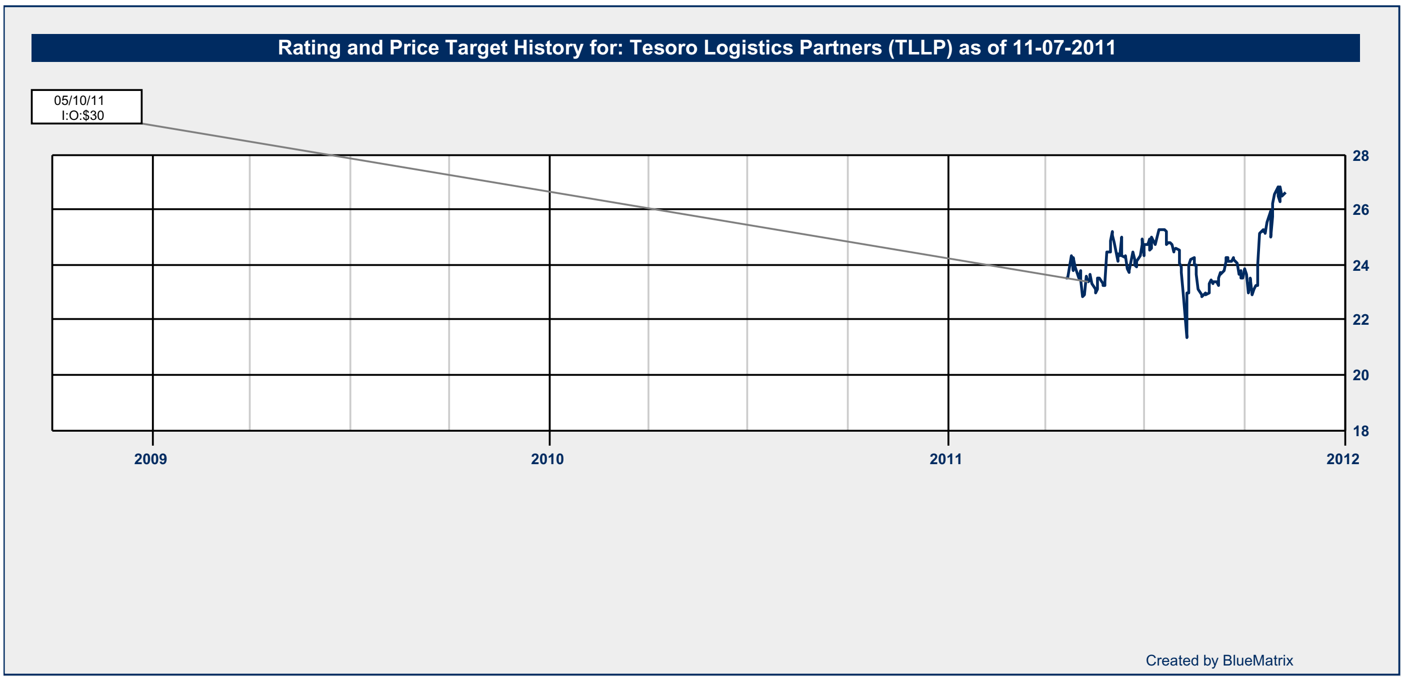
Stock Prices as of November 8, 2011

Tesoro Corporation (TSO - NYSE, 28.89, OUTPERFORM)





All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent
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PERFORM [P]	256	43.10	83	32.42
UNDERPERFORM [U]	9	1.50	3	33.33

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Estimate Changes
Rating: Buy
Price Target: $27.50

TESORO LOGISTICS LP (TLLP: $26.61)

November 8, 2011

Market Data	
12-18 Month Price Target	$27.50
52-Week Range	$27.18 - $21.00
ADTV - 90Day (000s)	69.4
Market Cap ($MM)	$849.8
Shares Out (MM)	30.5
Public Market Float (MM)	12.7
Dividend	$1.40
Dividend/Yield	5.26%

Earnings Per Unit (EPU) ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	$0.37	$0.42E	$0.45	$0.53E
Q2	$0.25A	$0.41	$0.47E	$0.45	$0.54E
Q3	$0.49A	$0.45	$0.57E	$0.45	$0.56E
Q4	$0.38E	$0.45	$0.54E	$0.45	$0.53E
YEAR	$1.12E	$1.69	$2.00E	$1.80	$2.16E

Distribution Per Unit ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.370E	–	$0.410E
Q2	$0.245A	–	$0.380E	–	$0.420E
Q3	$0.350A	–	$0.390E	–	$0.430E
Q4	$0.360E	–	$0.400E	–	$0.440E
YEAR	$0.955E	–	$1.540E	–	$1.700E

Valuation Ratio

	FY11	FY12	FY13
Debt/EBITDA	1.2x	0.7x	0.6x
EBITDA/Interest	17.6x	30.3x	32.8x
EV/EBITDA	19.2x	11.2x	10.3x
P/DCF	21.0x	12.4x	11.6x

Financial Data

	FY11	FY12	FY13
EBITDA	$42.2E	$72.8E	$78.7E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$163.2E	$177.9E	$193.7E
Long Term Debt	$50.0E	$50.0E	$50.0E
Total SOE and Liab.	$163.2E	$177.9E	$193.7E

Earnings Above Estimates; Growth Should Continue

Summary

Tesoro Logistics LP (TLLP) reported 3Q11 EBITDA of $17.7 million and distributable cash flow of $17.2 million, which were above our estimates. We believe Tesoro will be able to grow its operations through dropdown acquisitions and potentially benefit from Tesoro Corporation's (TSO-NR) desire to expand its logistics asset base. We believe Tesoro's distribution growth should be solid over the next several years, including estimated 2013 distribution growth at 10.4%. We have a Buy rating and a $27.50 price target.

Key Points

- **Results.** Tesoro reported 3Q11 EBITDA of $17.7 million, compared with our estimate of $14.4 million. Distributable cash flow was $17.2 million, which was higher than our estimate of $12.5 million. Operating income of $15.7 million was higher than our estimate of $12 million. The main contributors to the difference between actual and estimated DCF was the higher operating income, lower maintenance capex, and lower cash interest paid.
- **Our take.** This was the partnership's first full quarter of operations after its IPO and operationally Tesoro continues to perform well. Although both of its segments were above our expectations, Tesoro's Terminalling segment far exceeded our estimates. Throughput was above our forecast, while expenses were much lower. The quarterly results benefited from a $2 million credit that will be reduced to $1 million going forward and was not part of Tesoro's original guidance.
- **Conference call.** Management believes that there is significant opportunity to grow operationally, which should result in higher cash flow. The partnership continues to work with Tesoro Corporation on a potential dropdown. Tesoro will give an update at an analyst meeting in early December. Management stated that it is seeing some cost pressure in the Bakken, but that is expected in a quickly developing area.
- **Estimates.** We are raising our 2011 EBITDA estimate to $42.2 million from $38.9 million and our 2012 EBITDA estimate to $72.8 million from $65.2 million. We are increasing our 2011 DCF estimate to $39.5 million from $34.8 million and our 2012 DCF estimate to $67.1 million from $58.4 million. Our higher estimates primarily reflect lower expenses, higher revenues, and lower cash interest expense.
- **Investment thesis.** We believe Tesoro is a good investment for several reasons, including: estimated 2013 distribution growth at 10.4%; it has several avenues for growth, including dropdown acquisitions; agreements with its parent that provide for minimum volume commitments; and it should remain in the low distribution split levels over the near term.

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New York, NY 10165

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Crude Oil Gathering Segment

Segment income of $6.6 million was higher than our estimate of $6.2 million. Pipeline throughput of 59,530 barrels per day (bpd) was higher than our modeled number of 58,570 bpd, while trucking volume of 23,879 was above our forecast of 23,500 bpd. Operating and maintenance expense and depreciation expense were below our estimates, while general and administrative expenses were above.

Terminalling - Transportation & Storage Segment

Segment income of $10.2 million was higher than our estimate of $6.8 million. Terminalling throughput of 144,997 bpd was well above our modeled number of 120,000 bpd, while short-haul pipeline throughput of 69,658 was above our forecast of 65,500 bpd. Operating and maintenance expense of $1.4 million was significantly lower than our estimate of $3.6 million and depreciation expense was below our estimate, while general and administrative expenses were above.

The results benefited from a $2 million credit, which will be reduced to $1 million going forward. Volumes should be lower in the fourth quarter due to seasonality.

Figure 1 - Tesoro 3Q11 Estimated vs Actual Results

	WSI Est	Actual
Net Income	$11.4	$15.1
Interest Expense, net	$0.7	$0.6
Taxes	$0.0	$0.0
Other	$0.0	$0.0
DD&A	$2.3	$2.0
Adjusted EBITDA	**$14.4**	**$17.7**
DCF	**$12.5**	**$17.2**
Throughput (bpd):		
Pipeline	58,750	59,530
Trucking volume	23,500	23,879
Terminalling	120,000	144,997
Short-haul pipeline	65,500	69,658

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Distribution

Tesoro previously announced a distribution of $0.35/unit ($1.40/unit annualized) for the third quarter of 2011. The distribution represents a 4% increase over the pro rated $0.2448/unit for the second quarter 2011 distribution. The distribution was in line with our estimate.

We are maintaining our distribution estimates at $0.9548/unit for 2011, $1.54/unit for 2012, and $1.70/unit for 2013. Our estimates provide a 10.4% growth rate in 2013. This compares quite favorably to the 5.7% estimated average growth in 2013 for liquids-based partnerships under our coverage. Based on our distributable cash flow estimate of $2.15/unit for 2012 and $2.30/unit in 2013, coverage ratios would be 1.4x for both years.

Estimates

We are raising our 2011 EBITDA estimate to $42.2 million from $38.9 million and our 2012 EBITDA estimate to $72.8 million from $65.2 million. We are increasing our 2011 DCF estimate to $39.5 million from $34.8 million and our 2012 DCF estimate to $67.1 million from $58.4 million. Our higher estimates primarily reflect lower expenses, higher revenues, and lower cash interest expense.

Figure 2 - Tesoro 2011 Estimates

	WSI Previous Est	**WSI New Est**
Net Income	$30.7	$34.9
Interest Expense, net	$1.8	$1.7
Taxes	$0.0	$0.0
Other	$0.0	$0.0
DD&A	$6.4	$5.7
Adjusted EBITDA	**$38.9**	**$42.2**
DCF	**$34.8**	**$39.5**
Throughput (bpd):		
Pipeline	57,085	57,325
Trucking volume	23,098	23,193
Terminalling	123,340	133,339
Short-haul pipeline	65,212	66,251

Source: Wunderlich Securities, Inc. estimates

Figure 3 – Tesoro Logistics – Model

$ in millions except per unit data	1Q11	2Q11	3Q11	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	15.7	12.4	**35.7**	13.7	15.2	18.3	17.5	**64.6**	17.1	17.5	18.3	17.5	**70.4**
Interest expense, net	-	(0.5)	(0.6)	(0.6)	**(1.7)**	(0.6)	(0.6)	(0.6)	(0.6)	**(2.404)**	(0.6)	(0.6)	(0.6)	(0.6)	**(2.4)**
Other income	-	0.8	0.0	0.0	**0.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Pre-tax income	-	7.9	15.1	11.8	**34.9**	13.1	14.6	17.7	16.9	**62.2**	16.5	16.9	17.7	16.9	**68.0**
Income Tax	-	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Net Income	**-**	**7.9**	**15.1**	**11.8**	**34.9**	**13.1**	**14.6**	**17.7**	**16.9**	**62.2**	**16.5**	**16.9**	**17.7**	**16.9**	**68.0**
Net Income to General Partner	-	0.2	0.3	0.2	**0.7**	0.3	0.3	0.4	0.4	**1.3**	0.4	0.5	0.6	0.7	**2.2**
Net Income to Limited Partners	**-**	**7.7**	**14.8**	**11.6**	**34.2**	**12.8**	**14.3**	**17.3**	**16.5**	**60.9**	**16.1**	**16.4**	**17.1**	**16.3**	**65.9**
Net Income/Unit (Limited)	**-**	**$0.25**	**$0.49**	**$0.38**	**$1.12**	**0.42**	**$0.47**	**$0.57**	**$0.54**	**$2.00**	**0.53**	**$0.54**	**$0.56**	**$0.53**	**$2.16**
Limited Partnership Units	-	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**
EBITDA (total)	-	10.0	17.7	14.5	**42.2**	15.7	17.2	20.3	19.5	**72.8**	19.2	19.5	20.4	19.6	**78.7**
EBITDA/Unit	**-**	**$0.33**	**$0.58**	**$0.47**	**$1.38**	**0.51**	**$0.57**	**$0.67**	**$0.64**	**$2.39**	**0.63**	**$0.64**	**$0.67**	**$0.64**	**$2.58**
EBITDA (Limited Partners)	-	9.9	17.4	14.2	**41.5**	15.4	17.0	20.0	19.1	**71.5**	18.7	19.0	19.8	18.9	**76.5**
EBITDA/Unit	**-**	**$0.32**	**$0.57**	**$0.47**	**$1.36**	**0.51**	**$0.56**	**$0.65**	**$0.63**	**$2.34**	**0.61**	**$0.62**	**$0.65**	**$0.62**	**$2.51**
Other	-	(0.0)	(0.3)	(0.4)	**(0.7)**	(0.4)	(0.4)	(0.4)	(0.4)	**(1.4)**	(0.5)	(0.5)	(0.5)	(0.5)	**(1.8)**
Maintenance CAPEX	-	(0.3)	(0.3)	(1.5)	**(2.1)**	(1.2)	(1.0)	(1.0)	(1.0)	**(4.2)**	(1.0)	(1.0)	(1.0)	(1.0)	**(4.0)**
Distributable Cash Flow	-	9.7	17.2	12.6	**39.5**	14.1	15.9	19.0	18.2	**67.1**	17.7	18.1	18.9	18.1	**72.8**
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	**(0.8)**	(0.3)	(0.3)	(0.4)	(0.4)	**(1.4)**	(0.5)	(0.6)	(0.7)	(0.8)	**(2.5)**
Distributable Cash Flow (LP)	-	9.5	16.8	12.3	**38.7**	13.8	15.6	18.6	17.7	**65.7**	17.2	17.5	18.2	17.4	**70.3**
Distributable Cash Flow/Unit	**-**	**$0.31**	**$0.55**	**$0.40**	**$1.27**	**0.45**	**$0.51**	**$0.61**	**$0.58**	**$2.15**	**0.56**	**$0.57**	**$0.60**	**$0.57**	**$2.30**
Distribution		$0.2448	$0.3500	$0.3600	**$0.9548**	$0.3700	$0.3800	$0.3900	$0.4000	**$1.5400**	$0.4100	$0.4200	$0.4300	$0.4400	**$1.7000**
Coverage Ratio					**1.3x**					**1.4x**					**1.4x**
Distribution Growth															**10.4%**
Debt/EBITDA										**0.7x**					**0.6x**
EBITDA/Interest Expense										**30.3x**					**32.7x**

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Disclosures:

Analyst Certification

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Valuation/Risks

- We have a Buy rating on TLLP and a $27.50 price target. Our price target is derived through a two-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 2.0%. Our terminal value in 2016 is $30.91.
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Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	**142**	**64.00**	**18**	**12.68**
Hold -rated	**77**	**34.70**	**5**	**6.49**
Sell -rated	**3**	**1.40**	**0**	**0.00**

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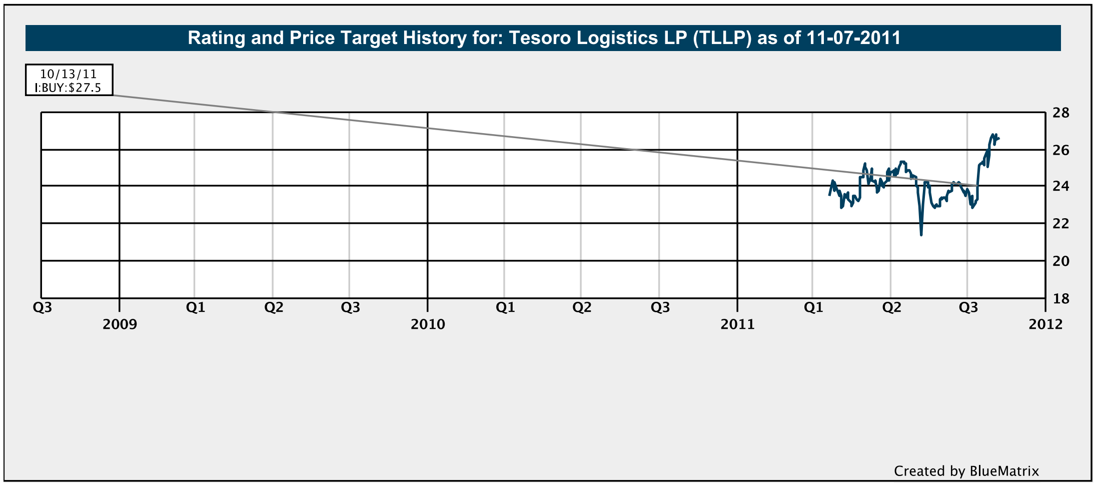

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WUNDERLICH SECURITIES

Energy: Master Limited Partnerships

Company Update
Rating: Buy
Price Target: $27.50

TESORO LOGISTICS LP (TLLP: $25.55)

October 24, 2011

Market Data	
12-18 Month Price Target	$27.50
52-Week Range	$25.86 - $21.00
ADTV - 90Day (000s)	75.7
Market Cap ($MM)	$778.0
Shares Out (MM)	30.5
Public Market Float (MM)	12.7
Dividend	$1.40
Dividend/Yield	5.48%

Earnings Per Unit (EPU) ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.37E	–	$0.45E
Q2	$0.25A	–	$0.41E	–	$0.45E
Q3	$0.37A	–	$0.45E	–	$0.45E
Q4	$0.37E	–	$0.45E	–	$0.45E
YEAR	$0.99E	–	$1.69E	–	$1.80E

Distribution Per Unit ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.370E	–	$0.410E
Q2	$0.245A	–	$0.380E	–	$0.420E
Q3	$0.350A	–	$0.390E	–	$0.430E
Q4	$0.360E	–	$0.400E	–	$0.440E
YEAR	$0.955E	–	$1.540E	–	$1.700E

Valuation Ratio

	FY11	FY12	FY13
Debt/EBITDA	1.3x	0.8x	0.7x
EBITDA/Interest	21.6x	36.2x	38.5x
EV/EBITDA	21.0x	12.5x	11.8x
P/DCF	22.8x	13.7x	12.9x

Financial Data

	FY11	FY12	FY13
EBITDA	$38.9E	$65.2E	$69.3E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$159.0E	$164.3E	$168.9E
Long Term Debt	$50.0E	$50.0E	$50.0E
Total SOE and Liab.	$159.0E	$164.3E	$168.9E

Distribution In Line With Our Estimate; Solid Distribution Growth Expected

Summary

Tesoro Logistics LP (TLLP) announced a distribution of $0.35/unit for 3Q11, which was in line with our forecast. We believe Tesoro will be able to grow its operations through dropdown acquisitions and potentially benefit from Tesoro Corporation's (TSO-NR) desire to expand its logistics asset base. We believe Tesoro's distribution growth should be solid over the next several years, including estimated 2013 distribution growth at 10.4%. We have a Buy rating and a $27.50 price target.

Key Points

- **Distribution.** Tesoro announced a distribution of $0.35/unit ($1.40/unit annualized) for the third quarter of 2011. The distribution will be paid November 14, 2011, to all unitholders of record on November 4, 2011. The distribution represents a 4% increase over the pro rated $0.2448/unit for the second quarter 2011 distribution. The distribution was in line with our estimate.
- **Our take.** This was the first full quarterly distribution the partnership has paid since its IPO in April. We believe Tesoro will be able to grow its operations through dropdown acquisitions and potentially benefit from Tesoro Corporation's desire to expand its logistics asset base. The partnership could also benefit from undertaking organic growth projects and joint acquisitions with Tesoro Corporation. We believe Tesoro has various opportunities for growth that should enable it to increase its distribution.
- **Distribution estimates.** We are maintaining our distribution estimates at $0.9548/unit for 2011, $1.54/unit for 2012, and $1.70/unit for 2013. Our estimates provide a 10.4% growth rate in 2013. This compares quite favorably to the 4.9% estimated average growth in 2013 for liquids-based partnerships under our coverage. Based on our distributable cash flow estimate of $1.87/unit for 2012 and $1.98/unit in 2013, coverage ratios would be 1.2x for both years.
- **Earnings.** Tesoro plans to release its earnings for the third quarter 2011 after the market closes on November 7, 2011. The partnership will hold a conference call regarding third quarter results and other business matters on November 8, 2011, at 11:00 a.m. EST (10:00 a.m. CST).
- **Investment thesis.** We believe Tesoro is a good investment for several reasons, including: estimated 2013 distribution growth at 10.4%; it has several avenues for growth, including dropdown acquisitions; agreements with its parent that provide for minimum volume commitments; and it should remain in the low distribution split levels over the near term.

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For Required Disclosures and Reg AC, please see page 3 of report

Figure 1 – Tesoro Logistics – Model

$ in millions except per unit data	1Q11	2Q11	3Q11E	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	12.0	12.1	**31.6**	12.3	13.5	14.8	14.8	**55.4**	14.8	14.9	14.9	14.9	**59.4**
Interest expense, net	-	(0.5)	(0.7)	(0.7)	**(1.8)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**
Other income	-	0.8	0.0	0.0	**0.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Pre-tax income	-	7.9	11.4	11.4	**30.7**	11.6	12.9	14.2	14.2	**52.8**	14.2	14.2	14.2	14.2	**56.8**
Income Tax	-	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Net Income	**-**	**7.9**	**11.4**	**11.4**	**30.7**	**11.6**	**12.9**	**14.2**	**14.2**	**52.8**	**14.2**	**14.2**	**14.2**	**14.2**	**56.8**
Net Income to General Partner	-	0.2	0.2	0.2	**0.6**	0.2	0.3	0.3	0.3	**1.1**	0.4	0.4	0.5	0.6	**1.9**
Net Income to Limited Partners	**-**	**7.7**	**11.2**	**11.2**	**30.1**	**11.4**	**12.6**	**13.9**	**13.8**	**51.7**	**13.8**	**13.8**	**13.7**	**13.6**	**54.9**
Net Income/Unit (Limited)	**-**	**$0.25**	**$0.37**	**$0.37**	**$0.99**	**0.37**	**$0.41**	**$0.45**	**$0.45**	**$1.69**	**0.45**	**$0.45**	**$0.45**	**$0.45**	**$1.80**
Limited Partnership Units	-	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**
EBITDA (total)	-	10.0	14.4	14.4	**38.9**	14.7	16.0	17.3	17.3	**65.2**	17.3	17.3	17.3	17.3	**69.3**
EBITDA/Unit	**-**	**$0.33**	**$0.47**	**$0.47**	**$1.27**	**0.48**	**$0.52**	**$0.57**	**$0.57**	**$2.14**	**0.57**	**$0.57**	**$0.57**	**$0.57**	**$2.27**
EBITDA (Limited Partners)	-	9.9	14.2	14.2	**38.3**	14.5	15.7	17.0	16.9	**64.1**	16.9	16.9	16.8	16.7	**67.3**
EBITDA/Unit	**-**	**$0.32**	**$0.47**	**$0.47**	**$1.25**	**0.47**	**$0.51**	**$0.56**	**$0.55**	**$2.10**	**0.55**	**$0.55**	**$0.55**	**$0.55**	**$2.21**
Other	-	(0.0)	(0.7)	(0.7)	**(1.3)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**
Maintenance CAPEX	-	(0.3)	(1.2)	(1.2)	**(2.8)**	(1.2)	(1.0)	(1.0)	(1.0)	**(4.2)**	(1.0)	(1.0)	(1.0)	(1.0)	**(4.0)**
Distributable Cash Flow	-	9.7	12.5	12.5	**34.8**	12.8	14.3	15.6	15.6	**58.4**	15.6	15.7	15.7	15.7	**62.6**
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	**(0.7)**	(0.3)	(0.3)	(0.3)	(0.4)	**(1.2)**	(0.4)	(0.5)	(0.6)	(0.7)	**(2.2)**
Distributable Cash Flow (LP)	-	9.5	12.3	12.3	**34.1**	12.6	14.0	15.3	15.2	**57.1**	15.2	15.2	15.1	15.0	**60.5**
Distributable Cash Flow/Unit	**-**	**$0.31**	**$0.40**	**$0.40**	**$1.12**	**0.41**	**$0.46**	**$0.50**	**$0.50**	**$1.87**	**0.50**	**$0.50**	**$0.50**	**$0.49**	**$1.98**
Distribution		$0.2448	$0.3500	$0.3600	**$0.9548**	$0.3700	$0.3800	$0.3900	$0.4000	**$1.5400**	$0.4100	$0.4200	$0.4300	$0.4400	**$1.7000**
Coverage Ratio					**1.2x**					**1.2x**					**1.2x**
Distribution Growth															**10.4%**
Debt/EBITDA										**0.8x**					**0.7x**
EBITDA/Interest Expense										**25.1x**					**26.6x**

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Disclosures:

Analyst Certification

I John R. Cusick, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- We have a Buy rating on TLLP and a $27.50 price target. Our price target is derived through a two-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 2.0%. Our terminal value in 2016 is $30.91.
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Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	**140**	**63.10**	**18**	**12.86**
Hold -rated	**79**	**35.60**	**5**	**6.33**
Sell -rated	**3**	**1.40**	**0**	**0.00**

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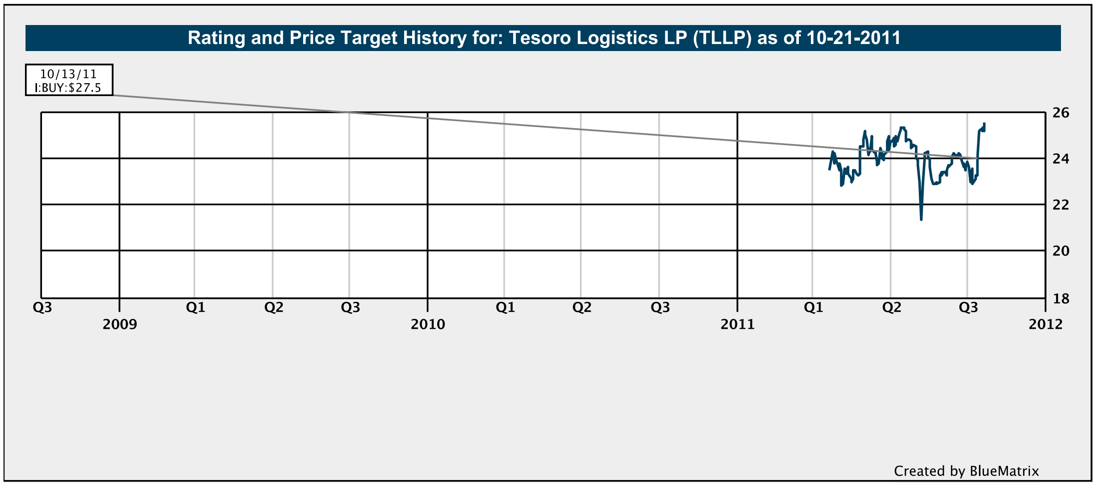

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Energy: Master Limited Partnerships

Initiating Coverage
Rating: Buy
Price Target: $27.50

TESORO LOGISTICS LP (TLLP: $23.27)

October 13, 2011

Market Data	
12-18 Month Price Target	$27.50
52-Week Range	$25.67 - $21.00
ADTV - 90Day (MM)	77.5
Market Cap ($000s)	$710.0
Shares Out (MM)	30.5
Public Market Float (MM)	12.7
Dividend	$0.98
Dividend/Yield	4.21%

Earnings Per Unit (EPU) ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.37E	–	$0.45E
Q2	$0.25E	–	$0.41E	–	$0.45E
Q3	$0.37E	–	$0.45E	–	$0.45E
Q4	$0.37E	–	$0.45E	–	$0.45E
YEAR	$0.99E	–	$1.69E	–	$1.80E

Distribution Per Unit ($)

FY DEC	2011	2012		2013	
	Estimate	Previous	Current	Previous	Current
Q1	–	–	$0.370E	–	$0.410E
Q2	$0.245A	–	$0.380E	–	$0.420E
Q3	$0.350E	–	$0.390E	–	$0.430E
Q4	$0.360E	–	$0.400E	–	$0.440E
YEAR	$0.955E	–	$1.540E	–	$1.700E

Valuation Ratio

	FY11	FY12	FY13
Debt/EBITDA	1.3x	0.8x	0.7x
EBITDA/Interest	21.6x	36.2x	38.5x
EV/EBITDA	19.2x	11.5x	10.8x
P/DCF	20.8x	12.4x	11.8x

Financial Data

	FY11	FY12	FY13
EBITDA	$38.9E	$65.2E	$69.3E

Balance Sheet

	FY11	FY12	FY13
Total Assets	$159.0E	$164.3E	$168.9E
Long Term Debt	$50.0E	$50.0E	$50.0E
Total SOE and Liab.	$159.0E	$164.3E	$168.9E

Initiating Coverage With a Buy — An MLP With Solid Distribution Growth

Summary

We are initiating coverage of Tesoro Logistics LP (TLLP) with a Buy rating and a $27.50 price target. Tesoro Logistics is a crude oil and refined products Master Limited Partnership (MLP) that gathers, transports, and stores crude oil and distributes, transports, and stores refined products. The partnership's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area of North Dakota and Montana, eight refined products terminals in the Midwestern and Western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Key Points

- **Investment thesis.** We believe Tesoro is a good investment for several reasons, including: estimated 2013 distribution growth at 10.4%; our price target provides 18% upside from the units' current price; it has several avenues for growth, including dropdown acquisitions; agreements with its parent that provide for minimum volume commitments; and it should remain in the low distribution split levels over the near term.
- **Valuation framework.** We use a dividend (distribution) discount model to evaluate MLPs. We believe this is the best approach as investors typically are drawn to the partnerships for the cash flow. We use a two-stage model, estimating the partnership's distribution over the next five years and then using a long-term growth rate. We then discount the cash flows to derive the present value. Our $27.50 price target for Tesoro is derived using a required rate of return of 8.5% and a long-term growth rate of 2%. Our terminal value in 2016 is $30.91.
- **Profile.** Tesoro's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area, eight refined products terminals in the Midwestern and Western U.S., and a crude oil and refined products storage facility and five related short-haul pipelines in Utah. Tesoro's results are primarily driven by revenues generated from the gathering, transporting, and storing of crude oil and refined products. The partnership does not generally own the products and does not trade, so there is minimal direct commodity price exposure.
- **Growth prospects.** We believe Tesoro will be able to grow its operations through dropdown acquisitions and potentially benefit from Tesoro Corporation's (TSO-NR) desire to expand its logistics asset base. The partnership could also benefit from undertaking organic growth projects and joint acquisitions with Tesoro Corporation. We believe Tesoro has various opportunities for growth that should enable it to increase its distribution.
- **Distribution.** We estimate Tesoro's distribution at $0.9548/unit in 2011, $1.54/unit in 2012, and $1.70/unit in 2013. Our estimates provide a 10.4% growth rate in 2013. This compares quite favorably to the 4.9% estimated average growth in 2013 for liquids-based partnerships under our coverage. Based on our distributable cash flow estimate of $1.87/unit for 2012 and $1.98/unit in 2013, coverage ratios would be 1.2x for both years.

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For Required Disclosures and Reg AC, please see page 14 of report

Executive Summary

We are initiating coverage of Tesoro Logistics LP (TLLP) with a Buy rating and a $27.50 price target. Tesoro Logistics is a crude oil and refined products Master Limited Partnership (MLP) that gathers, transports, and stores crude oil and distributes, transports, and stores refined products. The partnership's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area of North Dakota and Montana, eight refined products terminals in the Midwestern and Western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro's results are primarily driven by revenues generated from the gathering, transporting, and storing of crude oil and refined products. The partnership does not generally own the products and does not trade, so there is minimal direct commodity price exposure. The majority of its revenue is derived from Tesoro Corporation under long-term, fee-based contracts that include minimum volume commitments.

Tesoro's growth should be driven by acquisitions and organic growth projects. Growth spending should total approximately $18 million for 2011 and 2012.

As of December 31, 2010, the gross book value of the logistics assets that Tesoro Corporation contributed to the partnership was approximately $193.0 million and the gross book value of the company's retained logistics assets on which Tesoro has a right of first offer was approximately $240.0 million.

We estimate Tesoro's distribution at $0.9548/unit in 2011, $1.54/unit in 2012, and $1.70/unit in 2013. Based on our distributable cash flow estimate of $1.87/unit for 2012 and $1.98/unit in 2013, coverage ratios would be 1.2x for both years. Our estimates provide a 10.4% distribution growth rate in 2013.

Investment Thesis

We believe Tesoro is a good investment for several reasons, including: estimated 2013 distribution growth at 10.4%; our price target provides 18% upside from the units' current price; several avenues for growth, including dropdown acquisitions; agreements with its parent that provide for minimum volume commitments; and it should remain in the low distribution split levels over the near term.

We believe Tesoro will be able to grow its operations through dropdown acquisitions and benefit from Tesoro Corporation's desire to expand its logistics asset base. The partnership could also benefit from undertaking organic growth projects and joint acquisitions with Tesoro Corporation. We believe Tesoro has various opportunities for growth that should enable it to increase its distribution.

The majority of Tesoro's revenue is derived from Tesoro Corporation under long-term, fee-based contracts that include minimum volume commitments. Under these agreements, Tesoro will provide services to Tesoro Corporation and in turn will be provided with minimum monthly throughput volumes of crude oil and refined products. Approximately 84% of Tesoro's revenue is derived from minimum volume commitments.

We estimate Tesoro's distribution at $0.9548/unit in 2011, $1.54/unit in 2012, and $1.70/unit in 2013. Our estimates provide a 10.4% distribution growth rate in 2013. This compares quite favorably to the 4.9% estimated average growth in 2013 for liquids-based partnerships under our coverage.

We do not forecast Tesoro entering the high distribution split levels until after 2015, given our current outlook for distribution increases. We view this as positive for the partnership as it facilitates a lower cost of capital, which would make acquisitions more accretive, all things being equal. If Tesoro were to make acquisitions it would likely result in higher-than-forecasted distribution growth that could push the distribution into the higher splits sooner.

Since Tesoro's IPO in April, the units' performance has led the liquids group. We believe the outperformance is a result of investors' anticipation of strong distribution growth, which should lead to a solid total return. Although Tesoro's yield is lower than that of its peers, we believe the potential total return of Tesoro makes for a compelling story.

Valuation Framework

We use a dividend (distribution) discount model to evaluate MLPs. We believe this is the best approach as investors typically are drawn to the partnerships for the cash flow. We use a two-stage model, estimating the partnership's distribution over the next five years and then using a long-term growth rate. We then discount the cash flows to derive the present value.

Our $27.50 price target for Tesoro is derived using a required rate of return of 8.5% and a long-term growth rate of 2%. Our terminal value in 2016 is $30.91. However, since the model is highly sensitive to the assumptions made about growth rates and discount rates, we have performed a sensitivity analysis. We use our forecast for distributions for the next five years, but use different required rates of return and long-term growth rates to derive a series of values for Tesoro's unit price. We present our results in Figure 1.

FIGURE 1 – TESORO LOGISTICS – VALUATION SENSITIVITY ANALYSIS

		L-T Growth Rate					
		0.0%	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
RROR	**6.0%**	$31.99	$37.19	$40.66	$44.99	$50.57	$58.00
	6.5%	$29.47	$33.75	$36.54	$39.94	$44.20	$49.66
	7.0%	$27.31	$30.89	$33.17	$35.90	$39.24	$43.42
	7.5%	$25.44	$28.47	$30.36	$32.60	$35.28	$38.56
	8.0%	$23.81	$26.40	$27.99	$29.84	$32.04	$34.67
	8.5%	$22.37	$24.60	$25.95	$27.51	$29.34	$31.49
	9.0%	$21.09	$23.03	$24.19	$25.52	$27.05	$28.84
	9.5%	$19.94	$21.64	$22.65	$23.79	$25.09	$26.60
	10.0%	$18.91	$20.41	$21.29	$22.27	$23.40	$24.68

Source: Wunderlich Securities, Inc.

Financial Statement Analysis

We estimate that Tesoro's debt/EBITDA ratio will be 0.8x at year-end 2012, and it should remain near this level over the next several years. EBITDA/interest is estimated at 25x at year-end 2012, and we forecast this ratio will increase over the next several years. The partnership only has $50 million drawn on its credit facility, resulting in the strong ratios. As Tesoro undertakes organic capital spending and potential acquisitions, the partnership is likely to use its credit facility as its first source of funding.

The partnership has a $150 million credit facility that expires in April 2014. Tesoro can request that the maximum amount of the credit facility be increased up to $300 million, subject to receiving increased commitments from the lenders.

The partnership's revolving credit facility contains covenants requiring Tesoro to maintain a consolidated funded debt to consolidated EBITDA ratio of not more than 4.50 to 1.00 following acquisitions and not greater than 4.00 to 1.00 during other times and an EBITDA to interest ratio of not less than 3.00 to 1.00. The partnership's target for leverage is a low 3x EBITDA multiple.

The partnership issued guidance for expansion capital expenditures of $10.4 million for the 12 months ending March 2012, and maintenance capital of $4.6 million. Since the original guidance was issued, Tesoro has announced a few additional expansion projects. In our model, we forecast Tesoro will use its credit facility to pay for its capital spending this year and next.

Partnership Description

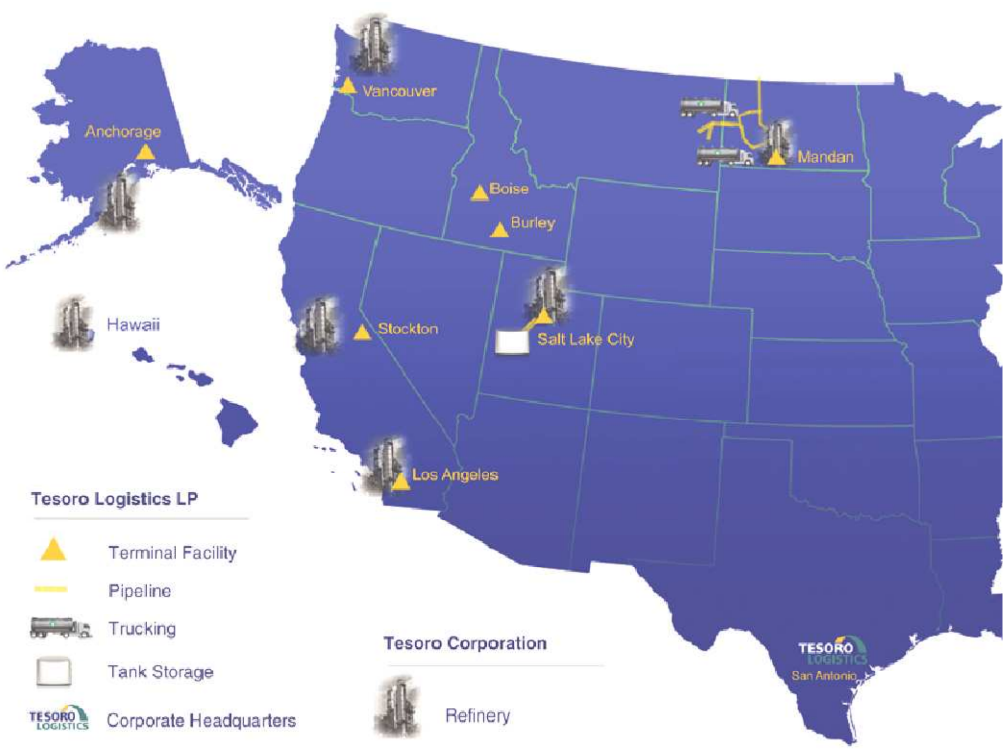
Tesoro Logistics LP is a crude oil and refined products Master Limited Partnership (MLP) that gathers, transports, and stores crude oil and distributes, transports, and stores refined products.

The partnership's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area of North Dakota and Montana, eight refined products terminals in the Midwestern and Western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro's results are primarily driven by revenues generated from the gathering, transporting, and storing of crude oil and refined products. The partnership does not generally own the products and does not trade, so there is minimal direct commodity price exposure.

The majority of its revenue is derived from Tesoro Corporation under long-term, fee-based contracts that include minimum volume commitments.

FIGURE 2 – TESORO LOGISTICS – ASSET MAP



Source: Tesoro Logistics, LP

Crude Oil Gathering

Tesoro's crude oil gathering system is in North Dakota and Montana and is referred to as the High Plains system. The system operates in the Williston Basin and includes production from the Bakken Shale region. The assets include an approximate 23,000 barrels per day (bpd) truck-based gathering operation, approximately 700 miles of pipeline, and storage assets. The total system can deliver up to 70,000 bpd to Tesoro Corporation's Mandan refinery.

The partnership and Tesoro Corporation have a 10-year pipeline transportation services agreement, under which Tesoro will charge Tesoro Corporation for transporting crude oil on the High Plains pipeline system for shipments in North Dakota. Tesoro Corporation will be obligated to transport an average of at least 49,000 bpd of crude oil per month at the committed rate.

Tesoro also expects to receive revenue from shipments above the minimum volume commitment and from interstate shipments. Tesoro Corporation has historically shipped volumes of crude oil in excess of the minimum throughput commitment, and those excess shipments should continue. The partnership should also derive revenue from other services.

The partnership and Tesoro Corporation also have a two-year trucking transportation services agreement under which Tesoro will provide truck-based crude oil gathering services to Tesoro Corporation. Under the agreement, Tesoro Corporation will be obligated to pay a fee on a minimum volume of crude oil equal to an average of 22,000 bpd per month.

Tesoro also expects to generate additional uncommitted transportation fees at the same per-barrel rate for volumes in excess of Tesoro's minimum commitments.

Terminalling, Transportation, and Storage

Tesoro owns eight refined products terminals with total truck and barge delivery capacity of approximately 229,000 bpd. The terminals provide distribution primarily for refined products produced at Tesoro Corporation's refineries located in Los Angeles and Martinez, California; Salt Lake City, Utah; Kenai, Alaska; Anacortes, Washington; and Mandan, North Dakota.

The partnership also owns a refined products and crude oil storage facility with total shell capacity of approximately 878,000 barrels and three short-haul crude oil supply pipelines and two short-haul refined product delivery pipelines connected to third-party interstate pipelines. These assets support Tesoro Corporation's Salt Lake City refinery.

Tesoro and Tesoro Corporation have also entered into a 10-year master terminalling services agreement under which the corporation will be obligated to throughput minimum volumes of refined products equal to an aggregate average of 100,000 bpd per month at the partnership's eight refined products terminals and pay throughput fees and fees for providing related ancillary services (such as ethanol blending and additive injection) at Tesoro's terminals.

The two entities also have a 10-year agreement regarding the Salt Lake City pipeline system whereby the corporation is obligated to ship 54,000 bpd per month. In addition, there is a 10-year agreement under which Tesoro Corporation is obligated to use Tesoro's storage facility in Salt Lake City.

FIGURE 3 – TESORO LOGISTICS – ASSETS

Refined Product Terminals	Products	Storage Capacity (barrels)	Maximum Available Terminalling Capacity (bd)
Los Angeles	Gasoline, Diesel	6,000	48,000
Stockton	Gasoline, Diesel	66,000	9,400
Salt Lake City	Gasoline, Diesel, Jet Fuel	18,000	42,000
Anchorage	Gasoline, Diesel, Jet Fuel	883,000	63,000
Mandan, North Dakota	Gasoline, Diesel, Jet Fuel	NA	22,500
Vancouver, Washington	Gasoline, Diesel	298,000	19,600
Boise, Idaho	Gasoline, Diesel, Jet Fuel	254,000	22,500
Burley, Idaho	Gasoline, Diesel	147,000	12,000
		1,672,000	239,000

Source: Partnership reports and Wunderlich Securities, Inc.

Summary of Agreements With Tesoro Corporation

The majority of Tesoro's revenue is derived from Tesoro Corporation under long-term, fee-based contracts that include minimum volume commitments. Under these agreements, Tesoro will provide services to Tesoro Corporation and in turn will be provided with minimum monthly throughput volumes of crude oil and refined products. The agreements include:

- a 10-year pipeline transportation services agreement under which Tesoro Corporation will pay Tesoro fees for gathering and transporting crude oil on its High Plains pipeline system;
- a two-year trucking transportation services agreement under which Tesoro Corporation will pay Tesoro fees for crude oil trucking and related services and scheduling and dispatching services that Tesoro provides through its High Plains truck-based crude oil gathering operation;
- a 10-year master terminalling services agreement under which Tesoro Corporation will pay Tesoro fees for providing terminalling services at its eight refined products terminals;

- a 10-year pipeline transportation services agreement under which Tesoro Corporation will pay Tesoro fees for transporting crude oil and refined products on its five Salt Lake City short-haul pipelines; and
- a 10-year storage and transportation services agreement under which Tesoro Corporation will pay Tesoro fees for storing crude oil and refined products at its Salt Lake City storage facility and transporting crude oil and refined products between the storage facility and Tesoro Corporation's Salt Lake City refinery through interconnecting pipelines on a dedicated basis.

Strategy

Tesoro plans to pursue the following strategies:

- *Focus on Stable, Fee-Based Businesses.* Tesoro will focus on providing fee-based logistics services to Tesoro Corporation and third parties and to minimize direct exposure to commodity prices.
- *Pursue Organic Growth Opportunities.* Tesoro will pursue expanding its asset base from opportunities that may arise from the growth of Tesoro Corporation's refining and marketing business or from increased third-party activity. These opportunities could come from areas that complement the partnership's asset base or from new areas within its geographic footprint.
- *Grow Through Strategic Acquisitions*. Tesoro will pursue acquisitions from Tesoro Corporation and third parties. In order to provide Tesoro with initial acquisition opportunities, Tesoro Corporation has granted the partnership a right of first offer on certain logistics assets that it owns. Third-party acquisitions will be focused on logistics assets in the western half of the U.S.
- *Optimize Existing Asset Base and Pursue Third-Party Volumes*. Tesoro will pursue opportunities to add volumes, improve operating efficiencies, and increase utilization.

Tesoro Corporation

Tesoro Corporation owns 49% of TLLP's limited partner interests and the 2% general partner interest. Tesoro Corporation is an independent refiner and marketer of petroleum products. It operates seven refineries with a combined capacity of approximately 665,000 barrels per day and its retail-marketing system includes over 880 branded retail stations.

Tesoro Corporation has agreed not to own or operate crude oil or refined products pipelines, terminals, or storage facilities in the U.S. that are not integral to one of its refineries. Additionally, Tesoro Corporation granted the partnership a right of first offer to acquire certain of its retained logistics assets, including terminals, pipelines, docks, storage facilities, and other related logistic assets located in Alaska, California, and Washington, if it decides to sell of any of those assets.

Growth Prospects

Tesoro's growth should be driven by acquisitions and organic growth projects. Spending on growth projects should total approximately $18 million for 2011 and 2012.

The partnership's High Plains system is being expanded at a cost of $7-$8 million, which should generate an EBITDA run rate of $6 million. The project should be completed by the second quarter of 2012.

Tesoro has various projects taking place in the Terminalling segment at a cost of roughly $10 million, and these should be finished by the second quarter of 2012.

As of December 31, 2010, the gross book value of the logistics assets that Tesoro Corporation contributed to the partnership was approximately $193.0 million and the gross book value of Tesoro Corporation's retained logistics assets on which Tesoro has a right of first offer was approximately $240.0 million.

As part of its agreement with Tesoro Corporation, the partnership has the right of first offer on the following assets:

- a refined products terminal associated with Tesoro Corporation's Golden Eagle refinery consisting of a truck loading rack with three loading bays;
- a marine terminal located in Martinez, California, consisting of a dock, five crude oil storage tanks, and related pipelines;
- a wharf facility located in Martinez, California;
- a pipeline used to transport refined products from Tesoro Corporation's Kenai refinery to Anchorage International Airport, a receiving station at the Port of Anchorage and third-party terminals;
- a dock and storage facility, located at Tesoro Corporation's Kenai refinery, that includes five crude oil storage tanks;
- a refined products terminal located at Tesoro Corporation's Kenai refinery;
- a crude oil and refined products pipeline system used to transport products between Tesoro Corporation's Los Angeles refinery and Tesoro's Long Beach terminal and to various third-party facilities;
- a refined products terminal located at Tesoro's Anacortes refinery;
- a marine terminal and storage facility located at Tesoro Corporation's Anacortes refinery; and
- a marine terminal leased from the Port of Long Beach, California, consisting of a dock with two vessel berths.

The partnership could pursue third-party acquisitions under the right circumstances, but we believe it is more likely that Tesoro will rely on organic growth and dropdowns from its parent for growth.

Distribution

We estimate Tesoro's distribution at $0.9548/unit in 2011, $1.54/unit in 2012, and $1.70/unit in 2013. Based on our distributable cash flow estimate of $1.87/unit for 2012 and $1.98/unit in 2013, coverage ratios would be 1.2x. Our estimates provide a 10.4% growth rate in 2013. Management has stated that it is comfortable with a coverage ratio of 1.1x.

We believe the partnership should be able to increase its distribution over the next several years. Our estimates do not take into account any potential acquisitions and reflects the partnership's guidance and CAPEX program for 2011 and 2012. As the partnership continues with its growth program and if it were to make accretive acquisitions, there should be room for further distribution growth.

Risks

The partnership and all MLPs pass through taxes to unitholders, giving the partnership a lower cost of capital relative to a taxed corporate competitor. Congress or the IRS could decide to remove these tax benefits. This is the biggest risk to Tesoro and all MLPs.

The partnership is dependent on volumes running through its infrastructure. If volumes were to decline, cash flow would be negatively impacted. The transportation and processing of hydrocarbons are subject to environmental and other regulations, and regulators could approve more stringent rules that could increase the costs for companies in the energy industry.

The partnership is dependent on Tesoro Corporation for a substantially all of its revenues. Therefore, if Tesoro Corporation were to experience a significant setback, the partnership could be negatively impacted.

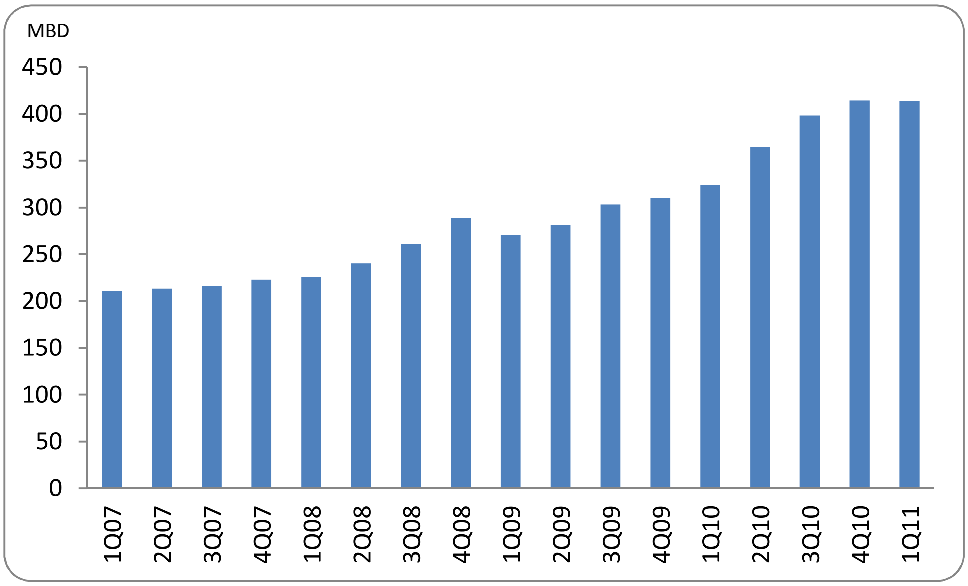
One of the partnership's strategies is to acquire assets, with a focus on dropdowns from its parent. If Tesoro Corporation does not sell midstream assets to Tesoro, the partnership would be dependent on third-party acquisitions, which could be more expensive and less accretive than dropdown assets.

A unitholder whose units are lent to a short seller to cover a short sale of units may be viewed as having sold the units. Unitholders who want to be assured of keeping their status as partners and avoid the risk of gain recognition from a loan to a short seller should consider modifying any brokerage account agreements to prohibit their brokers from borrowing their units. Because of the nature of the MLP structure, all investors should consult qualified tax counsel before making an investment in the sector.

Williston Basin and The Bakken Shale

The Williston Basin is located in North Dakota, South Dakota, Montana, and southern Canada. It extends approximately 475 miles from north to south and 300 miles from east to west. The basin became a major oil producer in the 1950s, when large fields were discovered in North Dakota. Production peaked in 1986, but in the early 2000s significant increases in production began because of horizontal drilling techniques, especially in the Bakken Formation.

FIGURE 4 – TESORO LOGISTICS – WILLISTON BASIN PRODUCTION



Includes North Dakota, South Dakota, and certain counties in Eastern Montana.

Source: North Dakota Pipeline Authority

In April 2008, the United States Geological Survey (USGS) estimated that the Bakken had approximately 3.0-4.3 billion barrels of technically recoverable reserves. The Bakken Formation estimate is larger than all other current USGS oil assessments of the lower 48 states and is the largest continuous oil accumulation ever assessed by the USGS.

According to the North Dakota Pipeline Authority (NDPA), the rig count in North Dakota has increased to 183 rigs as of July 2011 from 91 rigs as of December 2008. In addition, the NDPA's figures show that oil production from the Williston has continued to increase over the last several years, with production averaging 414 thousand barrels per day (MBD) during the first quarter of 2011, compared with 226 MBD during the first quarter of 2008.

FIGURE 5 – TESORO LOGISTICS – WILLISTON BASIN MAP

Source: EIA

FIGURE 6 – TESORO LOGISTICS – MODEL

$ in millions except per unit data	1Q11	2Q11	3Q11E	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E
Operating Income	-	7.5	12.0	12.1	**31.6**	12.3	13.5	14.8	14.8	**55.4**	14.8	14.9	14.9	14.9	**59.4**
Interest expense, net	-	(0.5)	(0.7)	(0.7)	**(1.8)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**
Other income	-	0.8	0.0	0.0	**0.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Pre-tax income	-	7.9	11.4	11.4	**30.7**	11.6	12.9	14.2	14.2	**52.8**	14.2	14.2	14.2	14.2	**56.8**
Income Tax	-	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Net Income	**-**	**7.9**	**11.4**	**11.4**	**30.7**	**11.6**	**12.9**	**14.2**	**14.2**	**52.8**	**14.2**	**14.2**	**14.2**	**14.2**	**56.8**
Net Income to General Partner	-	0.2	0.2	0.2	**0.6**	0.2	0.3	0.3	0.3	**1.1**	0.4	0.4	0.5	0.6	**1.9**
Net Income to Limited Partners	**-**	**7.7**	**11.2**	**11.2**	**30.1**	**11.4**	**12.6**	**13.9**	**13.8**	**51.7**	**13.8**	**13.8**	**13.7**	**13.6**	**54.9**
Net Income/Unit (Limited)	**-**	**$0.25**	**$0.37**	**$0.37**	**$0.99**	**0.37**	**$0.41**	**$0.45**	**$0.45**	**$1.69**	**0.45**	**$0.45**	**$0.45**	**$0.45**	**$1.80**
Limited Partnership Units	-	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**	30.5	30.5	30.5	30.5	**30.5**
EBITDA (total)	-	10.0	14.4	14.4	**38.9**	14.7	16.0	17.3	17.3	**65.2**	17.3	17.3	17.3	17.3	**69.3**
EBITDA/Unit	**-**	**$0.33**	**$0.47**	**$0.47**	**$1.27**	**0.48**	**$0.52**	**$0.57**	**$0.57**	**$2.14**	**0.57**	**$0.57**	**$0.57**	**$0.57**	**$2.27**
EBITDA (Limited Partners)	-	9.9	14.2	14.2	**38.3**	14.5	15.7	17.0	16.9	**64.1**	16.9	16.9	16.8	16.7	**67.3**
EBITDA/Unit	**-**	**$0.32**	**$0.47**	**$0.47**	**$1.25**	**0.47**	**$0.51**	**$0.56**	**$0.55**	**$2.10**	**0.55**	**$0.55**	**$0.55**	**$0.55**	**$2.21**
Other	-	(0.0)	(0.7)	(0.7)	**(1.3)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**	(0.7)	(0.7)	(0.7)	(0.7)	**(2.6)**
Maintenance CAPEX	-	(0.3)	(1.2)	(1.2)	**(2.8)**	(1.2)	(1.0)	(1.0)	(1.0)	**(4.2)**	(1.0)	(1.0)	(1.0)	(1.0)	**(4.0)**
Distributable Cash Flow	-	9.7	12.5	12.5	**34.8**	12.8	14.3	15.6	15.6	**58.4**	15.6	15.7	15.7	15.7	**62.6**
Distributable Cash Flow (GP)	-	(0.2)	(0.3)	(0.3)	**(0.7)**	(0.3)	(0.3)	(0.3)	(0.4)	**(1.2)**	(0.4)	(0.5)	(0.6)	(0.7)	**(2.2)**
Distributable Cash Flow (LP)	-	9.5	12.3	12.3	**34.1**	12.6	14.0	15.3	15.2	**57.1**	15.2	15.2	15.1	15.0	**60.5**
Distributable Cash Flow/Unit	**-**	**$0.31**	**$0.40**	**$0.40**	**$1.12**	**0.41**	**$0.46**	**$0.50**	**$0.50**	**$1.87**	**0.50**	**$0.50**	**$0.50**	**$0.49**	**$1.98**
Distribution		$0.2448	$0.3500	$0.3600	**$0.9548**	$0.3700	$0.3800	$0.3900	$0.4000	**$1.5400**	$0.4100	$0.4200	$0.4300	$0.4400	**$1.7000**
Coverage Ratio					**1.2x**					**1.2x**					**1.2x**
Distribution Growth															**10.4%**
Debt/EBITDA										**0.8x**					**0.7x**
EBITDA/Interest Expense										**25.1x**					**26.6x**

Source: Partnership reports and Wunderlich Securities, Inc. estimates

Disclosures:

Analyst Certification

I John R. Cusick, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- We have a Buy rating on TLLP and a $27.50 price target. Our price target is derived through a two-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 2.0%. Our terminal value in 2016 is $30.91.
- MLPs are tax-advantaged investments. Congress or the IRS could decide to remove these tax benefits. This is the biggest risk to all MLPs.

General disclosures:

Prices are as of the close of 10/12/11.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	**139**	**63.50**	**18**	**12.95**
Hold -rated	**77**	**35.20**	**5**	**6.49**
Sell -rated	**3**	**1.40**	**0**	**0.00**

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*** Percentage of companies within Wunderlich-rated Buy, Hold, and Sell categories for which Wunderlich or an associated firm provided investment banking services within the past 12 months.*

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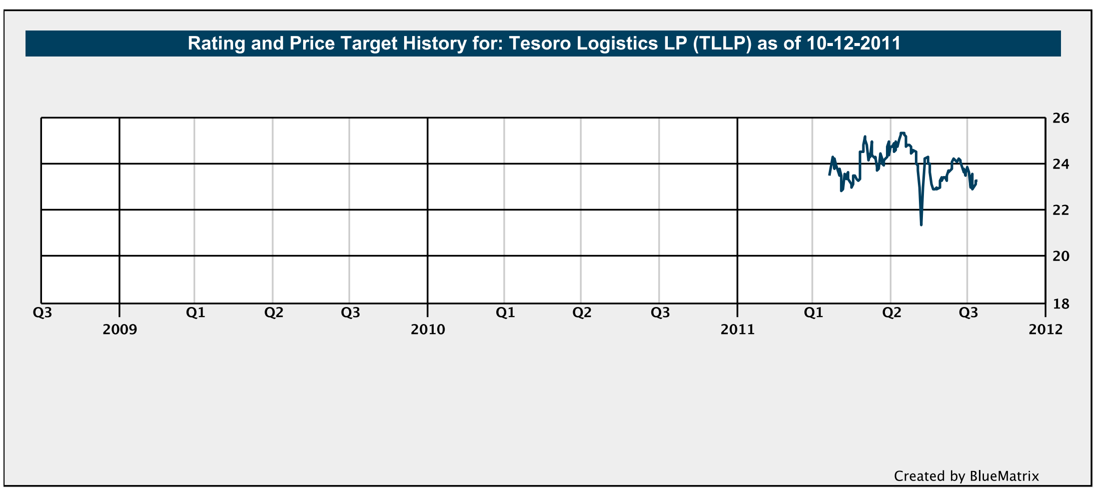

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TESORO LOGISTICS LP

Solid Growth Visibility from Organic Projects and Dropdowns

Expected double-digit grower with high cash-flow stability, maintain 1-OW rating. We view TLLP as a high-growth, relatively low-risk crude oil/refined products pipeline MLP with an attractive total return value proposition of 15.6%, comprised of 5.6% yield and 10% growth (3-year CAGR). Growth visibility supported by organic projects, including the emerging Bakken Shale, drop-down opportunities and increased asset utilization. Our $28 price target is based on a 12-month distribution run rate of $1.48 and target yield of 5.3%.

2Q EBITDA in line, guidance modestly above our estimates. EBITDA $10.0MM and distributable cash flow $9.7MM from April 26 post-IPO period. Revenues $17.8MM as stronger-than-expected terminalling volumes (higher Los Angeles terminal throughputs) more than offset slightly lower-than-expected North Dakota pipeline throughput (adverse weather conditions). Distribution coverage was an ample 1.25x in 2Q. Management guided to quarterly EBITDA of $14–15MM vs. our previous $13.5MM estimate.

TLLP adds 3 organic projects to its portfolio, provides visibility on first dropdown. Due to strong production growth in the Bakken and a lack of infrastructure, TLLP added 2 Bakken pipeline projects to its existing High Plains expansion. In addition, TLLP is expanding its Los Angeles terminal capacity. The $28MM of organic growth projects, expected to be completed in 1H12, should drive 20% EBITDA growth. Additional growth should come from dropdown(s). During the earnings conference call, TLLP announced it expects the first dropdown to take place approximately by year end. Given TLLP's low leverage of 1x, it is possible the dropdown could be all debt financed.

TLLP: Quarterly and Annual EPS (USD)

	2010	2011			2012			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2011	2012
Q1	N/A	0.32E	N/A	N/A	0.33E	0.38E	0.36E	N/A	19%
Q2	N/A	0.31E	0.25A	0.25A	0.37E	0.41E	0.39E	N/A	64%
Q3	N/A	0.34E	0.37E	0.34E	0.43E	0.48E	0.41E	N/A	30%
Q4	N/A	0.35E	0.37E	0.35E	0.42E	0.46E	0.41E	N/A	24%
Year	N/A	1.32E	0.99E	1.22E	1.55E	1.72E	1.57E	N/A	74%
P/E	N/A		24.4			14.1			

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

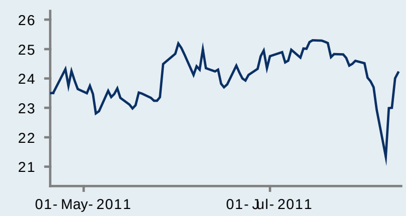
Stock Rating	1-OVERWEIGHT Unchanged
Sector View	2-NEUTRAL Unchanged
Price Target	USD 28.00 Unchanged

Price (12-Aug-2011)	USD 24.20
Potential Upside/Downside	+16%
Tickers	TLLP

Market Cap (USD mn)	362
Shares Outstanding (mn)	14.95
Free Float (%)	82.69
52 Wk Avg Daily Volume (mn)	0.3
Dividend Yield (%)	0.0
Return on Equity TTM (%)	N/A
Current BVPS (USD)	8.84

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 25.67-21.07



Link to Barclays Capital Live for interactive charting

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New Bakken and Los Angeles organic growth projects added

TLLP announced 3 new additional projects totalling $8MM with expected incremental EBITDA of $2MM. In total, TLLP's organic growth budget is $28MM, expected to generate $11MM of EBITDA or an attractive 2.5x multiple. Of the 3 new projects, 2 are in the Bakken. The $3MM Rangeland interconnect project will connect TLLP's High Plains pipeline system to Rangeland's North Dakota terminal and pipeline. Expected in-service date is 2Q12. The second Bakken project is the $5MM Connelly gathering hub, which will build a new gathering hub to support future crude gathering expansions. The initial pipeline is expected to transport 1,500 bpd of crude by 2Q12, replacing some volumes currently trucked. The third new project is expanding the LA terminal capacity by 5,000 bpd. The project has no cost as it only requires a permit. Expected EBITDA is $1MM and in-service date is 1Q12.

Figure 1: TLLP Organic Growth Projects

Project	Capex	EBITDA	EBITDA multiple	Expected completion
High Plains Pipeline	5.0	5.0	1.0x	2Q12
Rangeland interconnect	3.0	1.0	3.0x	2Q12
Connelly gathering hub	5.0	0.0	n/a	2Q12
Salt Lake/Burley ethanol blending	3.0	1.0	3.0x	2Q11/2Q12
Stockton terminal	9.0	2.5	3.6x	1Q12
Los Angeles terminal	3.0	1.5	2.0x	1Q12
Total	**28.0**	**11.0**	**2.5x**	

Source: Company filings

First dropdown slated for 4Q11/1Q12, sooner than we expected

Management announced that the first dropdown should be announced "in the coming months." While no further color was provided, such as size or type of asset, we view the news favorably as providing visibility on growth via drops. We are changing our estimate for a 2013 drop to a 1Q12 dropdown at $50MM. Given TLLP's low leverage, $100MM of availability on its revolver and reasonably high coverage, we believe it is likely no equity will need to be raised, assuming the transaction is approximately $50MM.

Figure 2: Potential asset dropdowns

Asset	Location	Description
Refined products terminals	Martinez, CA	38,000 bpd
Refined products terminals	Nikiski, AK	211,000 barrels storage capacity & 2,6000 bpd truck rack
Refined products terminals	Anacortes, WA	1,700 bpd
Marine terminals	Long Beach, CA	104,200 bpd crude/refined products
Marine terminals	Martinez, CA	61,000 bpd crude and 425,000 barrels storage
Marine terminals	Martinez, CA	product wharf with limited volumes currently
Marine terminals	Nikiski, AK	74,000 bpd crude/refined products and 930,000 barrels storage
Marine terminals	Anacortes, WA	54,000 bpd crude/refined products and 1.4MM barrels storage
Pipelines	Nikiski, AK	31,000 bpd volume serving TSO AK refinery
Pipelines	Los Angeles, CA	9 lines with 45,000 bpd volume serving TSO LA refinery

Source: Company filings

Balance sheet update

At the end of 2Q, TLLP had $100MM of availability on its $150MM revolver. Debt/EBITDA was approximately 1x.

Figure 3: TLLP 2Q Operating Metrics

	2Q11(a)
Crude oil pipeline volumes (bpd)	55,717
Crude oil pipeline tariff (per barrel)	$1.24
Crude oil trucking volumes (bpd)	23,212
Crude oil trucking revenue (per barrel)	$2.86
Terminalling volumes (bpd)	134,579
Terminalling revenue (per barrel)	$0.76
Storage capacity reserved (barrels)	878,000
Storage fee (per month)	$0.50
Short-haul pipeline volumes (bpd)	71,395
Short-haul pipeline tariff (per barrel)	$0.25

Source: Company filings

Figure 4: TLLP Summary Model ($ in MM, except per unit amounts)

	2011e	2012e	2013e	2014e	2015e
EBITDA	49.3	68.8	83.7	97.2	113.5
Interest expense	(2.0)	(4.1)	(7.3)	(9.4)	(13.7)
Maintenance capex	(3.6)	(5.3)	(6.7)	(7.9)	(9.2)
Other	0.0	0.0	0.0	0.0	0.0
Distributable cash flow	**43.6**	**59.4**	**69.7**	**79.9**	**90.6**
Distribution coverage ratio	1.20x	1.26x	1.24x	1.16x	1.09x
Pro forma cash distribution per unit (declared)	**$1.35**	**$1.51**	**$1.66**	**$1.82**	**$1.98**
Y/Y growth		**11.7%**	**10.3%**	**9.5%**	**8.9%**

Source: Barclays Capital estimates, company filings

ANALYST(S) CERTIFICATION(S)

We, Richard Gross and Brian J. Zarahn, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

Tesoro Logistics LP (TLLP, 12-Aug-2011, USD 24.20), 1-Overweight/2-Neutral

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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

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RS-Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including when Barclays Capital is acting in an advisory capacity in a merger or strategic transaction involving the company.

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Copano Energy LLC (CPNO)	Crosstex Energy LP (XTEX)	DCP Midstream Partners LP (DPM)
Duncan Energy Partners LP (DEP)	Eagle Rock Energy Partners LP (EROC)	El Paso Pipeline Partners, L.P. (EPB)
Enbridge Energy Partners (EEP)	Encore Energy Partners LP (ENP)	Energy Transfer Equity LP (ETE)
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Suburban Propane Partners (SPH)	Sunoco Logistics Partners L.P. (SXL)	Targa Resources Partners LP (NGLS)
TC Pipelines, LP (TCLP)	Teekay Offshore Partners LP (TOO)	Tesoro Logistics LP (TLLP)
Vanguard Natural Resources (VNR)	Western Gas Partners LP (WES)	Williams Partners LP (WPZ)

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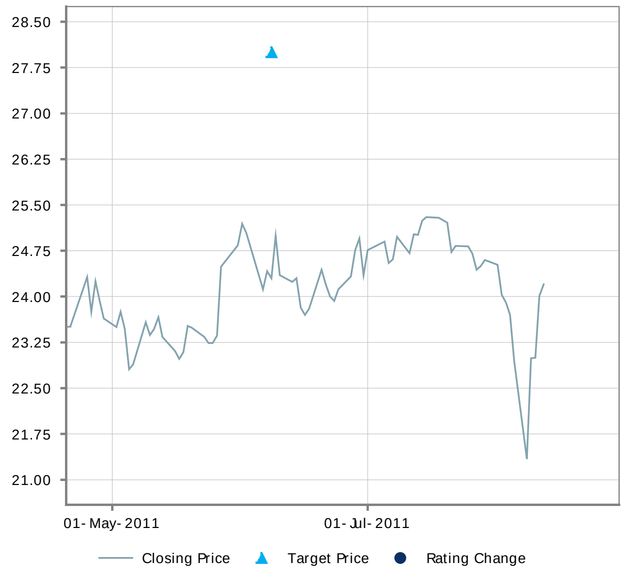
IMPORTANT DISCLOSURES CONTINUED

Tesoro Logistics LP (TLLP)

	Stock Rating	Sector View
USD 24.20 (12-Aug-2011)	**1-OVERWEIGHT**	**2-NEUTRAL**

Rating and Price Target Chart - USD (as of 12-Aug-2011)



Link to Barclays Capital Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Price Target
08-Jun-2011	24.30	1-Overweight	28.00

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Valuation Methodology: Our $28 price target is based on a 12-month distribution run rate of $1.48 and a 5.3% target yield.

Risks which May Impede the Achievement of the Price Target: Customer concentration, rising interest rates, acquisition integration risk, pipeline tariff rates subject to regulatory review, lower refined product demand, lower crude oil production in the Bakken Shale, more stringent energy regulations, construction cost overruns, change in MLP tax status.

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August 11, 2011

WELLS FARGO SECURITIES

Equity Research

Tesoro Logistics L.P.

TLLP: Off To A Strong Start--Raising Estimates
Guidance Exceeds Our Expectations--Maintaining Positive Outlook

Outperform / V

- **Key Takeaways.** Q2 operating results were ahead of expectations. TLLP anticipates quarterly EBITDA of $14-15MM, which implies a $5MM improvement on an annualized basis based on TTM 3/31/12 guidance in the S-1 filing. Management expects to announce a drop-down in the upcoming months. Notably, our model incorporates an assumed $100MM acquisition in Q1 2012. TLLP also announced new growth initiatives to further expand its crude oil gathering and terminalling assets, which should yield attractive returns starting in 2012. We are raising our 2011 and 2012 DCF/unit estimates to $1.65 and $1.90, respectively, from $1.46 and $1.71 to reflect Q2 results, a higher run rate for TLLP's base earnings from terminalling, and the anticipated benefit from the new organic growth projects. We are maintaining our Outperform rating given TLLP's above-average growth prospects tied to potential acquisitions from its GP and infrastructure development in the Bakken Shale.
- **Off To A Strong Start With Q2 Results Ahead Of Expectations.** For the period beginning 4/26/11 (completion of IPO) and ending 6/30/11, TLLP reported EBITDA of $10.0MM, net income of $7.9MM, and available cash flow of $9.7MM. Adjusting these balances for a full quarter, this equates to EBITDA of $13.8MM, $10.9MM, and $13.4MM, respectively, which all exceed our estimates for Q2. Specifically, adjusted DCF/unit of $0.43 was above our forecast of $0.35 primarily due to stronger-than-anticipated terminalling results, lower cash interest expense, and lower maintenance capex. For Q2, TLLP plans to pay a prorated distribution/unit of $0.2448, which equates to a MQD of $0.3375 and an annualized distribution/unit of $1.35.
- **Adds To Slate Of Growth Projects.** TLLP plans to invest $23MM (net of reimbursements from TSO) over the next twelve months, which is expected to generate annualized EBITDA of $11MM. Management announced three new projects including: (1) connecting the High Plains System to Rangeland Energy's crude oil loading terminal and pipeline facility, (2) building a new gathering hub and related tankage and metering on the High Plains System, and (3) expanding the Los Angeles terminal's capacity by 5,000 Bbls/d.

Valuation Range: $26.00 to $28.00
Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 1.25%, and (2) a price-to-DCF multiple of 13.5x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Investment Thesis:
TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year growth outlook from potential drop-down opportunities and organic growth initiatives, and (3) TLLP's low-risk business model. We forecast a five-year distribution CAGR of 9.6%, assuming average annual (1) acquisitions of $100 million and (2) growth capex of $25 million. At least 80% of TLLP's distribution is expected to be tax deferred.

Please see page 7 for rating definitions, important disclosures and required analyst certifications

Sector: Small Cap Pipeline MLPs
Overweight

Earnings Estimates Revised Up

	2010A	2011E		2012E	
DCF/unit		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	NA	**$0.38 A**	**0.35**	**$0.47**	**0.42**
Q2 (June)	NA	**0.43 A**	**0.35**	**0.46**	**0.42**
Q3 (Sep.)	NA	**0.42**	**0.36**	**0.49**	**0.44**
Q4 (Dec.)	NA	**0.42**	**0.37**	**0.48**	**0.44**
FY	NA	**$1.65**	**1.46**	**$1.90**	**1.71**
CY	NA	$1.65		$1.90	
FY P/DCF	NM	13.9x		12.1x	
Rev.(MM)	NE	$98		$125	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

Ticker	TLLP
Price (08/10/2011)	$23.00
52-Week Range:	$21-26
Shares Outstanding: (MM)	30.5
Market Cap.: (MM)	$701.5
S&P 500:	1,120.76
Avg. Daily Vol.:	114,805
Dividend/Yield:	$1.35/5.9%
LT Debt: (MM)	$50.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	10.0%
CY 2011 Est. P/DCF/unit-to-Growth:	1.4x
Last Reporting Date:	08/09/2011 Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Company Description:

Tesoro Logistics, L.P. is a publicly traded MLP that owns and operates a crude oil gathering system in the Bakken Shale, eight refined products terminals that primarily serve the Western United States market, and pipeline and storage assets located in Salt Lake City, Utah. The general partner of TLLP is Tesoro Corporation, which is one of the largest independent refiners in the United States.

Other Takeaways From Earnings Call

- Management expects to have an offer for a drop-down in the upcoming months but did not provide details on the exact timing or size of the potential acquisition. To note, our model incorporates an assumed $100MM transaction in Q1'12.
- Tesoro Corp. (TSO) announced plans to increase Bakken crude shipments to its Washington refinery (30,000 Bbls/d) and will invest $50MM to build related loading and unloading facilities. Management noted that the asset (once completed in late 2012) could potentially be a drop-down candidate for the MLP.
- Management anticipates quarterly EBITDA to approximate $14-15MM, which reflects the benefit of the recently installed Salt Lake City ethanol project, tariff increases as of 7/1, and new terminalling volumes from TSO. This implies a $5MM improvement on an annualized basis based on TLLP's S-1 guidance of $53MM for TTM 3/31/12.
- Crude oil pipeline volumes have recovered to approximately 60,000 Bbls/d, as most of the weather-related issues in the Bakken have been resolved.

Off To A Strong Start With Q2 Results Ahead Of Expectations

For the period beginning 4/26/11 (completion of IPO) and ending 6/30/11, TLLP reported EBITDA of $10.0MM, net income of $7.9MM, and available cash flow of $9.7MM. Adjusting these balances for a full quarter, this equates to EBITDA of $13.8MM, $10.9MM, and $13.4MM, respectively, which all exceed our estimates for Q2. Specifically, adjusted DCF/unit of $0.43 was above our forecast of $0.35 primarily due to stronger than anticipated terminalling results, lower cash interest expense of $0.5MM, and lower maintenance capex of $1MM. For Q2, TLLP plans to pay a prorated distribution/unit of $0.2448, which equates to a MQD of $0.3375 and an annualized distribution/unit of $1.35. The partnership's distribution coverage ratio was solid at 1.3x.

Figure 1. Adjusted Q2'11 Results Versus Our Estimates

($MM, except per unit data)	Q2'11A	Q2'11E	Var ($)	Var (%)
Segment EBITDA				
Crude Oil Gathering	**$6.7**	$7.1	($0.4)	(4.9%)
Terminalling, Transportation & Storage	**$8.8**	$6.6	$2.2	34.1%
Other, net	**($1.7)**	($0.8)	($0.9)	NM
Assumed Drop-Downs	**$0.0**	$0.0	$0.0	NM
EBITDA	**$13.8**	12.9	$1.0	7.7%
(-) Interest Expense	**$0.0**	$0.5	($0.5)	(96.8%)
(-) Maintenance Capex	**$0.4**	$1.5	($1.0)	(70.7%)
(-) Other	**$0.0**	$0.0	$0.0	NM
Available Cash Flow	**$13.4**	$10.9	$2.5	22.8%
(-) GP Interest	**$0.2**	$0.2	($0.0)	(0.0%)
Total Distributable Cash Flow	**$13.2**	$10.7	$2.5	23.3%
DCF / Unit	**$0.43**	$0.35	$0.08	23.3%
Distribution / Unit	**$0.34**	$0.34	$0.00	0.0%
Coverage Ratio	**1.28x**	1.04x	0.24x	22.8%
Excess Cash Flow	**$2.9**	0.4	$2.5	NM
LP Income / Unit (EPU)	**$0.35**	$0.33	$0.02	7.1%
Average Units Outstanding	**30.5**	30.5	(0.0)	(0.0%)

Note: Q2'11A figures reflected TLLP reported numbers for 4/26/11-6/30/11 adjusted for a full quarter.
Source: Partnership reports and Wells Fargo Securities, LLC estimates

Crude oil pipeline and trucking volumes appear to be tracking in line with expectations despite weather-related disruptions in the Bakken during Q2 (i.e. 55,717 Bbls/d vs. our estimate of 56,352 Bbls/d and 23,212 Bbls/d vs. our estimate of 22,780 Bbls/d). However, terminalling and short-haul pipeline throughput of 134,579 Bbls/d and 71,395 Bbls/d, respectively, were well ahead of our forecasts of 118,253 Bbls/d and 63,583 Bbls/d. Notably, management indicated that TLLP benefitted from a ~10,000 Bbls/d increase in terminalling throughput due to new TSO volumes. Additionally, short-haul pipeline volumes in Q2 benefitted from higher run rates at TSO's Salt Lake City refinery.

Adds To Slate Of Growth Projects

TLLP plans to invest $28MM ($23MM net of reimbursements from TSO) over the next twelve months to expand its crude oil gathering system and terminalling assets. The projects are expected to generate annualized EBITDA of approximately $11MM, which implies an average EBITDA multiple of 2.1x. Management announced three new projects (not included in the S-1):

1) **Rangeland Interconnect**: TLLP plans to spend $3MM to connect its High Plains System to Rangeland Energy's crude oil loading terminal and pipeline facility. The project is expected to be in service in Q2'12 and generate EBITDA of $1MM.

2) **Connelly Gathering Hub**: The partnership will invest $5MM, which will be reimbursed by TSO, to build a new gathering hub and related tankage and metering on its High Plains System by Q2'12. Initially, 1,500 Bbls/d of crude oil will be diverted to the pipeline from trucking volumes. Consequently, TLLP does not anticipate incremental EBITDA related to the project. However, the investment should facilitate the partnership's ability to expand nearby gathering lines in the future.

3) **LA Terminal Permit Expansion**: Currently, TLLP's Los Angeles terminal is fully utilized. The partnership plans to increase capacity by 5,000 Bbls/d. The project should be in service by Q1'12 and generate incremental EBITDA of $1MM.

Figure 2. Identified Growth Capex And Returns

$ in MM	Growth Capex		Projected	Completion
Project	**H2'11E**	**Total**	**EBITDA**	**Date**
High Plains expansion	$3.5	$5.0	$5.0	Q2'12
Rangeland interconnect	$1.0	$3.0	$1.0	Q2'12
Connelly gathering hub	$2.0	$5.0	$0.0	Q2'12
TSO reimbursement	($2.0)	($5.0)		
Total Crude Oil Gathering Segment	**$4.5**	**$8.0**	**$6.0**	
Ethanol blending	$2.0	$3.0	$1.0	Q2'11-Q1'12
Los Angeles terminal transmix	$1.5	$3.0	$0.5	Q1'12
Stockton terminal storage	$2.0	$9.0	$2.5	Q1'12
Los Angeles terminal permit expansion	$0.0	$0.0	$1.0	Q1'12
Total Terminalling, Transportation and Storage Segment	**$5.5**	**$15.0**	**$5.0**	
Total Growth Capex	**$10.0**	**$23.0**	**$11.0**	

Source: Partnership reports

Outlook For 2012

For 2012, we forecast EBITDA of $74.5MM, which represents a 36% ($20MM) improvement over 2011. The increase in our cash flow estimates is driven primarily by estimated contributions from $10MM of forecasted growth capex in 2011 and partial contributions from an assumed $29MM of growth capex in 2012. Additionally, our model incorporates a $100MM drop-down assumption in Q1'12 to be completed at an EBITDA multiple of 10x. In 2012, we forecast TLLP will increase its distribution by 14.0% to $1.55 per unit and generate a distribution coverage ratio of 1.2x.

Raising Our 2011-12 Estimates

We are raising our 2011 and 2012 DCF/unit estimates to $1.65 and $1.90, respectively, from $1.46 and $1.71 primarily to reflect Q2 results, a higher run rate for TLLP's base earnings from terminalling, and the anticipated benefit from recently announced organic growth projects. We are also increasing our 2011 and 2012 distribution/unit estimates slightly to $1.36 and $1.55, respectively, from our previous estimates of $1.35 and $1.52. Assuming a long-term distribution coverage ratio of 1.1x (TLLP's target), our 5-year distribution CAGR forecast increases slightly to 9.6% from 9.1%.

Figure 3. Overview Of Changes To Our Estimates

($MM, except per unit data)	New 2011E	Old 2011E	Percent Change	New 2012E	Old 2012E	Percent Change
EBITDA						
Crude Oil Gathering	$27.2	$29.0	(6.4%)	$31.0	$33.0	(5.9%)
Terminalling, Transportation & Storage	$31.5	$26.2	20.2%	$36.6	$28.3	29.4%
Other, net	($4.1)	($3.2)	27.8%	($3.2)	($3.2)	(0.0%)
Assumed Drop-Downs	$0.0	$0.0	-	$10.0	$10.0	0.0%
Total EBITDA	**$54.6**	$52.0	4.9%	**$74.5**	$68.1	9.4%
(-) Interest Expense	$1.0	$2.0	(47.7%)	$8.9	$8.8	1.2%
(-) Maintenance Capex	$2.5	$4.6	(45.6%)	$6.5	$6.0	8.8%
(-) Other	$0.0	$0.0	-	$0.0	$0.0	-
Available Cash Flow	$51.0	$45.5	12.2%	$59.1	$53.3	10.8%
(-) GP Interest	$0.8	$0.8	0.7%	$1.1	$1.0	8.8%
Total Distributable Cash Flow	$50.2	$44.6	12.4%	$58.0	$52.3	10.8%
DCF / Unit	**$1.65**	$1.46	12.4%	**$1.90**	$1.71	10.8%
Distribution / Unit	$1.36	$1.35	0.7%	$1.55	$1.52	2.3%
Coverage Ratio	1.2x	1.1x	-	1.2x	1.1x	-
Excess Cash Flow	$8.7	$3.5	152.1%	$10.7	$6.1	75.3%
Net Income	$42.9	$41.0	4.6%	$50.0	$44.8	11.5%
LP Income / Unit (EPU)	$1.38	$1.32	4.6%	$1.60	$1.44	11.4%
Average Units Outstanding	30.5	30.5	(0.0%)	30.5	30.5	(0.0%)

Source: Wells Fargo Securities, LLC estimates

No Change To Valuation Range Of $26-28 Per Unit

Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 1.25%, and (2) a price-to-distributable cash flow multiple of 13.5x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Figure 4. TLLP Versus Small Cap Pipeline MLPs

	Current Price	Current Yield	Price/DCF 2011E	Price/DCF 2012E	Distrib. Growth Est. 2011E	Distrib. Growth Est. 3-Year	P/DCF To Growth Ratio
Tesoro Logistics LP	$23.00	5.9%	14.0x	12.1x	0.7%	13.3%	0.9x
Small Cap Pipeline MLP Median		7.1%	11.7x	10.8x	3.4%	4.6%	2.3x

Source: Partnership reports, FactSet, and Wells Fargo Securities, LLC estimates

APPENDIX

Figure 5. 2011 Sources & Uses Of Cash

	($ in millions)	Q1'11A	Q2'11A	Q3'11E	Q4'11E	2011E
Uses Of Cash	**Growth Spending:**					
	Acquisition spending	-	-	-	-	-
	Growth capex spending	$0	-	$5	$5	$10
	Debt Maturities:					
	Long-term debt maturities	-	-	-	-	-
	Total spending	**$0**	**$0**	**$5**	**$5**	**$10**
Sources Of Cash	**Equity Funding:**					
	Excess cash flow		$1	$3	$2	$7
	Secondary equity issuance	-	-	-	-	-
	Cash and other, net	-	($1)			($1)
	Debt Funding:					
	Long-term debt issuance	-	-	-	-	-
	Credit facility	$0	($0)	$2	$3	$5
	Total financing	**$0**	**$0**	**$5**	**$5**	**$10**
	Credit Metrics:					
	Amount drawn on credit facility / CP	$50	$50	$52	$55	$55
	Utilization	33%	33%	35%	36%	36%
	Liquidity	$100	$100	$98	$95	$95
	Debt/EBITDA ratio				**1.0x**	**1.0x**

Source: Partnership reports, FactSet, and Wells Fargo Securities, LLC estimates

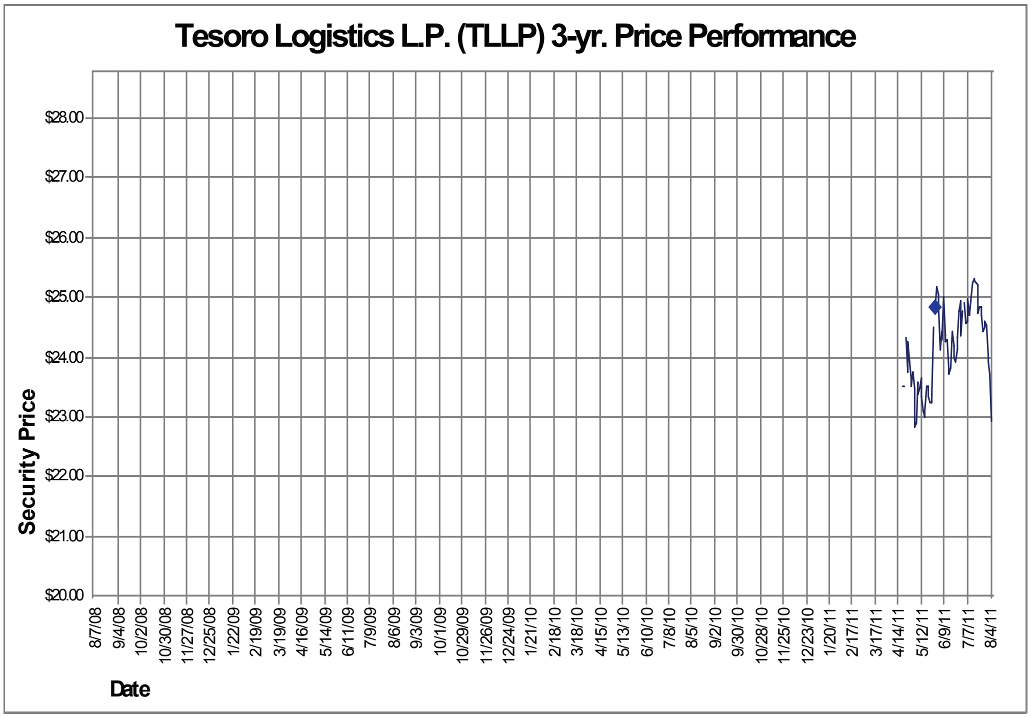
TESORO LOGISTICS, L.P. (TLLP) - OPERATIONAL SUMMARY

Year ended December 31
($ in millions, except for per unit data)

	Q1'11A	Q2'11A	Q3'11E	Q4'11E	PF2011E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E
Crude oil pipeline throughput (Bbls/d)	55,301	55,717	57,810	58,709	56,884	59,768	77,886	85,412	85,412	77,120	98,457	112,155	124,619	136,110
Yr/Yr % Change						*8.1%*	*39.8%*	*47.7%*	*45.5%*	*35.6%*	*27.7%*	*13.9%*	*11.1%*	*9.2%*
Trucking volume (Bbls/d)	21,628	23,212	22,900	22,900	22,660	22,900	25,240	26,212	26,212	25,141	27,896	29,665	31,275	32,759
Yr/Yr % Change						*5.9%*	*8.7%*	*14.5%*	*14.5%*	*10.9%*	*11.0%*	*6.3%*	*5.4%*	*4.7%*
Terminal throughput (Bbls/d)	121,546	134,579	134,579	134,579	131,321	147,169	147,169	147,169	147,169	147,169	147,169	147,169	147,169	147,169
Yr/Yr % Change						*21.1%*	*9.4%*	*9.4%*	*9.4%*	*12.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Short-haul pipeline throughput (Bbls/d)	62,173	71,395	71,395	71,395	69,090	71,395	71,482	71,569	71,657	71,526	71,657	71,657	71,657	71,657
Yr/Yr % Change						*14.8%*	*0.1%*	*0.2%*	*0.4%*	*3.5%*	*0.2%*	*0.0%*	*0.0%*	*0.0%*
Storage capacity reserved (Bbls)	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000
Yr/Yr % Change						*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA By Segment														
Crude oil gathering	6.6	6.7	6.9	6.9	27.2	6.8	7.7	8.3	8.3	31.0	35.8	39.4	43.0	46.6
% of Total	*55.4%*	*48.7%*	*47.9%*	*47.9%*	*49.8%*	*39.1%*	*41.9%*	*42.7%*	*42.7%*	*41.7%*	*39.4%*	*37.2%*	*35.6%*	*34.4%*
Terminalling, transportation, and storage	6.1	8.8	8.3	8.3	31.5	8.8	8.9	9.4	9.4	36.6	38.3	39.8	40.9	42.0
% of Total	*51.3%*	*63.5%*	*57.7%*	*57.6%*	*57.7%*	*51.1%*	*48.8%*	*48.6%*	*48.6%*	*49.2%*	*42.2%*	*37.5%*	*33.9%*	*31.0%*
Other	(0.8)	(1.7)	(0.8)	(0.8)	(4.1)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Assumed Drop-Downs	-	-	-	-	-	2.5	2.5	2.5	2.5	10.0	20.0	30.0	40.0	50.0
% of Total	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*14.4%*	*13.7%*	*12.9%*	*12.9%*	*13.4%*	*22.0%*	*28.3%*	*33.2%*	*36.9%*
Total EBITDA	**11.9**	**13.8**	**14.4**	**14.4**	**54.6**	**17.3**	**18.3**	**19.4**	**19.4**	**74.5**	**90.9**	**106.0**	**120.6**	**135.3**
EPU	**$0.30**	**$0.35**	**$0.37**	**$0.36**	**$1.38**	**$0.40**	**$0.39**	**$0.41**	**$0.41**	**$1.60**	**$1.75**	**$1.85**	**$1.87**	**$1.90**
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.7	31.9	33.5	34.9
Distributable Cash Flow (DCF)														
Adjusted EBITDA	11.9	13.8	14.4	14.4	54.6	17.3	18.3	19.4	19.4	74.5	90.9	106.0	120.6	135.3
(-) Interest expense	0.0	0.0	0.5	0.5	1.0	1.3	2.4	2.6	2.6	8.9	15.1	19.2	24.1	28.7
(-) Maintenance capital expenditure	0.1	0.4	1.0	1.0	2.5	1.5	1.6	1.7	1.7	6.5	7.9	9.2	10.5	11.8
(-) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available cash flow	11.8	13.4	12.9	12.9	51.0	14.5	14.3	15.1	15.1	59.1	67.9	77.5	86.0	94.8
General Partner's Interest	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.3	0.4	1.1	2.7	5.1	7.9	10.2
Distributable Cash Flow	11.6	13.2	12.7	12.7	50.2	14.3	14.1	14.8	14.7	58.0	65.2	72.5	78.1	84.6
DCF Per Unit	**$0.38**	**$0.43**	**$0.42**	**$0.42**	**$1.65**	**$0.47**	**$0.46**	**$0.49**	**$0.48**	**$1.90**	**$2.12**	**$2.27**	**$2.33**	**$2.42**
Distribution Declared Per Unit	**$0.34**	**$0.34**	**$0.34**	**$0.35**	**$1.36**	**$0.36**	**$0.38**	**$0.40**	**$0.41**	**$1.55**	**$1.79**	**$1.98**	**$2.09**	**$2.15**
Yr/Yr % Change						*7.4%*	*12.6%*	*17.0%*	*18.7%*	*14.0%*	*15.2%*	*10.9%*	*5.7%*	*2.6%*
Distribution Coverage	1.13x	1.28x	1.23x	1.19x	1.21x	1.29x	1.21x	1.23x	1.17x	1.22x	1.17x	1.13x	1.10x	1.11x
Excess Cash Flow (Deficit)	1.3	2.9	2.4	2.1	8.7	3.3	2.5	2.8	2.1	10.7	9.9	8.8	7.7	9.2
% of Total Cash Distribution														
General Partner	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.3%	2.9%	2.3%	4.7%	7.4%	10.1%	11.9%
Limited Partners	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	97.7%	97.1%	97.7%	95.3%	92.6%	89.9%	88.1%
Capital Expenditures														
Acquisition Capex	-	-	-	-	-	100.0	-	-	-	100.0	100.0	100.0	100.0	100.0
Growth Capex	0.4	-	5.0	5.0	10.4	15.1	5.8	4.0	4.0	28.9	25.0	25.0	25.0	25.0
Maintenance Capex	0.1	0.4	1.0	1.0	2.5	1.5	1.6	1.7	1.7	6.5	7.9	9.2	10.5	11.8
Total Capex	**0.5**	**0.4**	**6.0**	**6.0**	**12.9**	**116.6**	**7.4**	**5.7**	**5.7**	**135.4**	**132.9**	**134.2**	**135.5**	**136.8**
Credit Metrics														
Equity Issuances	-	-	-	-	-	-	-	-	-	-	50	50	50	50
Total Debt	50	50	52	55	55	168	170	172	173	173	238	304	371	437
TTM EBITDA				55	55	60	64	69	74	74	91	106	121	135
Debt/EBITDA (TTM)				1.0x	1.0x	2.8x	2.6x	2.5x	2.3x	2.3x	2.6x	2.9x	3.1x	3.2x
Debt/ annualized EBITDA	1.0x	0.9x	0.9x	0.9x	-	2.4x	2.3x	2.2x	2.2x	-	-	-	-	-
EBITDA/Interest Expense (TTM)				53.4x	53.4x	26.5x	14.0x	10.3x	8.4x	8.4x	6.0x	5.5x	5.0x	4.7x
EBITDA/Interest Expense	796.5x	912.8x	29.6x	28.4x	53.4x	13.8x	7.8x	7.4x	7.4x	8.4x	6.0x	5.5x	5.0x	4.7x
Maintenance capex as % of EBITDA	1%	3%	7%	7%	5%	9%	9%	9%	9%	9%	9%	9%	9%	9%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/31/2011		Lui			
◆	5/31/2011	24.49	1	26.00	28.00	24.84

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst 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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As of: August 11, 2011

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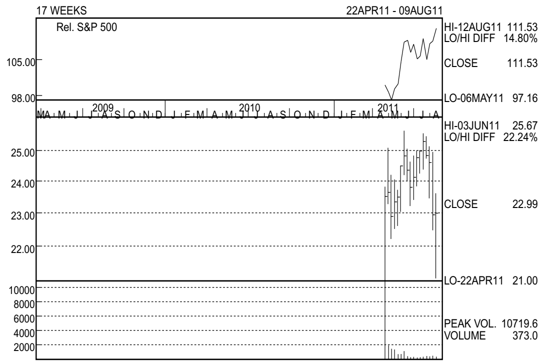
PRICE TARGET REVISION | COMMENT

AUGUST 10, 2011

Tesoro Logistics LP (NYSE: TLLP)

Volume Growth Driving Estimates Higher



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FY Dec	2010A	2011E	2012E	2013E
DCF - FD		1.17	1.96	2.41
Prev.		1.14	1.82	2.22
EPU (Op) - FD		1.00	1.58	1.89
Prev.			1.46	1.71
EBITDA (MM)		52.8	70.6	90.0
Prev.		52.7	67.0	84.6
P/DCF	NM	19.6x	11.7x	9.5x
P/EPU	NM	23.0x	14.6x	12.2x
EV/EBITDA	NM	13.3x	9.9x	7.8x

DCF - FD	Q1	Q2	Q3	Q4
2011	0.00A	0.29A	0.43E	0.46E
Prev.		0.37E	0.37E	0.40E
2012	0.43E	0.48E	0.49E	0.52E
Prev.	0.39E	0.44E	0.45E	0.50E
EPU (Op) - FD				
2011	0.00A	0.23A	0.39E	0.39E
Prev.		0.33E	0.33E	0.34E
2012	0.36E	0.40E	0.40E	0.42E
Prev.	0.33E	0.36E	0.37E	0.40E
EBITDA (MM)				
2011	12.3A	9.6A	15.0E	16.0E
Prev.		12.8E	13.2E	14.4E
2012	15.4E	17.5E	18.1E	19.6E
Prev.	14.6E	16.3E	17.1E	19.0E

All values in USD unless otherwise noted.

Outperform
Average Risk

Price:	22.99	**Price Target:**	29.00 ↑ 28.00
		Implied All-In Return:	32%
Shares O/S (MM):	30.5	**Market Cap (MM):**	701
Dividend:	1.35	**Yield:**	5.9%
Float (MM):	30.2	**Avg. Daily Volume (MM):**	0.40
Debt to Cap:	37%	**Est Tax Deferral:**	80%

Event: 2Q11 Results

Investment Thesis

2Q11 Results Solid On Strong Terminal Volumes. TLLP reported 2Q11 EBITDA of $9.6M, but TLLP was only public for a portion of 2Q11 (IPO date of April 26, 2011). Prior to the IPO, TSO did not record inter-company revenue so comparisons to prior-year periods or our estimates are not useful. In general, TLLP indicated that strong terminal volumes offset some slowdowns in crude oil pipeline shipments within North Dakota due to bad weather.

Unexpected Terminal Volume Increase Incremental To Our Estimates. Following the IPO, TLLP increased product volumes through terminals in Los Angeles, Vancouver and Mandan by 10 Mbpd (or about 8%) as parent TSO took more volume. The increased volume does not represent any new third party volumes, and we believe there could be more upside from third volumes over time. Regardless, the volume increase is a bigger and quicker impact than we had modeled, and adds roughly $3M annual EBITDA to our estimates. TLLP also announced plans to permit an additional 5 Mbpd increase at its Los Angeles terminal by YE11, which is also accretive to our estimates.

High Plains Growth. TSO recently announced plans to build a rail unloading facility at its Anacortes facility capable of taking 30 MBpd of Bakken crude oil by YE12. It is possible that some of this will be sourced through TLLP's High Plains gathering system. The crude oil will be delivered from Rangeland Energy, LLC's loading terminal and pipeline facility in Williams County, North Dakota, and TLLP announced that it will spend $3M to interconnect with Rangeland's pipeline by 2Q12. This will initially have an approximate $1M annual EBITDA impact, but we expect the benefit can grow as more High Plains crude is potentially used for delivery to Anacortes.

Adjusting Estimates; Raising Price Target. We have increased our 2012/13 EBITDA estimates by 5%/6% to account for higher terminal product volumes, Rangeland interconnect and additional High Plains growth. We model in $50M drop-downs every other quarter beginning in 4Q11 (management is currently working on its first drop). Distribution outlook unchanged and we have increased our price target slightly on improved coverage. We remain Outperform as TLLP executes its drop down strategy.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 4.

Valuation

Using our multi-stage dividend discount model (DDM) for the LP units, we calculate a 12-month price target of $29/unit, which implies a yield of 5.7% on our one-year-out distribution estimate of $1.67/unit. Our DDM is based on our distribution estimates for the four quarters starting one year out and then a five-year growth rate of 9% (from the current distribution rate, these assumptions result in an annualized growth rate of 14% over the next five years). We discount our DDM distributions at a rate consistent with our interest rate expectations and the risk associated with an Average risk qualifier. Our risk qualifier considers and weighs various risk factors, including TLLP's trading liquidity, debt to forward EBITDA of 0.9x, forward total unit coverage of 1.2x, diversification, and commodity exposure.

Price Target Impediment

Among the key issues that could impede our price target are:

- Acquisition risk;
- Damage to pipeline infrastructure;
- Commodity price risks;
- TLLP is dependent on Tesoro Corp parent for substantially all of its revenue, so any inability to meet its requirements with Tesoro would negatively impact results.
- Trading liquidity in the units is relatively low; and
- Other risks, including prolonged declines in volumes, interest rates, and regulatory risk.

Company Description

TLLP is a growth oriented MLP formed by Tesoro to operate its gathering and processing and short-haul pipelines, trucking and terminalling logistics assets. The partnership intends to operate its assets under long-term, minimum volume contracts with Tesoro and pursue asset drop-down growth opportunities. The initial assets are strategically located near Tesoro refineries in the Bakken Shale, West Coast, Rockies and Alaska with potential drop-downs near existing infrastructure.

($ in MM, except per share data & ratios)	2011 Quarterly Results				2012 Quarterly Results						
	Q111A	Q211A	Q311E	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Crude Oil Gathering	12.1	10.7	13.1	13.4	13.8	14.1	14.8	15.8	49.3	58.6	69.1
Terminalling, Transport. & Storage	10.9	9.1	12.3	13.5	14.4	17.6	18.1	19.3	45.7	69.5	86.8
Total Revenue	**$23.0**	**$19.8**	**$25.4**	**$26.9**	**$28.2**	**$31.8**	**$32.9**	**$35.1**	**$95.1**	**$128.0**	**$155.9**
Total Costs and Expenses	12.9	12.2	12.7	13.8	15.7	17.8	18.4	19.7	51.6	71.5	84.9
Operating Income	**$10.1**	**$7.5**	**$12.7**	**$13.1**	**$12.5**	**$14.0**	**$14.6**	**$15.5**	**$43.5**	**$56.5**	**$71.0**
Interest Expense	-	(0.5)	(0.7)	(1.0)	(1.3)	(1.7)	(2.0)	(2.3)	(2.1)	(7.3)	(12.2)
Net Income	**$10.1**	**$7.1**	**$12.1**	**$12.1**	**$11.1**	**$12.3**	**$12.6**	**$13.2**	**$41.4**	**$49.2**	**$58.8**
General Partner Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.8	1.0	1.2
LP Interest In Net Income	**$9.9**	**$6.9**	**$11.8**	**$11.9**	**$10.9**	**$12.1**	**$12.3**	**$12.9**	**$40.5**	**$48.2**	**$57.6**
Diluted Earnings (loss) per Unit		**$0.23**	**$0.39**	**$0.39**	**$0.36**	**$0.40**	**$0.40**	**$0.42**	**$1.00**	**$1.58**	**$1.89**
Average Units Outstanding	-	30.5	30.5	30.5	30.5	30.5	30.5	30.5	22.9	30.5	30.5
Adjusted EBITDA	**$12.3**	**$9.6**	**$15.0**	**$16.0**	**$15.4**	**$17.5**	**$18.1**	**$19.6**	**$52.8**	**$70.6**	**$90.0**

Distributable Cash Flow											
Adjusted EBITDA	**$12.3**	**$9.6**	**$15.0**	**$16.0**	**$15.4**	**$17.5**	**$18.1**	**$19.6**	**$52.8**	**$70.6**	**$90.0**
Cash Interest Expense	-	(0.0)	(0.6)	(0.8)	(1.1)	(1.4)	(1.7)	(1.9)	(1.4)	(6.1)	(10.2)
Maintenance CapEx	(0.8)	(0.7)	(1.0)	(1.0)	(1.0)	(1.1)	(1.3)	(1.4)	(3.6)	(4.8)	(6.3)
General Partner Interest	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.6)	(1.1)	(4.3)
Distributable Cash Flow to LP	**$11.5**	**$8.7**	**$13.2**	**$13.9**	**$13.0**	**$14.8**	**$14.9**	**$15.9**	**$47.3**	**$58.7**	**$69.2**
Distributable CF Per Unit		**$0.29**	**$0.43**	**$0.46**	**$0.43**	**$0.48**	**$0.49**	**$0.52**	**$1.17**	**$1.96**	**$2.41**
Distributions per Unit	**-**	**$0.24480**	**$0.33825**	**$0.35325**	**$0.36825**	**$0.39325**	**$0.41825**	**$0.44325**	**$0.93630**	**$1.62300**	**$2.02300**
Common Unit Coverage	**-**	**1.17x**	**1.28x**	**1.29x**	**1.16x**	**1.23x**	**1.17x**	**1.18x**	**1.25x**	**1.21x**	**1.19x**

Balance Sheet											
Total Assets	$136.7	$140.3	$143.7	$195.7	$198.6	$247.8	$246.8	$295.4	$195.7	$295.4	$387.7
Total Partners' Capital	129.8	84.2	85.7	87.3	87.4	88.3	88.6	88.6	87.3	88.6	84.4
Net Debt	**-**	**$47.0**	**$47.6**	**$97.6**	**$100.1**	**$147.7**	**$146.0**	**$194.1**	**$97.6**	**$194.1**	**$289.3**
Net Debt / TTM EBITDA	.0x	1.0x	.9x	1.8x	1.8x	2.3x	2.2x	2.7x	1.8x	2.7x	3.2x
Interest Coverage	-	20.8x	22.6x	16.0x	11.4x	10.5x	9.2x	8.6x	24.9x	9.7x	7.4x

Source: RBC Capital Markets estimates & Company Reports

Required Disclosures

Conflicts Disclosures

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A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Tesoro Logistics LP in the past 12 months.

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Ratings

Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

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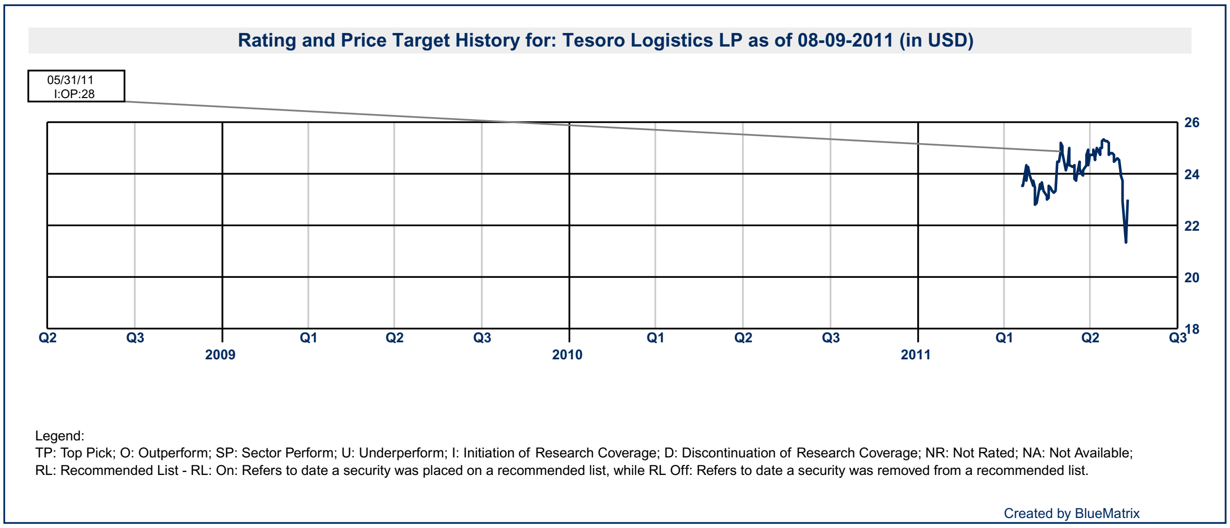
Distribution of Ratings
RBC Capital Markets, Equity Research

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY[TP/O]	749	52.30	217	28.97
HOLD[SP]	625	43.60	133	21.28
SELL[U]	59	4.10	10	16.95



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10 August 2011
Americas/United States
Equity Research
Master Limited Partnerships

Tesoro Logistics LP (TLLP)

Rating	**OUTPERFORM* [V]**
Price (09 Aug 11, US$)	22.99
Target price (US$)	(from 28) 29[1]
52-week price range	25.30 - 21.34
Market cap. (US$ m)	694.41
Enterprise value (US$ m)	769.44

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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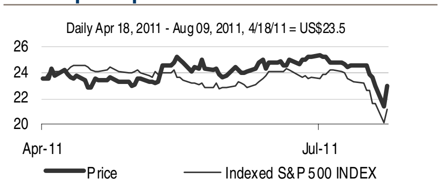
INCREASE TARGET PRICE

Off to a Good Start; Raising Estimates

- **2Q Results Ahead of Expectations:** TLLP reported 2Q11 EBITDA of $9.6mm and DCF of $8.9mm. Accounting for the fact that TLLP was only public for 66 days, these numbers equate to a quarterly run rate of $13.2mm and $12.3mm, respectively, which modestly exceeded our estimates of $12.5mm and $11.0mm, respectively. Management has guided adjusted EBITDA of $28-30mm for 2H2011. TLLP declared their first regular cash distribution of $0.2448/unit. This prorated amount corresponds to the MQD of $0.3375/unit which was in line with our estimates.
- **What's New:** TLLP highlighted two new projects which are expected to contribute $1mm each of additional annual EBITDA. 1) Expansion of LA terminal by 5mbpd by the end of 2011 and 2) Interconnect with Rangeland LLCs pipeline at a cost of $3mm. Combined with its existing projects, aggregate growth projects are expected to contribute $10mm of incremental EBITDA in FY2012. These projects appear to be highly accretive given an estimated 2.5x EBITDA multiple on a total capital outlay of $25mm.
- **Dropdown in the near future.** Management expects a dropdown of one of the earmarked assets (Exhibit 1) in the near future. We estimate $50mm of dropdowns annually, at a multiple of 8.0x beginning in FY2012.
- **Raising estimates, Reiterate Outperform, TP to $29 (from $28):** We are raising our estimates given the growth projects announced. We reiterate our Outperform rating. Our TP moves to $29 (from $28) as our distribution growth CAGR over the next five years improves to 8.8% (from 8.0%). Our DDM assumes a discount rate of 9.0%, distribution CAGR of 8.8% over the first five years and 5.0% over the following five years and a terminal growth rate of 1.5%.

Share price performance



On 08/09/11 the S&P 500 INDEX closed at 1172.53

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	—	—	—	—
2011E	-0.19	0.25	0.36	0.39
2012E	0.37	0.40	0.46	0.45

Financial and valuation metrics

Year	12/10A	12/11E	12/12E	12/13E
EPS (CS adj.) (US$)	1.36	0.82	1.68	1.87
Prev. EPS (US$)	—	1.26	1.31	1.45
P/E (x)	16.9	28.1	13.7	12.3
P/E rel. (%)	—	178.6	100.9	103.9
Revenue (US$ m)	93.2	83.5	124.4	142.4
EBITDA (US$ m)	52.9	40.0	70.5	82.1
OCFPS (US$)	1.39	0.85	2.11	2.44
P/OCF (x)	—	27.1	10.9	9.4
EV/EBITDA (current)	14.5	19.2	10.9	9.3
Net debt (US$ m)	47	61	115	151
ROIC (%)	—	22.86	32.94	29.82

Number of shares (m)	30.20	IC (current, US$ m)	138.04
BV/share (Next Qtr., US$)	2.6	EV/IC (x)	5.5
Net debt (Next Qtr., US$ m)	60.0	Dividend (Next Qtr., US$)	0.35
Net debt/tot. cap. (Next Qtr.,	66.9	Dividend yield (%)	1.5

Source: Company data, Credit Suisse estimates.

Investment Thesis

TLLP is a fee-based, growth oriented MLP formed by Tesoro Corp to own, operate and acquire crude oil and refined products logistics assets. In other words, TLLP was formed to be Tesoro Corp's vehicle to grow its logistics infrastructure business. Initially, substantially all of TLLP's revenue will be derived from Tesoro, primarily under various long-term, fee-based commercial agreements that include minimum volume commitments. Near term, there is visible growth from already identified projects and future drop-downs or asset sales from Tesoro Corp. Longer term, we expect that TLLP's third party business will grow both organically and via acquisitions.

Company Description

Tesoro Logistics (TLLP) is a fee-based, growth oriented MLP formed by Tesoro Corp (TSO) to own, operate and acquire crude oil and refined products logistics assets. TLLP's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area, eight refined products terminals in the western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Corp is the second largest refiner in the US with core area of operations in the midwestern and western United States. It owns and operates seven refineries that serve markets in Alaska, Arizona, California, Hawaii, Idaho, Minnesota, Nevada, North Dakota, Oregon, Utah, Washington and Wyoming. Tesoro Corp trades under the symbol TSO and has a market cap that approximates $3.7 billion. TSO retains a significant ownership in the MLP as it will own about 51% of the limited partner interest and the 2.0% general partner interest and associated incentive distribution rights.

Additional Color

- **Ethanol project completed:** In 2Q11 TLLP completed the Salt Lake City Terminal Ethanol project which is projected to provide $1mm of annual EBITDA.
- **High Plains Pipeline System expansion:** TLLP will be spending $5mm to build a gathering hub and initial gathering pipeline at Connelly, North Dakota that would receive crude oil by pipeline which is currently received by truck. Tesoro will reimburse the initial project cost and there will be no expected near term earnings impact to TLLP. However, it does position the partnership for future growth.
- **Existing Projects Update:** The partnership expects to spend around $18mm or $17mm net of reimbursement from Tesoro on the projects announced earlier that are projected to be completed in 2012. These projects are expected to provide $8mm additional EBITDA annually.
- **Segment Growth Projects:**
  - Crude Oil Gathering – TLLP expects to spend around $13mm on expansion projects which will provide around $6mm of additional EBITDA annually. These projects are expected to be completed in the second quarter of 2012.
  - Terminalling, Transportation and Storage – TLLP expects to spend around $12mm on expansion projects which will provide around $4mm of additional EBITDA annually. These projects are expected to be completed in the first quarter of 2012.

- **Potential Dropdowns from Tesoro Provide Visible Growth Opportunities.** Tesoro still has logistics assets with total aggregate book value of $240 million that may be sold to TLLP. This compares to approximately $193 million for the initial assets contributed to TLLP. Furthermore, Tesoro announced a project to deliver 30,000 bpd of Bakken crude oil to its Anacortes refinery via rail on 7/15/2011. Tesoro will build an unloading facility to accommodate the unit train. Once completed, Tesoro plans to offer the facility to TLLP.

Exhibit 1: TLLP Right Of First Offer Terminals

Asset	Location	Terminalling Capacity (MBbls/d)	2010 Throughput	Capacity Utilization	Description
Golden Eagle Refined Products Terminal	Martinez, California	38	14	37.1%	Truck loading rack with three loading bays
Golden Eagle Marine Terminal	Martinez, California	145	50	34.3%	Single-berth dock, five crude oil storage tanks with combines capacity of 425,000 barrels
Golden Eagle Wharf Facility	Martinez, California	50	30	59.8%	Single-berth dock and related pipelines
Tesoro Alaska Pipeline	Nikiski, Alaska	48	36	75.0%	Approx. 69 miles of 10-inch pipeline
Nikiski Refined Products Terminal	Nikiski, Alaska	-	82	-	A truck loading rack with two loading bays
Los Angeles Crude Oil & Refined Products Pipeline System	Los Angeles, California	-	42	-	Nine separate DOT-regulated pipelines totaling approx. 17 miles
Anacortes Refined Products Terminal	Anacortes, Washington	-	2	-	Truck loading facility with two loading bays
Anacortes Marine Terminal and Storage Facility	Anacortes, Washington	-	31	-	Crude oil & refined products wharf and four storage tanks
Long Beach Marine Terminal	Long Beach, California	-	99	-	A dock with two vessels

Source: Partnership data, Credit Suisse estimates

- **Raising Estimates.** We are forecasting adjusted EBITDA of $28.8mm (from $26.2mm) and $70.5mm (from $58.8mm) in 2H11 and FY2012, respectively. DCF is forecast at $25.8mm (from $23.2mm) and $61mm (from $50.4mm) in 2H11 and FY2012, respectively. The revisions reflect a higher run-rate exiting 2Q11 and positive impact from growth capital expenditures.

- **DCF coverage ratio expected to be high.** We expect TLLP's coverage ratio to remain high at around 1.3x in FY2012. A higher coverage ratio gives TLLP the ability to fund its dropdowns to a certain extent without accessing the capital markets and gives it flexibility to grow its distributions in the future.

- **Liquidity:** At the end of 2Q TLLP had approximately $110mm of liquidity, consisting of $10mm of cash and $100mm available under its credit facility.

Exhibit 2: TLLP Quarterly Operating Variance Table

Operating Metrics	2Q11* Actual	2Q11 CS Estimate	Diff.	Diff. (%)
Crude Oil Gathering:				
Pipeline (Mbpd)	55.7	55.0	0.7	1%
Average pipeline revenue per barrel ($/Bbl)	$1.24	$1.26	($0.02)	-2%
Trucking (Mbpd)	23.2	22.9	0.3	1%
Average trucking revenue per barrel ($/Bbl)	$2.86	$2.88	($0.02)	-1%
Terminalling, Transportation and Storage:				
Terminal throughput (Mbpd)	134.6	116.0	18.6	16%
Average terminal revenue per barrel	$0.76	$0.79	($0.03)	-4%
Total Short-haul pipeline throughput	71.4	60.3	11.1	18%
Average short-haul pipeline revenue per barrel	$0.25	$0.25	($0.00)	-1%
Storage capacity reserved (shell capacity M barrels)	878.0	878.0	0.0	0%
Storage per shell capacity barrel (per month)	$0.50	$0.51	($0.01)	-2%

*Source: Partnership data, Credit Suisse estimates, * Results exclude TLLP's Predecessors performance before April 26, 2011*

Exhibit 3: TLLP Changes to Model

	Old Estimates							New Estimates						
	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Crude oil gathering	6.8	7.0	15.4	28.8	30.5	31.1	31.8	6.6	7.0	14.0	29.9	32.7	33.4	34.2
Terminalling, transportation and storage	7.6	7.7	30.2	31.5	32.8	34.3	35.7	8.8	9.3	31.5	42.0	44.7	46.6	48.7
Acquisitions	0.0	0.0	0.0	4.7	10.9	17.2	23.4	0.0	0.0	0.0	4.7	10.9	17.2	23.4
Recurring EBITDA	**13.0**	**13.2**	**40.0**	**58.8**	**68.1**	**76.1**	**84.5**	**14.0**	**14.8**	**40.0**	**70.5**	**82.1**	**90.8**	**99.8**
Operating and maintenance	9.2	9.2	36.3	39.2	41.6	43.9	46.3	9.8	10.0	36.6	44.9	48.6	51.2	54.1
Depreciation and amortization	2.3	2.3	8.9	14.4	16.4	18.4	20.4	2.3	2.3	8.6	14.4	16.4	18.4	20.4
General and administrative	1.8	1.8	6.6	9.0	11.6	14.3	16.9	1.8	1.8	6.9	9.0	11.6	14.3	16.9
EBIT (operating income recurring)	**10.7**	**10.9**	**31.0**	**44.4**	**51.6**	**57.7**	**64.1**	**11.7**	**12.5**	**31.4**	**56.1**	**65.7**	**72.4**	**79.4**
Interest expense (income), net	(0.4)	(0.4)	(1.3)	(3.5)	(6.1)	(8.3)	(10.6)	(0.4)	(0.4)	(1.3)	(3.8)	(6.6)	(8.3)	(10.1)
Net income (recurring)	**10.3**	**10.5**	**29.8**	**40.9**	**45.5**	**49.4**	**53.5**	**11.3**	**12.1**	**30.1**	**52.3**	**59.1**	**64.1**	**69.3**
Non-recurring Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0
Reported Net Income	**10.3**	**10.5**	**29.8**	**40.9**	**45.5**	**49.4**	**53.5**	**11.3**	**12.1**	**30.9**	**52.3**	**59.1**	**64.1**	**69.3**
EPU	**0.3**	**0.3**	**0.8**	**1.3**	**1.5**	**1.5**	**1.6**	**0.4**	**0.4**	**0.8**	**1.7**	**1.9**	**2.0**	**2.1**
EBITDA - Recurring	13.0	13.2	40.0	58.8	68.1	76.1	84.5	14.0	14.8	40.0	70.5	82.1	90.8	99.8
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5
Distributable Cash Flow (DCF)														
Net income	10.3	10.5	24.6	40.9	45.5	49.4	53.5	11.3	12.1	24.7	52.3	59.1	64.1	69.3
(+) Interest expense, net	0.4	0.4	1.3	3.5	6.1	8.3	10.6	0.4	0.4	1.3	3.8	6.6	8.3	10.1
(+) Depreciation and amortization	2.3	2.3	8.9	14.4	16.4	18.4	20.4	2.3	2.3	8.6	14.4	16.4	18.4	20.4
EBITDA	**13.0**	**13.2**	**34.8**	**58.8**	**68.1**	**76.1**	**84.5**	**14.0**	**14.8**	**34.6**	**70.5**	**82.1**	**90.8**	**99.8**
(-) Cash interest paid	0.4	0.4	1.3	3.5	6.1	8.3	10.6	0.4	0.4	0.8	3.8	6.6	8.3	10.1
(-) Maintenance capital expenditure	1.1	1.1	3.3	4.9	5.7	6.4	7.1	1.1	1.1	2.6	5.9	6.9	7.6	8.4
(-) Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Avaliable Cash	**11.5**	**11.7**	**30.3**	**50.4**	**56.2**	**61.4**	**66.8**	**12.5**	**13.3**	**30.8**	**60.8**	**68.6**	**74.9**	**81.3**
Cash paid to the general partner	0.2	0.2	0.6	0.9	1.3	2.5	4.0	0.2	0.2	0.6	1.0	1.8	3.3	4.9
GP portion of surplus cash flow	0.0	0.0	0.0	0.1	0.7	1.2	1.1	0.0	0.0	0.0	0.7	3.1	3.8	4.8
Distributable cash flow to LP	**11.3**	**11.4**	**29.6**	**49.4**	**54.3**	**57.7**	**61.7**	**12.2**	**13.1**	**30.1**	**59.1**	**63.8**	**67.8**	**71.6**
DCF per LP unit	**\$0.37**	**\$0.37**	**\$0.97**	**\$1.62**	**\$1.78**	**\$1.89**	**\$2.02**	**\$0.40**	**\$0.43**	**\$0.99**	**\$1.94**	**\$2.09**	**\$2.22**	**\$2.35**
Cash Distribution Declared Per Unit	**\$0.34**	**\$0.35**	**\$1.03**	**\$1.46**	**\$1.61**	**\$1.77**	**\$1.92**	**\$0.35**	**\$0.36**	**\$1.04**	**\$1.53**	**\$1.69**	**\$1.85**	**\$2.00**
Total declared cash distributions	10.7	10.8	32.0	45.3	50.4	56.5	62.4	10.8	11.1	32.5	47.7	53.4	59.8	65.8
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)	0.8	0.8	2.2	5.1	5.8	4.9	4.4	1.6	2.2	2.2	13.1	15.3	15.1	15.6
Distribution Coverage (Total DCF/Total Distribution Declared)	**1.08x**	**1.08x**	**1.07x**	**1.11x**	**1.12x**	**1.09x**	**1.07x**	**1.15x**	**1.20x**	**1.07x**	**1.28x**	**1.29x**	**1.25x**	**1.24x**

Source: Partnership data, Credit Suisse estimates

Exhibit 4: TLLP Abbreviated Financial Statements

Tesoro Logistics, L.P. (NYSE: TLLP) — **Credit Suisse - Master Limited Partnerships and Natural Gas**

Abbreviated Financial Statements — Yves Siegel, CFA (212) 325-8462

Year ending December 31 ($ millions, except per unit data)	TLLP Predecessor			Pro Forma	Pro Forma								
	2008	**2009**	**2010**	**2010**	1Q11	2Q11	3Q11E	4Q11E	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**
EPU	$0.00	$0.00	$0.00	$1.36	($0.19)	$0.25	$0.36	$0.39	$0.82	$1.68	$1.89	$2.02	$2.15
Average Units Outstanding	-	-	-	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5
Distributable Cash Flow (DCF)													
Net income				42	(6)	7	11	12	25	52	59	64	70
(+) Interest expense, net				2	0	0	0	0	1	4	7	8	10
(+) Depreciation and amortization				8	2	2	2	2	9	14	16	18	20
EBITDA				**53**	**(4)**	**10**	**14**	**15**	**35**	**70**	**82**	**91**	**100**
(-) Cash interest paid				2	0	0	0	0	1	4	7	8	10
(-) Maintenance capital expenditure				2	0	0	1	1	3	6	7	8	8
(-) Other				3	0	0	0	0	0	0	0	0	0
Distributable Cash Flow				**46**	**(4)**	**9**	**12**	**13**	**31**	**61**	**69**	**75**	**82**
DCF per LP unit				**$1.51**	**($0.13)**	**$0.29**	**$0.40**	**$0.43**	**$0.99**	**$1.95**	**$2.14**	**$2.23**	**$2.39**
Cash Distribution Declared Per Unit						**$0.34**	**$0.34**	**$0.35**	**$1.03**	**$1.46**	**$1.61**	**$1.77**	**$1.92**
% yr/yr growth									*NA*	*41.6%*	*10.7%*	*9.9%*	*8.2%*
Total declared cash distributions						11	11	11	32	45	50	57	62
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)						(2)	2	3	3	16	18	19	19
Distribution Coverage (Total DCF/Total Distribution Declared)						**0.85x**	**1.17x**	**1.23x**	**1.08x**	**1.34x**	**1.36x**	**1.33x**	**1.31x**
% of Total Cash Distribution													
General Partner						2%	2%	2%	2%	2%	3%	4%	6%
Limited Partners						98%	98%	98%	98%	98%	97%	96%	94%
Capital Expenditures & Acquisitions													
Growth Capex	10	6	0	0	3	1	3	3	8	15	0	0	0
Maintenance Capex	8	3	2	2	0	0	1	1	3	6	7	8	8
Acquisitions	0	0	0	0	0	0	0	0	0	50	50	50	50
Total Capital Expenditures & Acquisitions	**19**	**9**	**2**	**2**	**3**	**1**	**4**	**4**	**11**	**21**	**7**	**8**	**8**
Financing and Credit Metrics													
Equity Issuances ($ Millions)				0	0	0	0	0	0	0	0	0	0
Net Debt Issuances ($ Millions) - includes credit facility				0	0	(8)	1	(0)	(8)	65	30	30	35
Total Debt ($ Millions)				50	0	42	43	42	42	107	138	168	202
Net Debt-to-TTM EBITDA				0.9x	0.0x	1.8x	1.8x	1.7x	1.5x	1.6x	1.8x	2.0x	2.1x
Interest Expense, Net ($ Millions)				(2)	0	(0)	(0)	(0)	(1)	(4)	(7)	(8)	(10)
EBITDA-to-Interest Expense				NA	#DIV/0!	NA	NA	NA	NA	NA	NA	NA	NA
Maintenance Capex As % of EBITDA				3%	-3%	4%	8%	7%	7%	8%	8%	8%	8%
Debt-to-Market Cap													
Abbreviated Balance Sheet													
Cash and Equivalents	0	0	0	3	0	(15)	(17)	(18)	(18)	(5)	(7)	(10)	(7)
Current Assets	**0**	**3**	**4**	**3**	**4**	**(3)**	**(1)**	**(1)**	**(1)**	**16**	**16**	**15**	**20**
Property Plant and Equipment, Net	139	138	132	132	135	134	135	136	136	193	233	273	311
Other Assets	3	0	0	2	(0)	(0)	0	(0)	(0)	0	0	(0)	0
Total Assets	**142**	**141**	**136**	**137**	**139**	**131**	**134**	**135**	**135**	**209**	**249**	**288**	**331**
Current Liabilities	**0**	**5**	**5**	**0**	**5**	**9**	**11**	**11**	**11**	**13**	**14**	**15**	**16**
Credit facility	0	0	0	50	50	42	43	42	42	107	138	168	202
Long term debt, less current portion & Credit Facility	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	9	1	2	50	1	43	44	44	44	109	139	169	204
Total Liabilities	**9**	**5**	**7**	**50**	**6**	**52**	**55**	**55**	**55**	**122**	**153**	**184**	**220**
Partners Capital	133	136	129	87	132	79	79	81	81	88	96	104	111
Total Liabilities & Partners Capital	**142**	**141**	**136**	**137**	**139**	**131**	**134**	**135**	**135**	**209**	**249**	**288**	**331**

Source: Partnership data, Credit Suisse estimates

Companies Mentioned *(Price as of 09 Aug 11)*
Tesoro Corp. (TSO, $19.46, OUTPERFORM [V], TP $36.00)
Tesoro Logistics LP (TLLP, $22.99, OUTPERFORM [V], TP $29.00)

Disclosure Appendix

Important Global Disclosures

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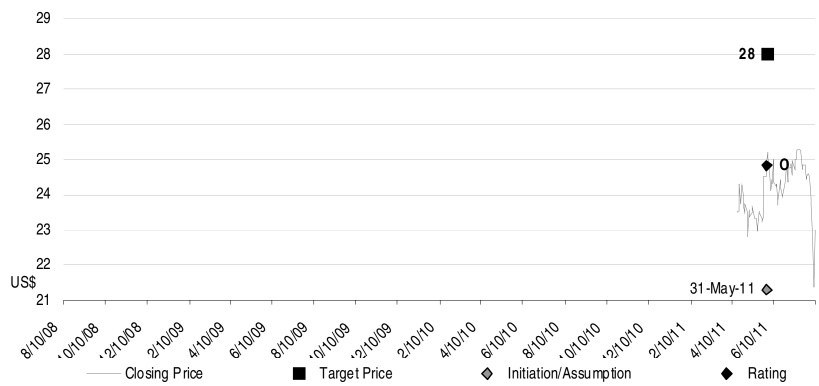
See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for TLLP

TLLP Date	Closing Price (US$)	Target Price (US$)	Rating	Initiation/ Assumption
5/31/11	24.84	28	O	X



O=Outperform; N=Neutral; U=Underperform; R=Restricted; NR=Not Rated; NC=Not Covered

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

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

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***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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Price Target: (12 months) for (TLLP)

Method: We derived our $29 price target through a three-stage distribution discount model (DDM). Our assumptions include a discount rate of 9.0%, distribution compounded annual growth rate of 8.0% over the next five years and 5.0% over the following five years and a terminal growth rate of 1.5%.

Risks: Risks to our $29 price target for TLLP are potential refinery closings which would negatively impact volumes, dependence upon TSO for the majority of revenue, difficulty predicting timing of drop-down acquisitions which could result in lower than expected growth, potential for interest rate increases, which would negatively impact interest expense at the partnership's revolving credit facility, and demand destruction and/or declining volumes in the areas in which TLLP operates.

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EQUITY RESEARCH

COMPANY UPDATE

August 9, 2011

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$30.00
TLLP - NASDAQ	$21.34

3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$25.67-$21.00
Shares Outstanding	14.9M
Float	12.8M
Market Capitalization	$644.6M
Avg. Daily Trading Volume	122,192
Dividend/Div Yield	$1.35/6.33%
Fiscal Year Ends	Dec
Book Value	$4.22
2011E ROE	NA
LT Debt	$50.0M
Preferred	NA
Common Equity	$86M
Convertible Available	No

DCFPU	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	0.29A	0.38	0.41	1.08	19.8x
Prior (E)	*--*	*0.32*	*0.37*	*0.37*	*1.06*	*20.1x*
2012E	0.42	0.44	0.50	0.53	1.89	11.3x
Prior (E)	*0.37*	*0.39*	*0.42*	*0.44*	*1.61*	*13.3x*
2013E	--	--	--	--	2.18	9.8x
Prior (E)	*--*	*--*	*--*	*--*	*1.86*	*11.5x*

EBITDA	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	10A	14	15	38	NM
Prior (E)	*--*	*12*	*13*	*14*	*39*	*NM*
2012E	15	16	20	21	71	NM
Prior (E)	*14*	*14*	*17*	*18*	*63*	*NM*
2013E	--	--	--	--	91	NM
Prior (E)	*--*	*--*	*--*	*--*	*82*	*NM*

Distribution	Q1	Q2	Q3	Q4	Year	Yield
2011E	--	0.338A	0.338	0.345	1.020	4.8%
Prior (E)	*--*	*0.266*	*--*	*--*	*0.949*	
2012E	0.355	0.365	0.375	0.385	1.480	6.9%
2013E	--	--	--	--	1.640	7.7%

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ENERGY/MASTER LIMITED PARTNERSHIPS

Tesoro Logistics Partners

Weather Impacts 2Q11 but Growth Outlook Improves

SUMMARY

We reiterate our Outperform rating and $30 price target on TLLP after 2Q11 results and conference call. Do not get distracted by TLLP's weak 2Q11 results. Weakness resulted from severe weather in North Dakota that has already dissipated. TLLP seems to be executing its strategy even more effectively than previously assumed, with a reported $14M-$15M current EBITDA run rate. In addition, new growth projects were announced that will continue to drive results going forward. We believe the High Plains system (crude oil gathering in the Bakken) will have ample opportunity to grow volumes as the Williston basin develops. We are also optimistic that an accretive dropdown of assets from TSO will take place around the end of the year, further driving growth.

KEY POINTS

- **Operations impacted by severe weather.** TLLP did not quite meet our revised expectations for EBITDA or DCFPU during the quarter. We anticipated the weather effects but underestimated the extent. Pro rata EBITDA was $10.4M vs. our $11.5M estimate. Importantly, the distribution was in line with our estimate and reflects the MQD run rate, or $0.3375.
- **Weather effects already dissipated.** North Dakota's severe weather will continue to impact results into 3Q11 but as of early August, volumes on the High Plains system had rebounded to the 60,000 bpd range, signifying a return to previous levels.
- **EBITDA run-rate higher than expected.** Mgmt reported that the current EBITDA run-rate is between $14M & $15M. Our previous model assumed $14M in 4Q11. TLLP appears to be executing its business strategy more rapidly than previously believed. We are raising estimates to reflect this new data.
- **New growth projects announced.** New projects were announced both on the High Plains system and in terminalling. We expect $10M of incremental EBITDA from TLLP's slate of organic growth projects. We also suspect that, given strong growth in the Bakken, there is much more to come on High Plains.
- **Dropdown from TSO expected in next 2-3 quarters.** TLLP has rights of first offer (ROFO) on the remainder of TSO's crude oil infrastructure assets. We expect TLLP to take advantage of this ROFO sometime around late 2011 or early 2012. We assume a $100M acquisition at 10x EBITDA.

Stock Price Performance

Company Description

TLLP is a fee-based, growth-oriented MLP formed by Tesoro to own, operate, develop and acquire crude oil and refined products logistics assets. Assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin, eight refined products terminals in the Midwest and West, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Logistics LP; (TLLP) OUTPERFORM											**Bernie Colson (816) 932-8022**
Summary Financial Statements											**Shawn Radtke (720) 554-1101**
Millions of Dollars Except for Per Unit Amounts											
Fiscal Year Ending December 31,											
Summary Income Statement	**2010A**	2011Q2A	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Crude Oil Gathering	50	10.7	14.0	14.6	39.3	14.8	15.7	17.8	18.6	66.9	72.9
Terminalling, transportation and storage	44	9.1	11.1	12.0	32.2	12.4	13.1	14.1	14.6	54.2	60.6
Total Revenues	93	19.8	25.1	26.6	71.5	27.2	28.8	31.9	33.2	121.0	133.5
Operating expenses											
Operating and maintenance expense	37	8.1	9.7	10.3	28.2	10.6	11.2	12.4	13.0	47.2	52.1
Depreciation expense	8	2.0	2.5	2.7	7.2	2.7	2.9	3.2	3.3	12.1	13.4
General and administrative expense	3	2.1	1.6	1.6	5.2	1.7	1.8	2.0	2.1	7.6	8.3
Total operating expenses	48	12.2	13.8	14.6	40.6	15.0	15.9	17.6	18.4	66.9	73.8
Operating income	45	7.5	11.3	12.0	30.9	12.2	12.9	14.3	14.9	54.2	59.8
Interest Expense	2	0.5	0.4	0.4	1.2	0.8	0.8	2.2	2.2	6.1	13.3
Income before income taxes	42	7.1	10.9	11.7	29.7	11.3	12.0	12.0	12.6	48.0	46.5
Interest Expense	2	0.5	0.4	0.4	1.2	0.8	0.8	2.2	2.2	6.1	13.3
Net income	42	7.1	10.9	11.7	29.7	11.3	12.0	12.0	12.6	48.0	46.5
Less: Allocations to GP	1	0.1	0.2	0.2	0.6	0.2	0.3	0.3	0.3	1.1	1.1
Net Income allocable to LP	42	6.9	10.7	11.4	29.0	11.1	11.8	11.8	12.3	47.0	45.3
Earnings Per LP Unit	1.34	0.22	0.34	0.37	0.93	0.36	0.38	0.38	0.40	1.51	1.46
Distributable Cash Flow Calculation	**2010A**	2011Q2A	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Net Income	42	7.1	10.9	11.7	29.7	11.3	12.0	12.0	12.6	48.0	46.5
Depreciation Expense	8	2.0	2.5	2.7	7.2	2.7	2.9	3.2	3.3	12.1	13.4
Interest Expense	2	0.5	0.4	0.4	1.2	0.8	0.8	2.2	2.2	6.1	13.3
EBITDA	53	9.6	13.8	14.7	38.1	14.9	15.8	17.5	18.2	66.3	73.1
Dropdown Addition to EBITDA	0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.5	5.0	17.5
Adjusted EBITDA	**53**	**9.6**	**13.8**	**14.7**	**38.1**	**14.9**	**15.8**	**20.0**	**20.7**	**71.3**	**90.6**
Cash Interest	2	0.0	0.2	0.2	0.5	0.6	0.6	2.4	2.4	6.1	14.5
Cash Taxes	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Capex	2	0.3	1.4	1.5	3.2	1.0	1.1	1.6	1.7	5.4	7.2
Other	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributable Cash Flow	**49**	**9.2**	**12.2**	**13.0**	**34.4**	**13.2**	**14.0**	**15.9**	**16.6**	**59.8**	**68.8**
Total DCF / Unit	1.57	0.30	0.39	0.42	1.11	0.42	0.45	0.51	0.53	1.92	2.21
GP distribution	0.00	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.03	0.03
DCF / LP unit	**1.57**	**0.29**	**0.38**	**0.41**	**1.08**	**0.42**	**0.44**	**0.50**	**0.53**	**1.89**	**2.18**
LP distribution / Unit		**0.3375**	**0.3375**	**0.3450**	**1.0200**	**0.3550**	**0.3650**	**0.3750**	**0.3850**	**1.4800**	**1.6400**
LP distribution / Growth							*8%*	*11%*	*12%*	***45%***	***11%***
Coverage		0.9x	1.1x	1.2x	**1.1x**	1.2x	1.2x	1.3x	1.4x	**1.3x**	**1.3x**
Summary Statement of Cash Flow	**2010A**	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Cash Flow From Operations	0	9.6	13.6	14.5	37.6	14.2	15.1	15.0	15.8	60.2	58.6
Capital Expenditures	0	(4.8)	(5.9)	(6.0)	(16.7)	(3.0)	(3.1)	(3.6)	(3.7)	(13.4)	(15.2)
Sales (Purchases) of Assets	0	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	0.0	(100.0)	(100.0)
Cash Flow From Investing	0	(4.8)	(5.9)	(6.0)	(16.7)	(3.0)	(3.1)	(103.6)	(3.7)	(113.4)	(115.2)
Distributions	0	(10.7)	(10.7)	(11.0)	(32.4)	(11.3)	(11.6)	(11.9)	(12.2)	(47.0)	(50.6)
Net Equity Issuance	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt Issuance	0	6.0	3.0	2.5	11.5	0.1	(0.4)	100.5	0.1	100.3	107.2
Cash Flow From Financing	0	(4.7)	(7.7)	(8.5)	(20.9)	(11.2)	(12.0)	88.6	(12.1)	53.2	56.7
Summary Balance Sheet	**2010A**	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Cash	3	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Current Assets	3	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Net PP&E	132	136.4	142.3	148.3	148.3	151.3	154.4	258.0	261.7	261.7	376.9
Total Assets	137	141.4	147.3	153.3	153.3	156.3	159.4	263.0	266.7	266.7	381.9
Short-Term Debt	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	50	56.0	59.0	61.5	61.5	61.6	61.1	161.6	161.7	161.7	269.0
Total Liabilities	50	56.0	59.0	61.5	61.5	61.6	61.1	161.6	161.7	161.7	269.0
Total Equity	87	85.4	88.3	91.8	91.8	94.8	98.3	101.4	104.9	104.9	113.0
Total Liabilities & Equity	137	141.4	147.3	153.3	153.3	156.3	159.4	263.0	266.7	266.7	381.9
Operating Data	**2010A**	2011Q2A	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Crude Gathering											
Pipeline Throughput (bpd)	50,695	56,635	59,467	62,440	57,848	64,938	68,185	71,594	73,742	69,614	74,297
Trucking Volume (bpd)	23,305	23,212	24,605	25,343	24,087	26,103	27,408	28,779	30,218	28,127	30,597
Terminalling, Transportation and Storage											
Terminal Throughput (bpd)	113,950	131,812	139,721	146,707	133,161	154,042	161,744	163,362	163,362	160,627	163,362
Short Haul Pipeline Volume (bpd)	60,666	66,174	72,791	76,431	69,471	77,960	79,519	80,712	81,922	80,028	82,951
Storage capacity reserved	878,000	878,000	878,000	878,000	878,000	878,000	886,000	886,000	886,000	884,000	886,000

Source: Company reports; Oppenheimer & Co. estimates; SNL. Please refer to Opco reports for more details 8/9/11

Investment Thesis

TLLP is currently our top pick within our MLP coverage. We believe TLLP represents the first opportunity in several years to own a 100% fee-based (low-risk) MLP with significant dropdown and organic growth potential early in its life cycle. We forecast double-digit distribution growth CAGR for the next several years as TLLP expands organically and completes acquisitions. Assets include a large crude oil gathering system in North Dakota and Montana that provides exposure to Bakken formation growth. We believe the Bakken is in the very early stages of development and that TLLP provides one of the most concentrated ways to invest in Bakken production.

Price Target Calculation

Our price target of $30 per unit is derived using our distribution discount model (DDM). The assumptions underlying this price target are stage one (years 1 & 2) growth of 10%, stage two (years 3-5) growth of 8%, a terminal growth rate of 2% and a discount rate of 8.0%. The terminal distribution is projected to be $2.06 and is achieved in 2015.

Key Risks to Price Target

- Weak refined product demand
- Potential to overpay for acquisition
- Acquisition integration
- Rising interest rates
- Economic weakness
- Capital markets access
- Major change in MLP tax code
- FERC regulatory risk
- Conflicts of interest between LPs and GPs
- Counterparty credit risk
- Energy infrastructure overbuild
- Extreme weather
- A unitholder whose units are loaned to a short seller to cover a short sale of units may be viewed as having sold the units. Unitholders who want to be assured of keeping their status as partners and avoid the risk of gain recognition from a loan to a short seller should consider modifying any brokerage account agreements to prohibit their brokers from borrowing their units. Because of the nature of the MLP structure, all investors should consult a qualified tax counsel before making an investment in the sector.

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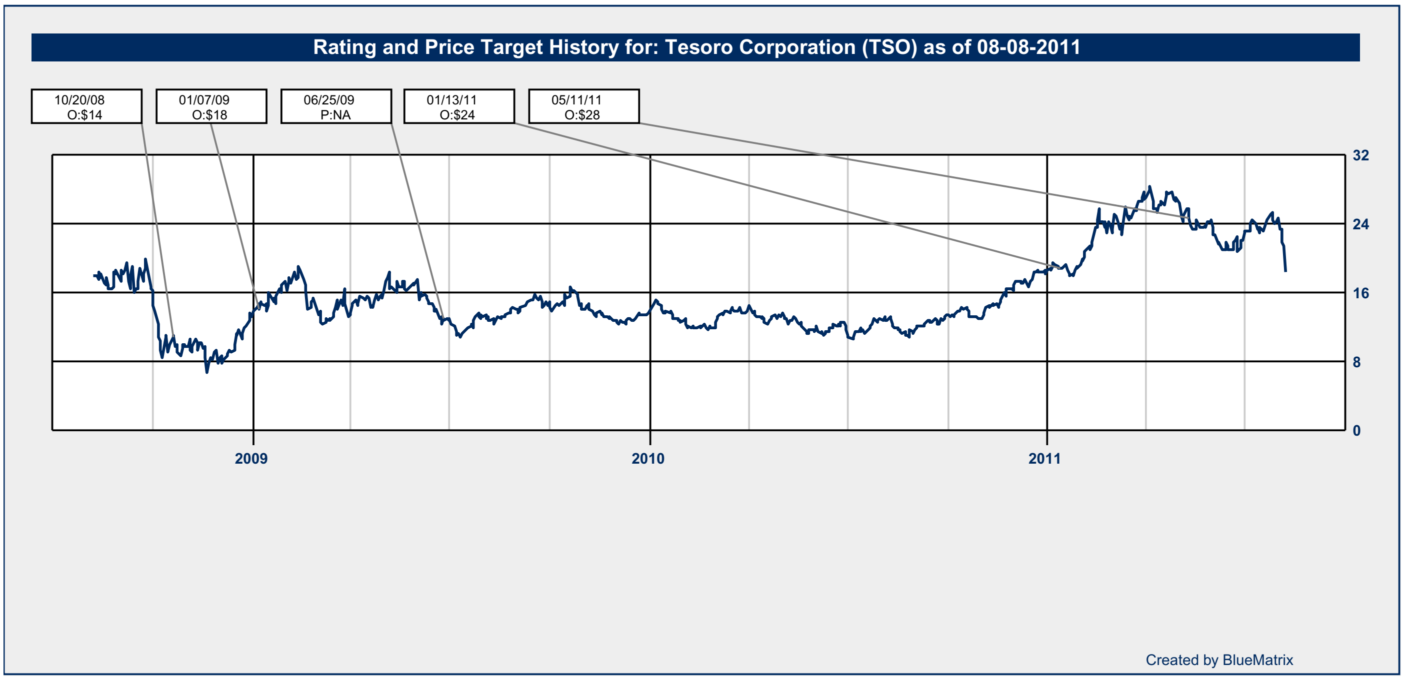
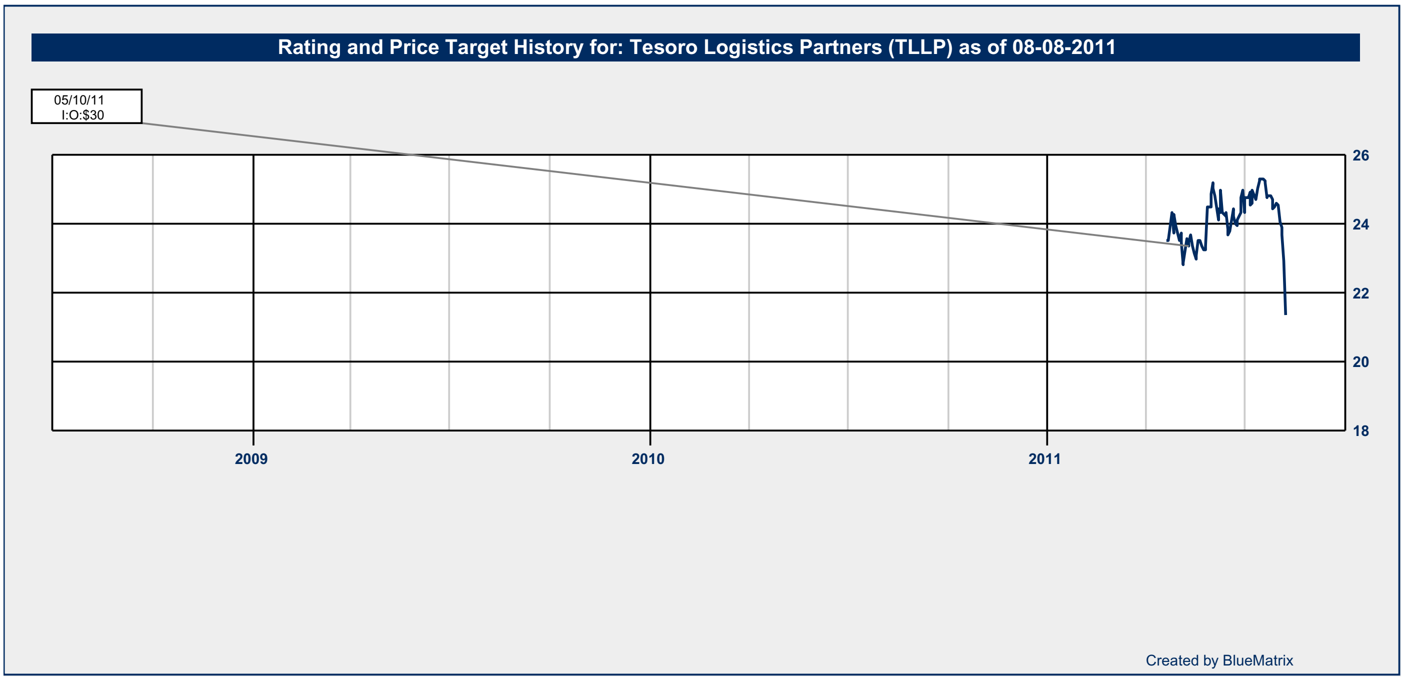
Stock Prices as of August 9, 2011

Tesoro Corporation (TSO - NYSE, 18.39, OUTPERFORM)





All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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Distribution of Ratings/IB Services Firmwide

			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent
OUTPERFORM [O]	324	54.50	144	44.44
PERFORM [P]	260	43.80	84	32.31
UNDERPERFORM [U]	10	1.70	2	20.00

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OPPENHEIMER

July 7, 2011

ENERGY/MASTER LIMITED PARTNERSHIPS

Tesoro Logistics Partners

Lower 2Q Trucking Volumes on Weather

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$30.00
TLLP - NASDAQ	$24.61
3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$25.67-$21.00
Shares Outstanding	14.9M
Float	12.8M
Market Capitalization	$743.3M
Avg. Daily Trading Volume	54,364
Dividend/Div Yield	$1.35/5.49%
Fiscal Year Ends	Dec
Book Value	$4.22
2011E ROE	NA
LT Debt	$50.0M
Preferred	NA
Common Equity	$86M
Convertible Available	No

DCFPU	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	0.32	0.37	0.37	1.06	23.2x
Prior (E)	*--*	*0.33*	*--*	*--*	*1.07*	*23.0x*
2012E	0.37	0.39	0.42	0.44	1.61	15.3x
Prior (E)	*--*	*--*	*--*	*--*	*1.70*	*14.5x*
2013E	--	--	--	--	1.86	13.2x

EBITDA	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	12	13	14	39	NM
Prior (E)	*--*	*--*	*--*	*--*	*--*	*NM*
2012E	14	14	17	18	63	NM
Prior (E)	*--*	*--*	*15*	*16*	*58*	*NM*
2013E	--	--	--	--	82	NM
Prior (E)	*--*	*--*	*--*	*--*	*64*	*NM*

Distribution	Q1	Q2	Q3	Q4	Year	Yield
2011E	--	0.266	0.338	0.345	0.949	3.9%
2012E	0.355	0.365	0.375	0.385	1.480	6.0%
2013E	--	--	--	--	1.640	6.7%

SUMMARY

We are reducing 2Q11 trucking volumes as adverse North Dakota weather closed roads and forced trucking restrictions throughout the Williston Basin. Despite slightly lowering estimates for 2Q11, we do not foresee a lasting impact and view the lost revenue as a special item. Furthermore, we do not believe the recent legislation involving ethanol subsidies will impact TLLP as the Renewable Fuel Standard creates a growing demand for ethanol. TLLP remains our top pick in the MLP space as we forecast double-digit distribution growth for several years. We believe the Bakken is early in development and TLLP provides one of the most concentrated ways to invest in Bakken development.

KEY POINTS

- **2Q weather bad, even for North Dakota.** Record winter snowfall and heavy spring rain caused record flooding in the Williston Basin. As a result, we are lowering our estimated 2Q trucking volumes, resulting in a one-time ($0.5M) impact on 2Q11 EBITDA.
- **Weather impact for 2Q only; strong growth remains.** We believe that trucking volumes recovered quickly. Furthermore, we anticipate $17.2M of organic growth projects generating over $10M of incremental EBITDA. Longer term, we expect TLLP to have ample opportunity to expand its Bakken infrastructure as drilling increases.
- **Ethanol blending small part of business; we expect blending to continue.** TLLP has announced intentions to expand and add ethanol blending capabilities at several terminals, and we believe growth will be highly accretive. Even if the subsidy for ethanol producers is removed, the Renewable Fuel Standard creates a growing demand for ethanol through 2015.
- **Model adjustments.** We made several adjustments including a slight downward revision to 2Q11 numbers driven by trucking volumes. We also corrected for an error to the model that reflects higher EBITDA forecasts in 2012 and 2013.
- **Attractive total return prospects make TLLP our top MLP pick.** We est. ~30% 12-18 month total return potential to our $30 PT, making TLLP our top pick. We believe TLLP provides a 100% fee-based, relatively low-risk, high-return investment. We recommend purchase while it is still early in its life cycle. (Return calculations excl. applicable fees incl. interest & commission.)

Stock Price Performance

Company Description

TLLP is a fee-based, growth-oriented MLP formed by Tesoro to own, operate, develop and acquire crude oil and refined products logistics assets. Assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin, eight refined products terminals in the Midwest and West, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

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Tesoro Logistics LP; (TLLP) OUTPERFORM — **Bernie Colson (816) 932-8022**

Summary Financial Statements — **Shawn Radtke (720) 554-1101**

Millions of Dollars Except for Per Unit Amounts
Fiscal Year Ending December 31,

Summary Income Statement	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Crude Oil Gathering	50		9.1	13.0	13.2	35.3	12.9	13.7	14.5	15.1	56.3	62.0
Terminalling, transportation and storage	44		8.8	11.6	11.8	32.2	11.9	12.3	12.8	13.3	50.3	55.1
Total Revenues	93		17.9	24.5	25.1	67.5	24.8	26.0	27.4	28.4	106.6	117.1
Operating expenses												
Operating and maintenance expense	37		5.4	9.5	9.7	24.7	9.7	10.1	10.7	11.1	41.6	45.7
Depreciation expense	8		1.4	2.4	2.4	6.2	2.4	2.5	2.7	2.8	10.4	11.4
General and administrative expense	3		1.0	1.7	1.7	4.4	1.6	1.7	1.8	1.8	6.9	7.3
Total operating expenses	48		7.7	13.6	13.9	35.2	13.7	14.4	15.1	15.7	58.9	64.4
Operating income	45		10.1	10.9	11.2	32.3	11.1	11.6	12.2	12.7	47.7	52.7
Interest Expense	2		0.5	0.7	0.8	2.0	0.8	0.9	2.3	2.3	6.3	14.0
Income before income taxes	42		9.6	10.2	10.4	30.3	10.3	10.8	10.0	10.4	41.4	38.7
Interest Expense	2		0.5	0.7	0.8	2.0	0.8	0.9	2.3	2.3	6.3	14.0
Net income	42		9.6	10.2	10.4	30.3	10.3	10.8	10.0	10.4	41.4	38.7
Less: Allocations to GP	1		0.2	0.2	0.2	0.6	0.2	0.2	0.2	0.2	0.9	0.9
Net Income allocable to LP	42		9.4	10.0	10.2	29.7	10.0	10.5	9.7	10.1	40.4	37.7
Earnings Per LP Unit	1.34		0.30	0.32	0.33	0.95	0.32	0.34	0.31	0.33	1.30	1.21
Distributable Cash Flow Calculation	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Net Income	42		9.6	10.2	10.4	30.3	10.3	10.8	10.0	10.4	41.4	38.7
Depreciation Expense	8		1.4	2.4	2.4	6.2	2.4	2.5	2.7	2.8	10.4	11.4
Interest Expense	2		0.5	0.7	0.8	2.0	0.8	0.9	2.3	2.3	6.3	14.0
EBITDA	53		11.5	13.3	13.6	38.5	13.5	14.2	14.9	15.5	58.1	64.1
Dropdown Addition to EBITDA	0		0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.5	5.0	17.5
Adjusted EBITDA (Reported)	**53**		**11.5**	**13.3**	**13.6**	**38.5**	**13.5**	**14.2**	**17.4**	**18.0**	**63.1**	**81.6**
Cash Interest	2		0.5	0.5	0.6	1.6	0.6	0.7	2.5	2.5	6.3	15.3
Cash Taxes	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Capex	2		1.0	1.2	1.2	3.4	1.2	1.3	1.5	1.6	5.6	7.3
Other	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributable Cash Flow	**49**		**10.0**	**11.6**	**11.9**	**33.5**	**11.7**	**12.3**	**13.4**	**13.8**	**51.2**	**59.0**
Total DCF / Unit	1.57		0.32	0.37	0.38	1.08	0.38	0.39	0.43	0.44	1.64	1.89
GP distribution	0.00		0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.03	0.03
DCF / LP unit	**1.57**		**0.32**	**0.37**	**0.37**	**1.06**	**0.37**	**0.39**	**0.42**	**0.44**	**1.61**	**1.86**
LP distribution / Unit			**0.2663**	**0.3375**	**0.3450**	**0.9488**	**0.3550**	**0.3650**	**0.3750**	**0.3850**	**1.4800**	**1.6400**
LP distribution / Growth								*37%*	*11%*	*12%*	***56%***	***11%***
Coverage			1.2x	1.1x	1.1x	**1.1x**	1.0x	1.1x	1.1x	1.1x	**1.1x**	**1.1x**
Summary Statement of Cash Flow	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Cash Flow From Operations	0		11.0	12.8	13.1	36.9	12.9	13.5	12.4	12.9	51.8	48.8
Capital Expenditures	0		(5.5)	(5.7)	(5.7)	(16.9)	(3.2)	(3.3)	(3.5)	(3.6)	(13.6)	(15.3)
Sales (Purchases) of Assets	0		0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	0.0	(100.0)	(100.0)
Cash Flow From Investing	0		(5.5)	(5.7)	(5.7)	(16.9)	(3.2)	(3.3)	(103.5)	(3.6)	(113.6)	(115.3)
Distributions	0		(8.5)	(10.7)	(11.0)	(30.1)	(11.3)	(11.6)	(11.9)	(12.2)	(47.0)	(50.6)
Net Equity Issuance	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt Issuance	0		3.0	3.6	3.6	10.1	1.6	1.3	103.0	2.9	108.8	117.1
Cash Flow From Financing	0		(5.5)	(7.1)	(7.4)	(20.0)	(9.7)	(10.3)	91.1	(9.3)	61.8	66.5
Summary Balance Sheet	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Cash	3		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Current Assets	3		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Net PP&E	132		137.1	142.8	148.5	148.5	151.7	154.9	258.5	262.1	262.1	377.4
Total Assets	137		142.1	147.8	153.5	153.5	156.7	159.9	263.5	267.1	267.1	382.4
Short-Term Debt	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	50		53.0	56.5	60.1	60.1	61.7	63.0	166.1	169.0	169.0	286.1
Total Liabilities	50		53.0	56.5	60.1	60.1	61.7	63.0	166.1	169.0	169.0	286.1
Total Equity	87		89.2	91.2	93.3	93.3	95.0	96.9	97.4	98.1	98.1	96.3
Total Liabilities & Equity	137		142.1	147.8	153.5	153.5	156.7	159.9	263.5	267.1	267.1	382.4
Operating Data	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Crude Gathering												
Pipeline Throughput (bpd)	50,695		55,096	57,437	59,878	56,315	59,878	62,273	64,764	66,707	63,406	67,209
Trucking Volume (bpd)	23,305		19,710	22,957	22,842	22,174	22,614	23,744	24,932	26,178	24,367	26,507
Terminalling, Transportation and Storage												
Terminal Throughput (bpd)	113,950		114,863	115,323	115,784	115,094	116,363	116,945	117,530	118,117	117,239	119,601
Short Haul Pipeline Volume (bpd)	60,666		64,361	66,935	69,612	65,848	72,049	74,571	77,180	79,882	75,920	87,120
Storage capacity reserved	878,000		878,000	878,000	878,000	878,000	878,000	886,000	886,000	886,000	884,000	886,000

Source: Company reports; Oppenheimer & Co. estimates; SNL. Please refer to Opco reports for more details — 7/7/11

Investment Thesis

TLLP is currently our top pick within our MLP coverage. We believe TLLP represents the first opportunity in several years to own a 100% fee-based (low-risk) MLP with significant dropdown and organic growth potential early in its life cycle. We forecast double-digit distribution growth CAGR for the next several years as TLLP expands organically and completes acquisitions. Assets include a large crude oil gathering system in North Dakota and Montana that provides exposure to Bakken formation growth. We believe the Bakken is in the very early stages of development and that TLLP provides one of the most concentrated ways to invest in Bakken production.

Price Target Calculation

Our price target of $30 per unit is derived using our distribution discount model (DDM). The assumptions underlying this price target are stage one (years 1 & 2) growth of 10%, stage two (years 3-5) growth of 8%, a terminal growth rate of 2% and a discount rate of 8.0%. The terminal distribution is projected to be $2.06 and is achieved in 2015.

Key Risks to Price Target

- Weak refined product demand
- Potential to overpay for acquisitions
- Acquisition integration
- Rising interest rates
- Economic weakness
- Capital markets access
- Major change in MLP tax code
- FERC regulatory risk
- Conflicts of interest between LPs and GPs
- Counterparty credit risk
- Energy infrastructure overbuild
- Extreme weather
- A unitholder whose units are loaned to a short seller to cover a short sale of units may be viewed as having sold the units. Unitholders who want to be assured of keeping their status as partners and avoid the risk of gain recognition from a loan to a short seller should consider modifying any brokerage account agreements to prohibit their brokers from borrowing their units. Because of the nature of the MLP structure, all investors should consult a qualified tax counsel before making an investment in the sector.

Important Disclosures and Certifications

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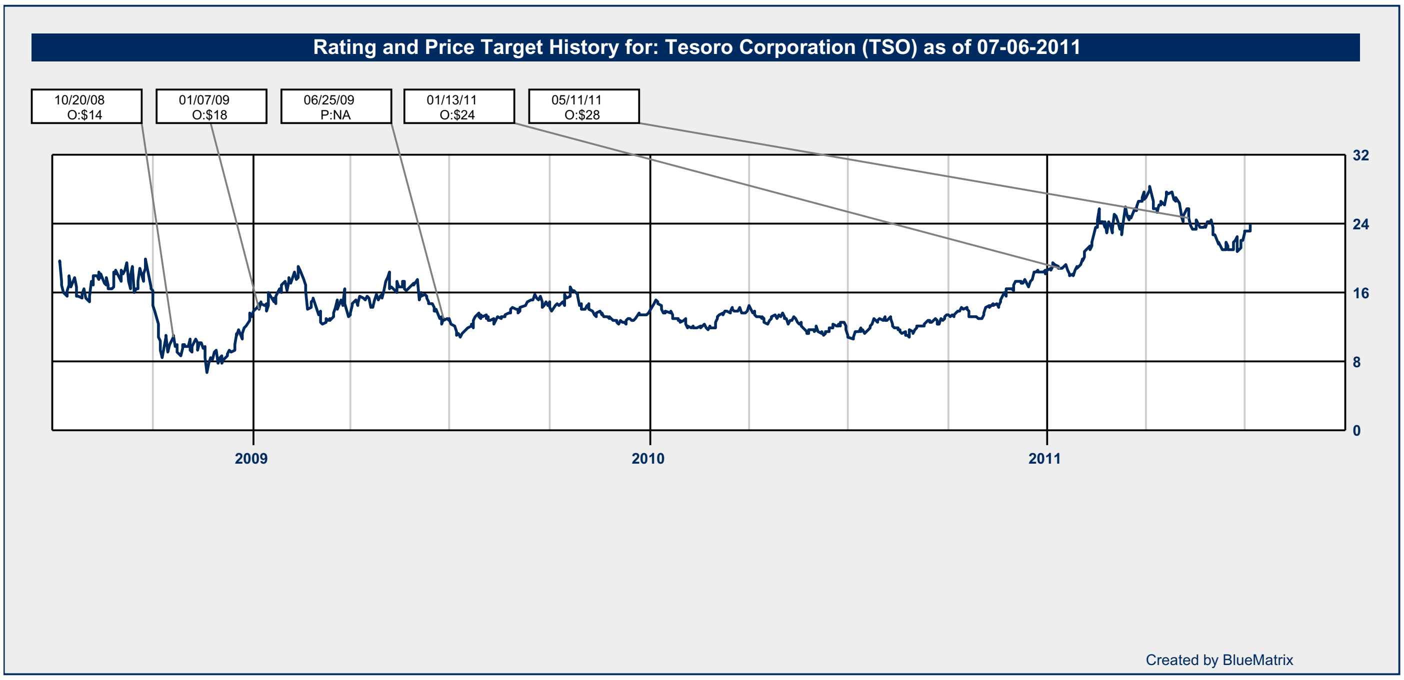
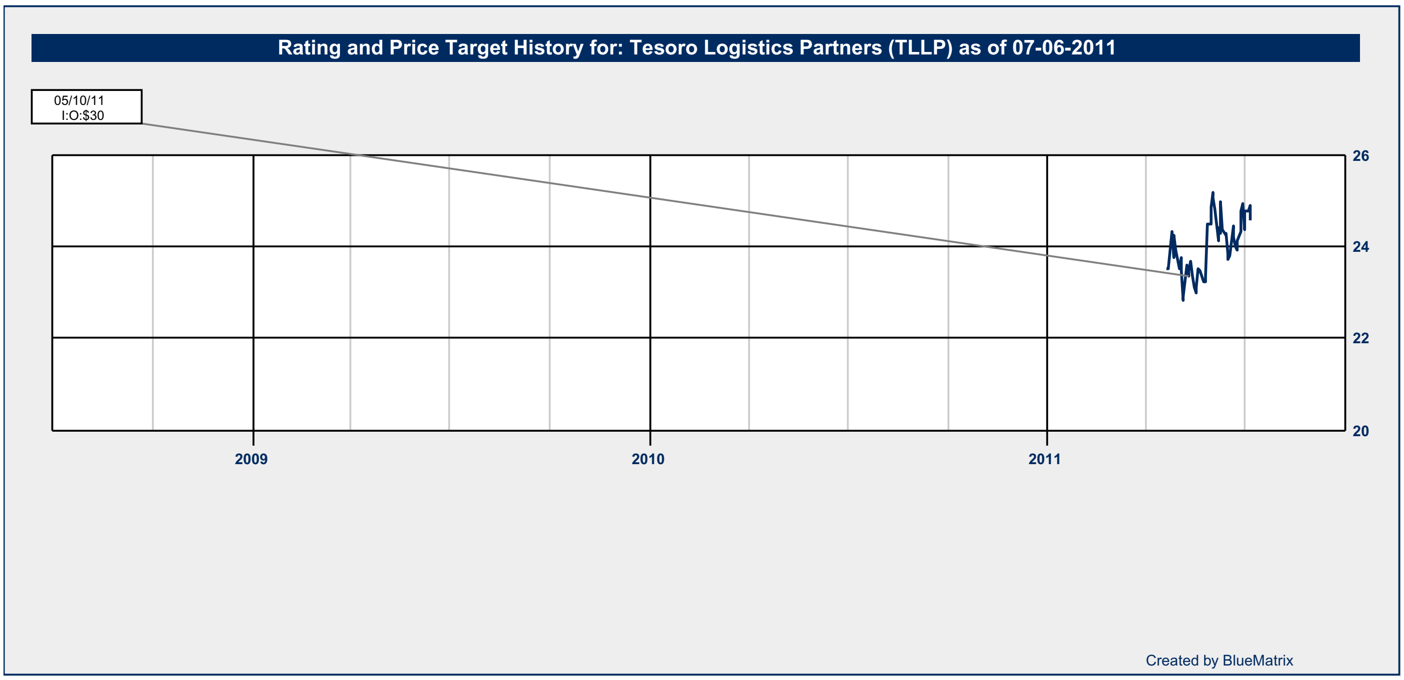
Stock Prices as of July 7, 2011

Tesoro Corporation (TSO - NYSE, 24.48, OUTPERFORM)





All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide

			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent
OUTPERFORM [O]	322	55.10	142	44.10
PERFORM [P]	253	43.30	82	32.41
UNDERPERFORM [U]	9	1.50	1	11.11

Although the investment recommendations within the three-tiered, relative stock rating system utilized by Oppenheimer & Co. Inc. do not correlate to buy, hold and sell recommendations, for the purposes of complying with FINRA rules, Oppenheimer & Co. Inc. has assigned buy ratings to securities rated Outperform, hold ratings to securities rated Perform, and sell ratings to securities rated Underperform.

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TESORO LOGISTICS LP

Initiate Bakken & Drop Down Play at 1-OW

We are initiating coverage of Tesoro Logistics, L.P. (TLLP) with a 1-Overweight rating and $28 price target. Our price target is based on a forward 12-month distribution run rate of $1.48 and a target yield of 5.3%. We view TLLP as a high-growth, relatively low-risk crude oil/refined products pipeline MLP with an attractive total return value proposition of 15.5%, comprised of 5.5% yield and 10% growth (3-year CAGR). Growth visibility supported by organic projects, including the emerging Bakken Shale, drop down opportunities and increased asset utilization by third parties. With an expected 10% distribution growth rate, TLLP is the only crude oil/refined products MLP in our coverage universe with forecasted double-digit growth.

Bakken and dropdown exposure. TLLP was spun-off from independent refiner Tesoro (TSO) to unlock shareholder value and grow the midstream business. The tax advantaged MLP structure provides a valuation premium vs. C-corps, a lower cost of capital, and allows management to focus on midstream cash flow growth. We believe TLLP's key growth drivers are crude oil pipeline expansions in the Bakken and asset dropdowns from TSO, which could double EBITDA to more than $100MM.

Stable cash flows. Approximately 84% of revenues are backed by minimum pipeline and storage volume commitments with TSO. Stability is underpinned by 10-year contracts (except trucking at 2 years) with minimal direct commodity price exposure (nearly 100% fee-based revenue) and inflation protection (fees adjusted by PPI, CPI).

Risks to our estimates, valuation. The biggest risk is customer concentration, with the parent comprising approximately 95% of revenues. Other risks include rising interest rates, declining refined products demand and MLP tax status removal. Upside potential to our estimates include contributions from acquisitions and increased asset utilization.

TLLP: Quarterly and Annual EPS USD

	2010	2011			2012			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2011	2012
Q1	N/A	N/A	0.32E	N/A	N/A	0.33E	N/A	N/A	3%
Q2	N/A	N/A	0.31E	N/A	N/A	0.37E	N/A	N/A	19%
Q3	N/A	N/A	0.34E	N/A	N/A	0.43E	N/A	N/A	26%
Q4	N/A	N/A	0.35E	N/A	N/A	0.42E	N/A	N/A	20%
Year	N/A	N/A	1.32E	N/A	N/A	1.55E	N/A	N/A	17%
P/E			18.5			15.8			

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

Stock Rating	**1-OVERWEIGHT** from N/A
Sector View	**2-NEUTRAL** Unchanged
Price Target	**USD 28.00** from N/A

Price (07-Jun-2011)	USD 24.42
Potential Upside/Downside	+15%
Tickers	TLLP

Market Cap (USD mn)	361
Shares Outstanding (mn)	14.95
Free Float (%)	82.69
52 Wk Avg Daily Volume (mn)	0.5
Dividend Yield (%)	N/A
Return on Equity TTM (%)	N/A
Current BVPS (USD)	8.84

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 25.67-22.21

Link to Barclays Capital Live for interactive charting

U.S. MLPs

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FIGURES

COMPANY SNAPSHOT

Tesoro Logistics LP — U.S. MLPs

Income statement ($mn)	2010A	2011E	2012E	2013E	CAGR
EBITDA	na	52	62	78	NA
EBIT	na	43	51	66	NA
Pre-tax income	na	41	49	60	NA
Net income	na	41	49	60	NA
Reported EPS	na	$1.32	$1.55	$1.76	NA
Diluted shares (m)	na	31	31	33	NA
Cash Distribution per Unit	na	$1.35	$1.51	$1.66	NA

Balance Sheet and Cash flow ($m)					CAGR
Cash	na	12	9	18	NA
Net PP&E	na	138	148	257	NA
Debt	na	54	57	112	NA
Operating cash flow	na	35	59	72	NA
Distributable cash flow	na	46	54	66	NA

Valuation and leverage metrics					Average
Distribution coverage ratio %	na	108.8	115.2	116.3	113
EV/EBITDA (x)	na	15.0	12.8	10.1	12.6
EV/EBITDA less MC, GP (x)	na	16.7	14.2	11.3	14.0
Price/DCF(x)	na	16.2	13.8	12.4	14.1
EBITDA/interest expense (x)	na	22.8	23.7	13.3	19.9
Net debt/EBITDA (x)	na	1.0	0.9	1.4	1.1

Operating metrics (volumes in 000 bpd)					Average
Crude oil pipeline volumes	na	57.1	59.5	60.7	59.1
Trucking volume	na	22.7	23.7	24.4	23.6
Terminal volumes	na	116.5	116.4	117.6	116.8
Short-haul pipeline volumes	na	64.3	69.5	72.0	68.6
Storage capacity (000 bbls)	na	878.0	878.0	886.0	880.7

Source: Company data, Barclays Capital

Stock Rating	1-OVERWEIGHT
Sector View	2-NEUTRAL
Price (07-Jun-2011)	$24.42
Price Target	$28
Ticker	TLLP

Investment case

TLLP is a high-growth, relatively low-risk crude oil/refined products pipeline MLP with an attractive mid-teens total return value proposition. Growth supported by organic projects, including the emerging Bakken Shale, and asset drop downs. Stability supported by long-term volume commitments from parent.

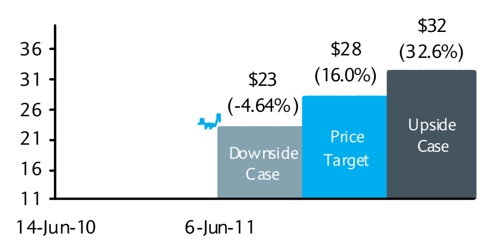
Upside case $32

Could see upside from asset drop down or third party acquisition over next 12 months. A $100MM acquisition could drive higher growth rate, increasing forward distribution estimate to $1.58 and lowering target yield to 5%.

Downside case $23

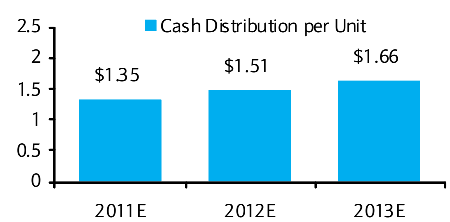
Weakening macro conditions or failure to generate expected returns on current growth projects could increase equity risk premium, increasing target yield to 6% and lowering forward distribution estimate to $1.38.

Upside/downside scenarios



Source: FactSet

Cash Distribution per Unit



Note: FY end Dec.

Investment Thesis

TLLP is a crude oil/refined products pipeline and storage MLP with visible growth prospects, a relatively low risk profile and strategically located assets. The Partnership offers an attractive total return value proposition of 15.5%, comprised of a 5.5% yield (as of 6/7/11) and 10% expected distribution growth (our 3-year CAGR forecast). Upside potential to our growth estimates could come from more immediate asset drop downs from parent Tesoro (TSO, $21.88, 2-Equal Weight/3-Negative by Barclays Capital U.S. Independent Refiners analyst Paul Cheng). We take a conservative approach and assume no drops in 2011 or 2012 and only a $100MM drop in 2013. Long-term distribution growth prospects are supported by additional organic expansion projects in the emerging Bakken Shale, including pipeline interconnects to transport third-party crude oil volumes as production in the region is expected to double over the next five years. TLLP was spun off from independent refiner TSO to unlock the value and provide a growth vehicle for the midstream business. TLLP offers an opportunity for investors to get into the early stages of a developing growth partnership in the relatively stable crude oil/refined products pipeline subsector.

Visible growth prospects

We believe TLLP is well positioned to post 10% distribution growth (3-year CAGR), supported by organic growth projects, including the emerging Bakken Shale, and asset drop downs.

An expansive opportunity set to grow the distribution is supported by organic projects, asset drop downs from the GP, potential third-party acquisitions and increased capacity utilization from being a standalone midstream entity (vs. primarily a cost center within a refiner). It is important to highlight that modest-scale expansion capex is capable of driving solid accretion given TLLP's relatively small distributable cash flow base ($46MM) and low cost of capital (approximately 6%). Near term, TLLP has ample financial flexibility with $100MM of borrowing availability on its $150MM revolver, enabling financing of initial expansion capex without having to raise equity, which drives accretion.

We believe TLLP is well positioned to post 10% distribution growth (3-year CAGR), supported by organic growth projects, including the emerging Bakken Shale and asset drop downs. Near-term growth is visible with five small but high-return organic projects (High Plains crude gathering and terminal expansions in Burley, Los Angeles, Salt Lake City and Stockton) expected to generate $10mm/yr or 18% EBITDA growth starting 2Q12.

Figure 1: Current TLLP Organic Growth Projects (units in $MM)

Project	Capex	EBITDA	Expected Completion	Description
High Plains pipeline	$6.6	$6.0	2Q12	support TSO Mandan refinery expansion
Burley terminal	1.2	0.1	1Q12	ethanol blending
Salt Lake City terminal	1.2	1.4	2Q12	ethanol blending
Stockton terminal	4.5	2.6	1Q12	capacity expansion
Los Angeles terminal	2.0	0.4	1Q12	transmix services for TSO LA refinery
Total	**$15.5**	**$10.5**		

Source: Company reports

Organic Projects

Over the next 12 months, TLLP is expected to complete five projects with a total cost of $15.5MM and expected EBITDA of $10.5MM or a very attractive 1.5x multiple. The existing organic projects would generate EBITDA growth of 18% vs. LTM 1Q12.

High Plains (Bakken) crude gathering expansion. Of the existing five organic projects, the Bakken expansion is expected to generate the most cash flow at $6MM or approximately 60% of the $10.5MM of EBITDA from the projects. The $6.6MM High Plains expansion will add pumping, tankage and truck unloading capacity related to TSO's 10,000 bpd Mandan, ND refinery expansion.

In terms of TLLP's other current projects, the Burley, ID and Salt Lake City, UT terminals will add ethanol blending. Total project cost is $2.4MM with expected EBITDA of $1.5MM. At the Stockton, CA terminal, TLLP will add 8,000 bpd of storage capacity to gain more of TSO's throughput volumes. The $4.5MM project is expected to generate EBITDA of $2.6MM. At its Los Angeles, CA terminal, TLLP will add transmix transportation capability to serve TSO's Los Angeles refinery. The $2MM project is expected to generate EBITDA of $0.4MM.

Acquisitions

We believe another leg of TLLP's growth stool is asset drop down opportunities from parent TSO. TLLP has right of first offer on TSO's midstream assets for 10 years. While timing of drop downs is uncertain, we estimate the probability of drop downs is high given TSO's incentive to maximize shareholder value by selling midstream assets to the tax-advantaged MLP while also receiving distributions as the owner of the general partner and 50% of the limited partner units.

In terms of the size of the drop down opportunity set, TLLP has not provided a market value or EBITDA estimate. While a blunt instrument, the book value estimate of midstream assets at TSO is $240MM vs. $193MM book value of assets currently in TLLP. On a rough basis, we estimate market value of potential dropdowns at $500MM and EBITDA of $50MM-$63MM (assuming 8-10x multiple), roughly double TLLP's expect forward 12-month EBITDA.

We conservatively estimate TLLP dropdown schedule at $0 in 2011, $0 in $2012, $100MM in 2013, $125MM in 2014 and $150MM in 2015. However, we would not be surprised if a drop to TLLP occurred in 2012 or even late 2011.

Figure 2: Potential Asset Drop Downs

Asset	Location	Description
Refined products terminals	Martinez, CA	38,000 bpd
Refined products terminals	Nikiski, AK	211,000 barrels storage capacity & 2,6000 bpd truck rack
Refined products terminals	Anacortes, WA	1,700 bpd
Marine terminals	Long Beach, CA	104,200 bpd crude/refined products
Marine terminals	Martinez, CA	61,000 bpd crude and 425,000 barrels storage
Marine terminals	Martinez, CA	product wharf with limited volumes currently
Marine terminals	Nikiski, AK	74,000 bpd crude/refined products and 930,000 barrels storage
Marine terminals	Anacortes, WA	54,000 bpd crude/refined products and 1.4MM barrels storage
Pipelines	Nikiski, AK	31,000 bpd volume serving TSO AK refinery
Pipelines	Los Angeles, CA	9 lines with 45,000 bpd volume serving TSO LA refinery

Source: Company reports

While third-party acquisitions are also a possibility for TLLP, we expect the Partnership to focus on organic projects and drop downs over the next few years, as that opportunity set supports 10% plus distribution CAGR.

Potential for increased capacity utilization

As a standalone midstream company, TLLP has potential to increase asset utilization by increasing TSO and third-party volumes on its crude oil gathering and terminalling assets. For example, TLLP could add third-party volumes on its High Plains crude gathering system in the Bakken. In addition, the Partnership has room to increase TSO volumes at its California and Washington state refined products terminals and third-party volumes at other terminals.

Relatively low risk profile

Approximately 84% of TLLP revenues are backed by minimum pipeline and storage volume commitments from TSO.

TLLP has a relatively low risk profile due its stable, fee-based cash flow stream backed by long-term minimum volume commitments from TSO. Approximately 84% of TLLP revenues are backed by minimum pipeline and storage volume commitments from TSO. Stability is underpinned by 10-year contracts (except trucking with 2 years) that provide minimal direct commodity price exposure (nearly 100% fee-based revenue) and inflation protection (fees adjusted by PPI, CPI). The High Plains truck gathering contracts was set at 2 years to benefit from expected higher rates due to a ramp in Bakken crude production.

Figure 3: Minimum Volume Commitments with Inflation Protection

	Contract (years)	Min Volumes (a)	% of Total	Fee Escalator
High Plains pipeline	10	49,000	84%	FERC Index
High Plains trucking	2	22,000	96%	CPI
Terminalling	10	100,000	87%	CPI
Salt Lake City pipelines	10	54,000	82%	CPI
Salt Lake City storage	10	878,000	100%	CPI

Source: Company filings

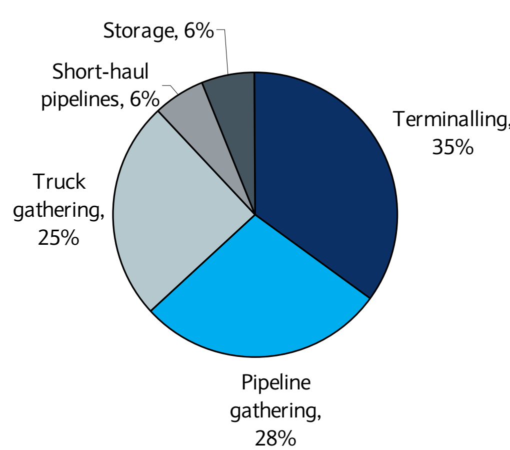
Reasonable business mix and geographic diversification for a young partnership

While TLLP currently lacks customer mix diversification, with TSO comprising approximately 95% of revenues, TLLP does have asset and geographic diversification. TLLP's five business lines comprise a diversified revenue mix -- Terminalling 35%, Pipeline Gathering 28%, Truck Gathering 25%, Short-Haul Pipeline Transportation 6% and Storage 6% of sales. On geographic footprint, TLLP assets are integrated with TLLP refining and marketing activities. TLLP assets are located in seven states -- North Dakota, Montana, California, Idaho, Utah, Washington, and Alaska.

Low financial leverage

TLLP has low leverage with Debt/EBITDA of 1x. In addition, the Partnership has $100MM of borrowing availability on its $150MM revolver, which is more than adequate to fund $10MM of current organic growth projects over the next 12 months and a potential drop down. The Partnership borrowed $50MM under the revolver at the close of IPO to fund a cash distribution to TSO (in addition to $280MM of IPO proceeds) to pay for the contributed assets and capex. The $150MM revolver is expandable to $300MM, matures April 25, 2014 and allows a maximum Debt/EBITDA of 4.5x. As TLLP ramps up expansion with drop downs or additional growth projects, we would expect normalized Debt/EBITDA in the 3x range.

Figure 4: TLLP Revenue Mix



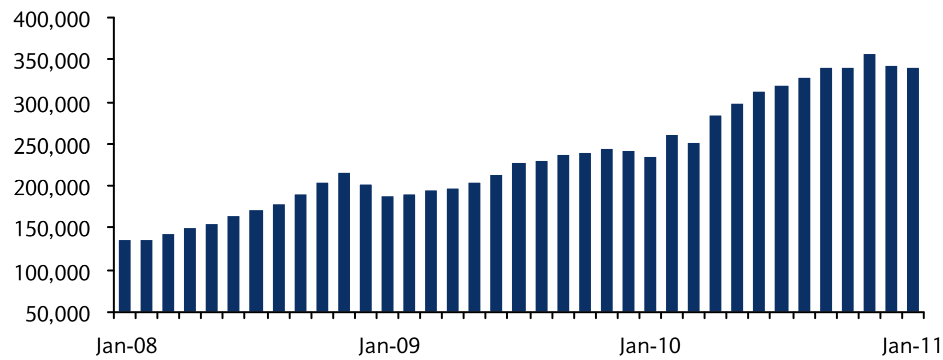
Source: Company filings, Barclays Capital estimates

Strategically-Located Assets

TLLP's High Plains system is strategically located not only because of its footprint in the emerging Bakken but also as the only crude oil supply source for the only refinery in North Dakota, TSO's Mandan refinery.

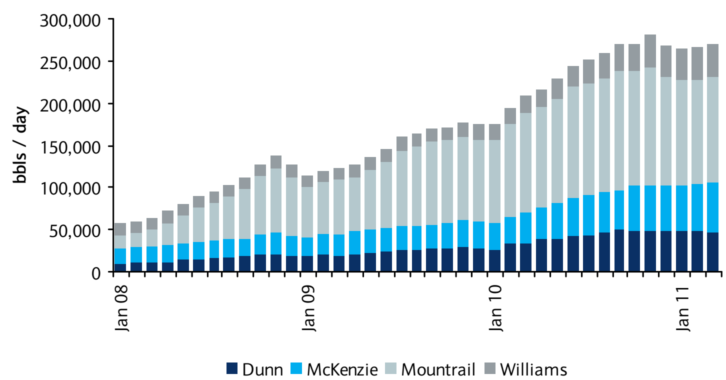
TLLP's asset base is well positioned in both the emerging Bakken Shale (North Dakota, Montana) and western US. We believe the Partnership's key asset is its Bakken (High Plains) crude oil gathering system. The Bakken is a prolific region poised for continued strong production growth due to an 83% YoY increase in proved crude oil reserves to 1.058 billion barrels (according to EIA). Driven by technological advances in horizontal drilling, fracturing and completion, North Dakota crude production increased 78% from 2008-2010 (175,000 to 307,000 bpd) and is expected to more than double to approximately 700,000 bpd in the next 5 years (PIRA Energy Group forecast) and 1MM bpd by 2020 (Cambridge Energy Research Associates forecast). TLLP's High Plains system is strategically located not only because of its footprint in the emerging Bakken but also as the only crude oil supply source for the only refinery in North Dakota, TSO's Mandan refinery. The High Plains system volume growth is also supported by the Mandan refinery's 10,000 bpd expansion to 68,000 bpd by 2Q12. In addition, the High Plains system has growth opportunities from adding third-party volumes through pipeline interconnects.

Figure 5: North Dakota Crude Oil Production (barrels per day)



Source: US Energy Information Administration

Figure 6: Bakken Four County Production (North Dakota)



Source: North Dakota Industrial Commission, Oil & Gas Division

Other potential growth opportunities in the Bakken include increasing High Plains pipeline volumes by adding pumping capacity or building new gathering lines and building a rail facility at the Mandan refinery to transport crude (beyond Mandan's 68,000 bpd capacity in 2Q12) markets outside ND. In the Western US, TLLP's terminals and pipelines benefit from integration with TSO's refining and marketing operations and more stringent regulatory climate (California, Washington) that acts as a potential barrier to entry from competitors.

TLLP deserves a premium valuation vs. MLP peers due to its visible growth prospects, Bakken exposure, asset drop down potential, low cost of capital and high cash flow stability.

Attractive total return valuation proposition

TLLP offers (as of 6/7/11 close) an attractive total return value proposition of 15.5%, comprised of 5.5% yield and 10.0% growth (3-year CAGR forecast), which is above peer average total return of 11.5% and our MLP coverage universe of 12.0%. Because of its higher expected growth rate, nearly double peer average, TLLP trades at a premium to peers on both a yield and EV/Adjusted EBITDA basis. In terms of yield, TLLP trades a 5.5% yield vs. peer yield of 6.2% and our MLP coverage universe of 6.6%. On EV/Adjusted EBITDA (2011e/2012e) basis, TLLP trades at 16.9x/14.4x vs. 14.4x/12.8x peers and 13.1x/11.5x MLP universe. In terms of distribution coverage, TLLP is in line with peers at 1.1x. Our coverage universe coverage is a little higher at 1.2x due to commodity-exposed names needing to keep higher coverage due to higher cash flow volatility vs. fee-based crude/refined product names.

We believe that TLLP deserves a premium valuation vs. MLP peers due to its visible growth prospects, Bakken exposure, asset drop down potential, low cost of capital and high cash flow stability. In addition, TLLP offers exposure to the early stages of a developing growth partnership in the relatively stable crude oil/refined products pipeline subsector.

Figure 7: TLLP Comps

Name	Dividend Yield	3-Year Dividend CAGR	Expected Total Return	2011e EV/ Adj EBITDA - Maint Capex	2012e EV/ Adj EBITDA - Maint Capex	2011e Distribution Coverage
Tesoro Logistics L.P.	**5.5%**	**10.0%**	**15.5%**	**16.9x**	**14.4x**	**1.10x**
Buckeye Partners L.P.	6.6%	5.1%	11.7%	14.0x	12.8x	1.07x
Holly Energy Partners L.P.	6.4%	4.9%	11.4%	13.9x	11.4x	1.02x
Magellan Midstream Partners L.P.	5.3%	6.8%	12.1%	15.5x	14.4x	1.22x
NuStar Energy L.P.	6.8%	3.3%	10.1%	14.9x	13.1x	1.09x
Sunoco Logistics Partners L.P.	5.8%	6.3%	12.1%	13.5x	12.5x	1.27x
Average	**6.2%**	**5.3%**	**11.5%**	**14.4x**	**12.8x**	**1.13x**
BarCap MLP Coverage Universe	**6.6%**	**5.5%**	**12.0%**	**13.1x**	**11.5x**	**1.19x**

(a) Adjusted EBITDA = EBITDA less maintenance capex less general partner distribution

Source: Barclays Capital estimates, FactSet

Investment case $28 price target

Our $28 price target is based on a 12-month distribution run rate of $1.48 and a target yield of 5.3%. Based on our price target, TLLP offers an attractive implied 12-month total return is 18.8% vs. 15.3% peer average. Our distribution estimate and yield are predicated on a 10% distribution growth CAGR driven primarily by organic projects and an asset drop down in 2013.

Upside case $32 valuation

In an upside scenario, we believe TLLP could exceed our distribution growth estimate with an asset drop down or third-party acquisition within the next 12 months. Assuming a $100MM transaction at an 8x multiple would imply a 12-month price target of $32 per unit. The $32 valuation would be based on a 12-month forward distribution estimate of $1.58 (up from $1.48) and target yield of 5% (modest compression from 5.3%) due to accretion from a $100MM acquisition at 8x multiple.

Downside case $23 valuation

In a downside scenario, we estimate a 12-month price target of $23 per unit. Downside potential could come from a higher target yield, due to the market demanding a higher equity risk premium due to macro conditions and/or TLLP not achieving expected returns on current growth projects. A $23 valuation could be based on a 12-month distribution estimate of $1.38 (down from $1.48) and a target yield of 6% (expansion from 5.3%).

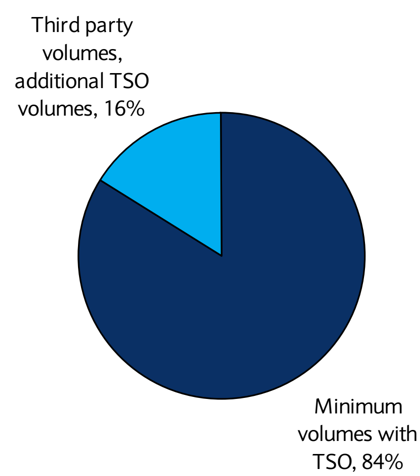
Tax Deferral

TLLP's distribution is approximately 80% tax deferred. That means of the current $1.35 per unit distribution, a unitholder would pay ordinary income taxes on $0.27 (20% of distribution), with the remaining $1.08 (80% of distribution) reducing a unitholder's basis. The 80% tax deferral level is in line with the MLP sector and represents an important component of the value proposition.

Tesoro Logistics Overview

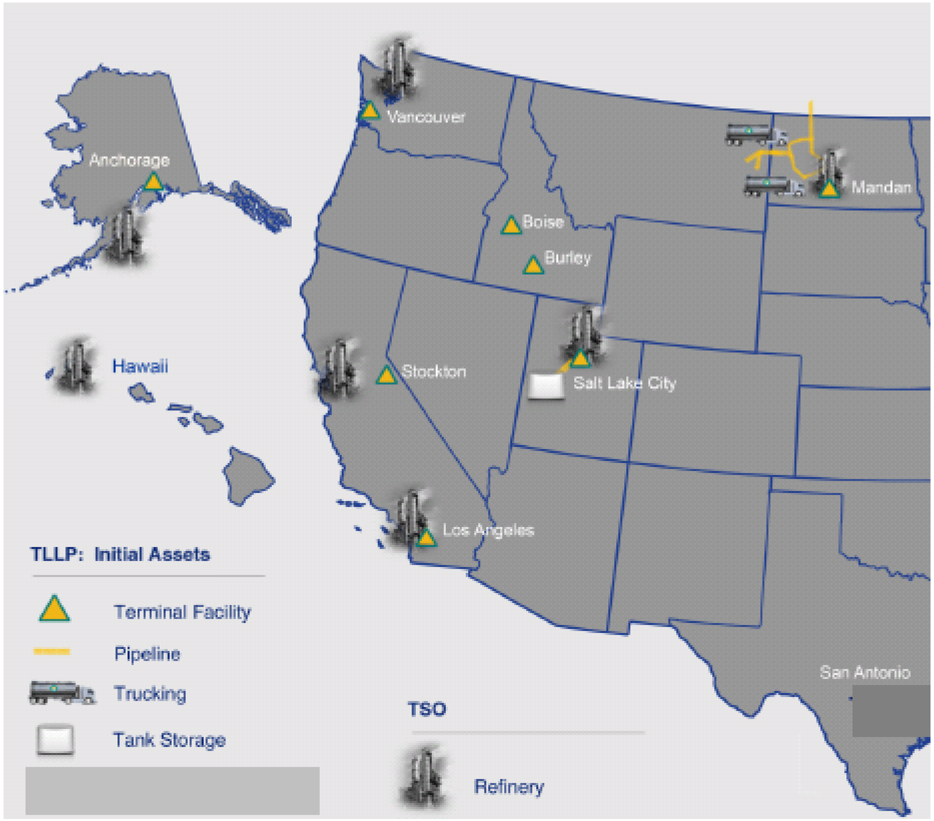
Tesoro Logistics LP (TLLP) is a crude oil/refined product pipeline and storage MLP, headquartered in San Antonio, that was spun-off from independent refiner Tesoro (TSO) in April 20, 2011 IPO. In the transaction, 14.95MM units were issued at $21 per unit (with a 6.4% yield). TLLP was created to facilitate the growth of TSO's midstream business and unlock value through the tax-advantaged MLP structure. TSO owns a 52% interest in TLLP, comprised of a 50% LP and 2% GP interest. TSO owns 15.255MM subordinated units, 304,890 common units and 622,649 general partner units. The public owns a 48% LP stake, with 14.95MM common units. TLLP midstream assets are integrated with TSO's refining and marketing business. The Partnership's assets are comprised of a crude oil gathering system in the Bakken Shale/Williston Basin in ND and MT, 8 refined products terminals in the midwest and western US and a crude oil/refined products storage facility and short-haul pipelines in Utah. TLLP has two operating segments, crude oil gathering and terminalling, transportation, storage. Revenue mix is 53% crude oil gathering/47% terminalling, transportation, storage. TLLP has long-term take-or-pay contracts with TSO for minimum volume commitments in both segments, comprising 84% of total revenues. The remaining 16% of revenues is from TSO volumes beyond the minimum level and third party volumes.

Figure 8: Minimum volume commitments comprise 84% of revenues



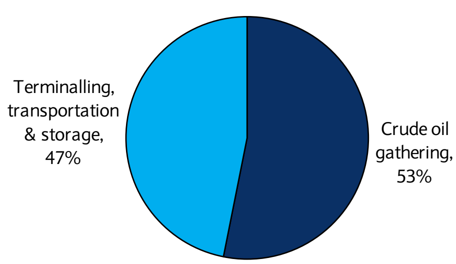
Source: Company filings

Figure 9: TLLP Midstream Assets Integrated with TSO Refineries



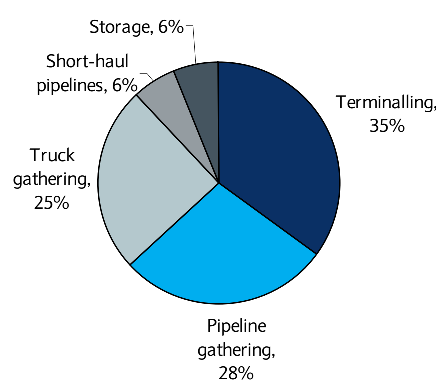
Source: Company filings

Figure 10: TLLP segment revenue mix



Source: Company filings

Figure 11: Breaking down revenue mix



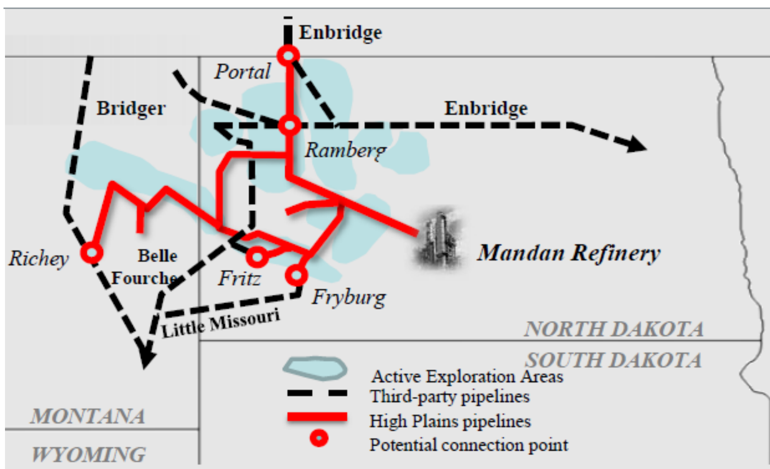
Source: Company filings

Crude Oil Gathering

The Crude Oil Gathering segment accounts for approximately 53% of our estimate for TLLP's 2011 EBITDA. The segment's asset is the High Plains system, which gathers and transports crude produced in the emerging Bakken Shale (North Dakota and Montana) to TSO's Mandan, ND refinery. The High Plains system is comprised of a 700-mile, 70,000 bpd capacity pipeline system (plus related storage) and 23,000 bpd of truck-based crude gathering. Currently, the only destination point for the High Plains pipeline and truck volumes is TSO's Mandan refinery. However, TLLP is exploring ways to diversify its revenue stream by adding third party shippers and interconnects with non-TSO pipes. There are five potential pipeline interconnects – Enbridge pipe at Portal and Ramburg, ND, Little Missouri pipe at Fryburg, ND, Belle Fourche pipe at Fritz, ND, Bridger pipe at Richey, MT. Integration with the Mandan refinery is a positive for TLLP, as TSO is currently in the process of expanding refining capacity by 10,000 bpd to 68,000 bpd by 2Q12, which provides visible growth for the High Plains system.

Crude Oil Gathering segment revenue mix is 53% pipelines and 47% truck gathering. Approximately 81% of segment revenue is derived from contracted minimum volume commitments with the parent. TSO's required minimum crude oil volumes of 49,000 bpd on the High Plains pipeline and 22,000 bpd on trucks represent 84% and 96% of pipe and truck volumes, respectively. In terms of volume growth, pipeline throughput is expected to increase 14% (from 2010 average to LTM 1Q12) to 58,000 bpd. Trucking volumes are expected to remain relatively flat. Importantly, High Plains pipeline and trucking fees have inflation protection. Pipeline tariffs are adjusted annually by the FERC PPI+2.65% inflation escalator (which will total 7% starting July 1) and the trucking rates are adjusted by the CPI.

Figure 12: High plains system asset map with potential interconnects



Source: Company reports

Terminalling/Transportation/Storage

The segment accounts for approximately 47% of our estimate for TLLP's 2011 EBITDA. Assets include eight refined products terminals in the midwest and western US, five short-haul Utah intrastate pipelines and a crude oil/refined products storage facility. The eight RP terminals have truck and barge delivery capacity of 229,000 bpd. The terminals primarily distribute production from TSO's refineries in Los Angeles and Martinez, CA; Kenai, AK; Mandan, ND; Salt Lake City, UT; and Anacortes, WA.

In addition, TLLP owns and operates pipes and storage that exclusively serve TSO's Salt Lake City refinery. TLLP's Salt Lake City pipe assets include including three short-haul crude oil supply pipelines and two short-haul refined product delivery pipelines connected to third-party interstate pipelines. The Salt Lake City terminal has 878,000 barrels of crude/refined products capacity.

Segment revenue mix is 75% terminals, 13% transportation, and 12% storage. Approximately 87% of segment revenue is derived from contracted minimum volume commitments with the parent. TSO's required minimum volumes represent 86%/80%/100% of terminal/ transportation/storage revenues, respectively. Terminalling volumes are expected to increase 1.1% (from 2010 average to LTM 1Q12) to 115,200 bpd, while transportation volumes are expected to increase 8.5% to 65,800 bpd. Storage volume at the Salt Lake City terminal will remain at 878,000 barrels. Similar to the crude oil gathering segment, terminalling, storage and transportation fees have inflation protection, via CPI adjustment.

Overview of General Partner

Tesoro Corporation (TSO) is the general partner of TLLP. TSO is a leading independent refiner in the U.S. with 665,000 bpd of refining capacity at seven refineries. Geographic footprint is primarily western US. Its seven refineries are located in AK, CA(2), HI, ND, UT and WA. In addition, TSO's retail segment is comprised of 880 branded retail stations under the Tesoro®, Shell®, USA GasolineTM and Mirastar® brands.

For views on TSO, we defer to our equity and fixed income research analysts covering the name. Barclays Capital Integrated Oil and Independent Refining equity analyst Paul Cheng's view on TSO is constructive. According to the 5/6/11 note titled "Solid 1Q11, Underlying Earnings Power Has Been Improving Over the Last Couple Years," Cheng states "in the near term, we remain cautious on the refiners and think that US refiners' profit margins could be weak in the coming months as light/heavy differentials and the WTI/Brent spread deteriorate while the product crack could remain relatively sluggish. However, we think the California refining market's medium to longer term outlook remains bright given its high barriers of entry due to its strict product environmental standard and the lack of pipeline capacity to effectively import product from the Gulf Coast or other U.S. markets from a cost perspective. We are also impressed by the company's underlying improvement in its margin capture rate over the last couple years. In addition, we think TSO has more potential room for efficiency improvement compared to its peers due to its relative weak performance in the past."

From a credit perspective, Barclays Capital High Yield Energy fixed income analyst Gary Stromberg has a Market Weight recommendation on TSO's bonds. According to Stromberg's 5/5/11 note "Tesoro (TSO) 1Q11 Credit Review," recent earnings were a "positive credit release, in our view. Quarterly EBITDA was above our expectations on higher refinery utilization, strong product crack spreads and favorable differentials. Subsequent to quarter-end, the company received ~$330mn in net proceeds from the Tesoro Logistics IPO, and redeemed the $150mn of outstanding junior subordinated notes due 2012. Pro forma these transactions, we estimate net leverage to decline to 1.0x, from 1.3x at quarter-end." A quick look at TSO's bonds indicates stability as the 6.6% senior notes due 2015 are trading at 103 vs. 92 on 6/3/10. Net/net, we view TSO as a stable customer of TLLP and posing little counterparty risk.

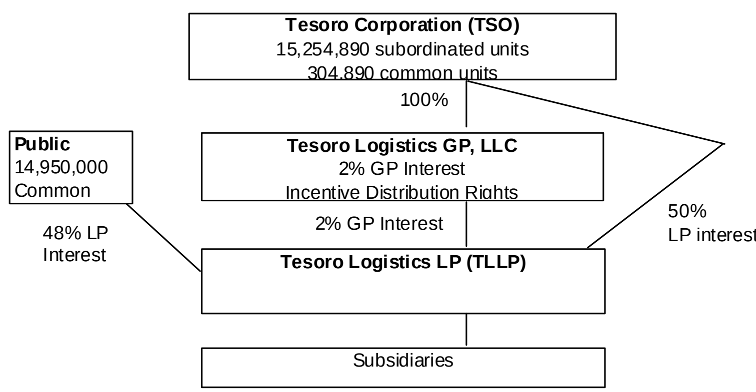
Figure 13: TSO Refineries

Refinery	Location	Capacity (bpd)
Golden Eagle	Martinez, CA	166,000
Anacortes	Anacortes, WA	120,000
Los Angeles	Los Angeles, CA	97,000
Kapolei	Kapolei, HI	93,500
Kenai	Kenai, AK	72,000
Mandan	Mandan, ND	58,000
Salt Lake City	Salt Lake City, UT	58,000
Total		**664,500**

Source: Company filings

TSO has a large ownership stake in TLLP. In addition to its 2% GP stake and incentive distribution rights, TSO owns a 50% LP interest comprised of 15.3MM subordinated and 0.3MM common units. The public owns 14.95MM units, representing a 48% LP interest.

Figure 14: Ownership Structure



Source: Company filings

Figure 16: Incentive Distribution Rights

	Quarterly	Annual	Allocation	
Level	Distribution	Distribution	GP	LP
MQD	$0.3375	$1.35	2%	98%
Tier 1	up to $0.388125	up to $1.5525	2%	98%
Tier 2	up to $0.421875	up to $1.6875	15%	85%
Tier 3	up to $0.50625	up to $2.025	25%	75%
Tier 4	above $0.50625	above $2.025	50%	50%

Source: Company filings

TLLP has a standard general partner incentive distribution rights (IDR) structure of 2/15/25/50%. Currently, the Partnership is IN the 2% GP split, which results in a low adjusted cost of equity capital of approximately 5.55% (as of 6/3/11 close), which is favorable for financing future expansion projects. Based on our distribution growth estimates, which includes an assumption of $375MM in acquisitions in total through 2015, we estimate TLLP will enter the 50% splits in late 2015.

Risks

Customer concentration

Parent TSO comprises approximately 95% of TLLP's revenues. However, young partnerships generally have a limited customer mix. In our view, this is not a significant problem, given TSO is a stable customer (S&P credit rating of BB+ with stable outlook). Over time, we expect TLLP to increase third party volumes on its crude oil gathering and terminalling businesses through organic expansions, acquisitions, and increased capacity utilization.

Limited track record as MLP

While its assets were previously housed in TSO, a C-corp independent refiner, TLLP has a limited operating track record as a public MLP, with an IPO in April 20, 2011.

Taxes

Removal of MLP tax-advantaged status would negatively impact TLLP growth prospects. We expect MLP tax status to remain unchanged. In fact, the definition for MLP qualifying income was expanded in 2008 for renewable fuels. Nevertheless, the federal government is seeking to review the tax code and there is potential (or at least headline risk) for pass-through entity tax status to change.

Interest rates

TLLP has interest rate exposure from its revolving credit facility. A 100 bps increase (annualized) in interest rates would increase TLLP interest expense by $0.5MM or 1% of 2011e distributable cash flow. In addition, MLP valuations could be impacted by rising interest rates similar to bonds. However, unlike bonds, MLP distribution growth somewhat offsets higher interest rates.

Equity capital markets

TLLP's ability to grow distributions relies on access to external capital. We assume the Partnership retains approximately 10% of free cash flow, which means TLLP will finance the majority of future expansion capital expenditures with debt and equity capital. As such, a higher cost of capital could likely lower TLLP's distribution growth rate.

Refined product demand

While having minimal direct commodity price exposure, TLLP does have indirect exposure as high commodity prices would likely reduce refined product demand. Other potential sources of lower demand include weak economic conditions, competition from renewable substitutes and adverse weather conditions.

Crude oil production

Given the High Plains system is a key growth driver for TLLP, the Partnership has exposure to crude oil production in the Bakken. Lower-than-expected Bakken production growth could impact TLLP's transportation expansion plans in the region.

Refinery maintenance

Unplanned refinery downtime could negatively impact TSO's excess volumes, beyond the contracted minimum levels, on TLLP's system.

Acquisitions

There is a risk that future TLLP acquisitions fail to meet accretion expectations due to integration or valuation risks.

Regulatory and environmental

More stringent environmental regulations could increase TLLP operating costs and reduce growth prospects if higher costs were not able to be passed along to customers.

Management Team

TLLP has an experienced management team, averaging 27 years of experience. In addition, TLLP recently added two independent board members. On 5/24/11, Tom O'Connor and Mary Morgan joined TSO's board as independent directors. The addition increases TSO's board from five to seven members and independent directors from one to three. A summary of TLLP management and board members follows.

Gregory Goff, Chief Executive Officer, Chairman of the board of directors

Goff joined Tesoro Corporation in May 2010 as CEO and President. Prior to joining Tesoro, Goff served various roles during a 28-year career at ConocoPhillips, including Senior Vice President, Commercial since 2008, President of specialty businesses and business development from 2006 to 2008, President of ConocoPhillips U.S. Lower 48 and Latin America exploration and production business from 2004 to 2006, President of ConocoPhillips European and Asia Pacific downstream operations from 2002 to 2004, Chairman and Managing Director of Conoco Limited, a UK-based refining and marketing affiliate, from 2000 to 2002, director and CEO of Conoco JET Nordic from 1998 to 2000. Previously, Goff served on the board of directors of Chevron Phillips Chemical Company.

Phillip Anderson, President, board of directors

Anderson has served as Vice President, Strategy for Tesoro since April 2010. Prior to his current role with Tesoro, he served as Vice President, Financial Optimization & Analytics beginning in June 2008 and Vice President, Treasurer beginning in June 2007. Anderson joined the company in December 1998 as Senior Financial Analyst and worked in a variety of strategic and financial roles. Anderson began his career in 1991 at Ford Motor Company and worked in a variety of financial roles at that company.

Scott Spendlove, Chief Financial Officer, board of directors

Spendlove has served as CFO for Tesoro Corporation since May 2010. Prior to his current role with Tesoro, he served in risk management, controller, treasury and strategic planning roles. Prior to joining Tesoro in 2002, Spendlove served as Vice President, Corporate Planning and Investor Relations for Ultramar Diamond Shamrock Corporation.

Charles Parrish, Vice President, General Counsel, board of directors

Parrish leads Tesoro's legal department and contract administration function and government affairs group, as well as the business ethics and compliance office. Parrish joined Tesoro in 1994 and has since served in numerous roles in the legal department. Parrish provides counsel to Tesoro's management and board of directors on corporate governance issues. Before joining Tesoro, Parrish worked in private practice with law firms in Houston and San Antonio, primarily representing commercial lenders in loan transactions, workouts and real estate matters.

Ralph Grimmer, Vice President, Operations

Grimmer is responsible for pipelines and refined product terminals, crude oil and refined products trucking and all rail operations. Grimmer has served as Vice President, Logistics for Tesoro since November 2010. Previously he served in strategy, M&A and logistics roles at Tesoro. Prior to joining Tesoro in 2006, Grimmer served in a variety of consulting, marketing and logistics positions, including Baker & O'Brien, Inc. and Motiva Enterprises LLC.

Raymond Bromark, board of directors (independent director)

Bromark is a retired Partner of PricewaterhouseCoopers, LLP. He joined PwC in 1967 and became a Partner in 1980. He was Partner and Head of the Professional, Technical, Risk and Quality Group of PwC from 2000 to 2006, a Global Audit Partner from 1994 to 2000 and Deputy Vice Chairman, Auditing and Business Advisory Services from 1990 to 1994. Bromark has been a director of CA Technologies, a provider of IT management software and solutions, since 2007 and chairs its audit committee.

Tom O'Connor, board of directors (independent director)

O'Connor currently serves as chairman of the board, president and CEO of DCP Midstream, LLC and chairman of DCP Midstream Partners. O'Connor previously served at Duke Energy.

Mary Morgan, board of directors (independent director)

Morgan is the principal of Morgan Hamilton Group, a liquid petroleum pipeline and storage advisory practice. Morgan previously serviced at NuStar Energy, Valero, L.P. and Kinder Morgan Energy Partners.

Financial Model

Figure 17: TLLP Model ($ in MM, except per unit amounts)

	2011e	2012e	2013e	2014e	2015e
Crude oil gathering revenues	51.8	54.4	58.2	62.3	66.6
Terminalling, transportation, storage revenues	45.1	47.3	49.2	51.6	54.0
Total revenues	96.9	101.7	107.4	113.8	120.6
Operating expenses	(37.3)	(39.3)	(41.9)	(44.4)	(47.0)
Depreciation expense	(8.9)	(10.2)	(12.2)	(14.2)	(16.2)
General & administrative expenses	(7.3)	(6.7)	(7.1)	(7.5)	(8.0)
Other	0.0	0.0	0.0	0.0	0.0
Expansion capex contribution	0.0	5.9	19.7	32.2	47.2
Operating income	43.4	51.4	65.9	79.9	96.6
Interest expense	(2.3)	(2.6)	(6.0)	(8.1)	(12.3)
Other	0.0	0.0	0.0	0.0	0.0
Tax expense		0.0	0.0	0.0	0.0
Net income	41.1	48.8	59.9	71.8	84.3
Net income to general partner	(0.8)	(1.4)	(2.3)	(4.7)	(7.2)
Net income to limited partners	40.3	47.4	57.6	67.1	77.1
Units outstanding	30.5	30.5	32.9	35.8	38.8
Net income per LP unit	$1.32	$1.55	$1.75	$1.87	$1.99
Cash distribution per unit (declared)	$0.94	$1.51	$1.66	$1.82	$1.98
Pro forma cash distribution per unit (declared)	$1.35	$1.51	$1.66	$1.82	$1.98
Y/Y growth		11.7%	10.3%	9.5%	8.9%
Crude oil gathering segment					
Crude oil pipeline volumes (000 bpd)	57.1	59.5	60.7	62.5	64.4
Average pipeline revenue per barrel	$1.30	$1.32	$1.40	$1.46	$1.53
Pipeline gathering revenue	27.1	28.8	31.0	33.4	35.9
Trucking volume (000 bpd)	22.7	23.7	24.4	25.1	25.8
Average trucking revenue per barrel	$2.94	$2.96	$3.06	$3.15	$3.25
Trucking revenue	24.3	25.6	27.2	28.9	30.6
Pipeline and trucking revenue	51.4	54.4	58.2	62.3	66.6
Total pipeline and trucking volumes (000 bpd)	79.8	83.2	85.1	87.6	90.3
Average pipeline and trucking tariff	$1.78	$1.79	$1.88	$1.95	$2.02
Terminalling, transportation, storage segment					
Terminal volumes (000 bpd)	116.5	116.4	117.6	118.8	120.0
Average terminal revenue per barrel	$0.81	$0.83	$0.85	$0.88	$0.92
Terminal revenue	34.3	35.3	36.5	38.3	40.3

Short-haul pipeline volumes (000 bpd)	64.3	69.5	72.0	72.7	73.4
Average terminal revenue per barrel	$0.19	$0.26	$0.27	$0.28	$0.29
Short-haul pipeline revenue	4.5	6.6	7.0	7.4	7.8
Storage capacity reserved (000 barrels)	878	878	886	886	886
Average storage revenue per barrel per month	$0.51	$0.52	$0.53	$0.55	$0.57
Storage revenue	5.3	5.5	5.7	5.8	6.0
Terminalling, transportation, storage revenue	44.1	47.3	49.2	51.6	54.0
EBITDA	52.3	61.6	78.1	94.1	112.8
Interest expense	(2.2)	(2.2)	(6.0)	(8.1)	(12.3)
Maintenance capex	(4.4)	(5.3)	(6.7)	(7.9)	(9.2)
Other	0.0	0.0	0.0	0.0	0.0
Distributable cash flow	45.7	54.1	65.4	78.1	91.3
General partner distribution	(0.7)	(1.0)	(1.7)	(3.6)	(6.1)
Distributable cash flow to limited partners	45.3	53.1	63.7	74.5	85.2
DCF per unit	$1.48	$1.74	$1.94	$2.08	$2.20
Distribution coverage ratio	1.10x	1.15x	1.17x	1.14x	1.11x
Additions To PP&E	(10.7)	(20.2)	(21.7)	(22.9)	(29.2)
Acquisitions	0.0	0.0	(100.0)	(125.0)	(150.0)
Net PP&E	137.8	147.8	257.3	391.0	554.0
Long Term Debt	54.0	59.0	114.0	154.0	224.0
Debt/EBITDA	1.0x	1.0x	1.5x	1.6x	2.0x

Source: Barclays Capital estimates, company filings

ANALYST(S) CERTIFICATION(S)

We, Richard Gross and Brian J. Zarahn, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

IMPORTANT DISCLOSURES

For current important disclosures, including, where relevant, price target charts, regarding companies that are the subject of this research report, please send a written request to: Barclays Capital Research Compliance, 745 Seventh Avenue, 17th Floor, New York, NY 10019 or refer to http://publicresearch.barcap.com or call 1-212-526-1072.

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Primary Stocks (Ticker, Date, Price)

Tesoro Logistics LP (TLLP, 07-Jun-2011, USD 24.42), 1-Overweight/2-Neutral

Guide to the Barclays Capital Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as 1-Overweight, 2-Equal Weight or 3-Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry sector (the “sector coverage universe”).

In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

3-Underweight - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

RS-Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including when Barclays Capital is acting in an advisory capacity in a merger or strategic transaction involving the company.

Sector View

1-Positive - sector coverage universe fundamentals/valuations are improving.

2-Neutral - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

3-Negative - sector coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "sector coverage universe":

U.S. MLPs

AmeriGas Partners, L.P. (APU)	Atlas Pipeline Partners LP (APL)	Blueknight Energy Partners, L.P. (BKEP)
Boardwalk Pipeline Partners LP (BWP)	Breitburn Energy Partners L.P. (BBEP)	Buckeye Partners, L.P. (BPL)
Calumet Specialty Products Partners, L.P. (CLMT)	Chesapeake Midstream Partners LP (CHKM)	Constellation Energy Partners LLC (CEP)
Copano Energy LLC (CPNO)	Crosstex Energy LP (XTEX)	DCP Midstream Partners LP (DPM)
Duncan Energy Partners LP (DEP)	Eagle Rock Energy Partners LP (EROC)	El Paso Pipeline Partners, L.P. (EPB)
Enbridge Energy Partners (EEP)	Encore Energy Partners LP (ENP)	Energy Transfer Equity LP (ETE)
Energy Transfer Partners LP (ETP)	Enterprise Products Prtns LP (EPD)	Exterran Partners LP (EXLP)
Ferrellgas Partners (FGP)	Global Partners LP (GLP)	Holly Energy Partners LP (HEP)
Inergy L.P. (NRGY)	Kinder Morgan Energy Prtnrs LP (KMP)	Linn Energy LLC (LINE)
Magellan Midstream Partners, LP (MMP)	Markwest Energy Partners, LP (MWE)	Niska Gas Storage Partners LLC (NKA)

IMPORTANT DISCLOSURES CONTINUED

NuStar Energy LP (NS)	ONEOK Partners LP (OKS)	PAA Natural Gas Storage LP (PNG)
Plains All American Pipeline (PAA)	Regency Energy Partners LP (RGNC)	Spectra Energy Partners, LP (SEP)
Suburban Propane Partners (SPH)	Sunoco Logistics Partners L.P. (SXL)	Targa Resources Partners LP (NGLS)
TC Pipelines, LP (TCLP)	Teekay Offshore Partners LP (TOO)	Tesoro Logistics LP (TLLP)
Vanguard Natural Resources (VNR)	Western Gas Partners LP (WES)	Williams Partners LP (WPZ)

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Barclays Capital Inc. Equity Research has 1766 companies under coverage.

43% have been assigned a 1-Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 58% of companies with this rating are investment banking clients of the Firm.

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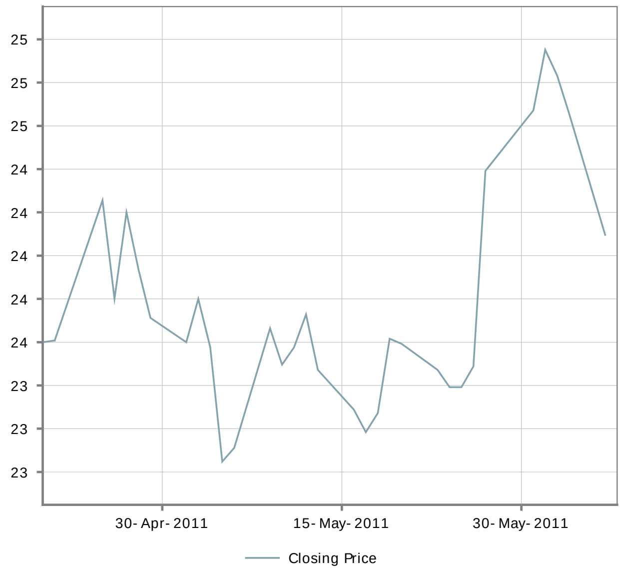
IMPORTANT DISCLOSURES CONTINUED

Tesoro Logistics LP (TLLP)	Stock Rating	Sector View
USD 24.42 (07-Jun-2011)	**1-OVERWEIGHT**	**2-NEUTRAL**

Rating and Price Target Chart - USD (as of 07-Jun-2011) **Currency=USD**



Date	Closing Price	Rating	Price Target

Link to Barclays Capital Live for interactive charting

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Tesoro Logistics LP is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

Valuation Methodology: Our $28 price target is based on a 12-month distribution run rate of $1.48 and a 5.3% target yield.

Risks which May Impede the Achievement of the Price Target: Customer concentration, rising interest rates, acquisition integration risk, pipeline tariff rates subject to regulatory review, lower refined product demand, lower crude oil production in the Bakken Shale, more stringent energy regulations, construction cost overruns, change in MLP tax status.

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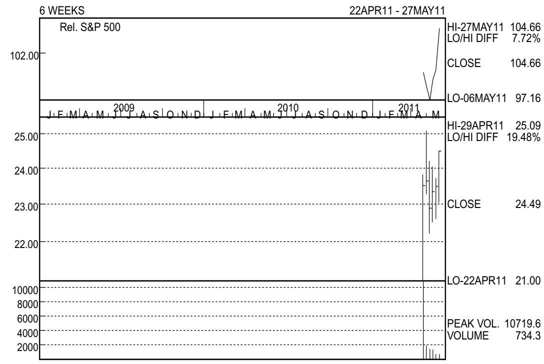

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FY Dec	2010A	2011E	2012E
DCF - FD		1.14	1.82
EPU (Op) - FD		1.00	1.46
EBITDA (MM)		52.7	67.0
P/DCF	NM	21.5x	13.5x
P/EPU	NM	24.5x	16.8x
EV/EBITDA	NM	14.2x	11.1x

DCF - FD	Q1	Q2	Q3	Q4
2011	0.00E	0.37E	0.37E	0.40E
2012	0.39E	0.44E	0.45E	0.50E
EPU (Op) - FD				
2011	0.00E	0.33E	0.33E	0.34E
2012	0.33E	0.36E	0.37E	0.40E
EBITDA (MM)				
2011	12.3E	12.8E	13.2E	14.4E
2012	14.6E	16.3E	17.1E	19.0E

All values in USD unless otherwise noted.

INITIATION | COMMENT

MAY 31, 2011

Tesoro Logistics LP (NYSE: TLLP)

Growthy MLP Story with Bakken Exposure & Drop Down Visibility

Outperform
Average Risk

Price:	24.49	**Price Target:**	28.00
		Implied All-In Return:	20%
Shares O/S (MM):	30.5	**Market Cap (MM):**	747
Dividend:	1.35	**Yield:**	5.5%
Float (MM):	30.2	**Avg. Daily Volume (MM):**	0.40
Debt to Cap:	37%	**Est Tax Deferral:**	80%

Initiating at Outperform with a $28 Price Target

We are initiating coverage on Tesoro Logistics LP (TLLP) with a price target of $28/unit, and a rating of Outperform, Average risk. We believe TLLP deserves to maintain a premium valuation given the potential for above average distribution growth from asset drop downs and exposure to the highly active Bakken Shale.

Investment Thesis

- **Long-term, fixed-fee contracts with volume commitments provide cash flow security**. TLLP generates a substantial portion of its revenue under long-term, fee-based contracts with its parent Tesoro Corp. These contracts include minimum volume commitments and fees that are indexed for inflation, which both support stability of cash flows and limit commodity exposure.
- **Solid organic growth opportunities should be nicely accretive given conservative capital structure out of the box.** TLLP exited its IPO with debt leverage of less than 1.0x and has additional borrowing capacity on its revolver of $100M. TLLP has earmarked $15.5M of near-term organic growth capex over the next two years, which we think will be invested at less than 2.0x EBITDA and grow EBITDA by over 20% even assuming no drop downs occur.
- **Significant drop-down potential offers visible growth.** The initial assets dropped to TLLP in the IPO generate roughly $50M-$55M of annual EBITDA. TLLP has right of first offer (ROFO) on a set of assets that we think can generate annual EBITDA of $50M-$80M, and we model about $5M of annualized EBITDA is dropped into the MLP every six months beginning 4Q11.

Distribution Outlook

TLLP has an annualized minimum quarterly distribution of $1.35/unit, or 5.5% at current prices. We expect distributions to increase to an annualized rate of $1.773/unit by year end 2012 following near-term organic growth projects and the next set of drop downs, which implies 30+% distribution growth over the next 18 months.

Risks

TLLP derives substantially all of its revenue from sponsor Tesoro, which provides concentration risk. Lower refined product demand could reduce Tesoro refining margins and volumes of crude and refined products handled by TLLP. Our forecast is dependent on TLLP coming to financial terms with its parent on the drop down assets.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 17.

Investment Thesis

- **Long-term, fixed-fee contracts with volume commitments provide cash flow security**. Tesoro Logistics LP (TLLP) generates a substantial portion of its revenue under long-term, fee-based contracts with Tesoro Corp ("Tesoro" or "parent"). These contracts include minimum volume commitments and fees that are indexed for inflation, which both support stability of cash flows and limit commodity exposure. Under the agreements, TLLP provides pipeline transportation, trucking, terminal distribution, and storage services to Tesoro, and Tesoro provides TLLP with minimum monthly throughput volumes of crude oil and refined products. The contracts include 10-year pipeline transportation in the Bakken on the High Plains system, a two-year trucking agreement in the Bakken, and 10-year storage and terminalling agreements in TLLP's Terminalling, Transportation, and Storage segment. We also expect TLLP to explore other opportunities to provide fee-based services through organic growth projects.
- **Solid near-term organic growth opportunities should be nicely accretive given conservative capital structure out of the box.** Tesoro Corp. has historically allocated minimal growth capex to its logistics assets because returns were not sufficient for the refining company (typically 16–20% IRRs), and the assets were viewed as a cost center. However, these returns are attractive for an MLP structure, and we believe TLLP can spend relatively small levels of capex to optimize the asset base, fill existing capacity, and add new capacity. TLLP exited its IPO with only $50 million in debt (revolver draw) and a leverage ratio of less than 1.0x Debt / 2011 EBITDA. The partnership has additional borrowing capacity on its revolver of $100 million and can expand the revolver by an additional $150 million through the accordion feature. Given this borrowing capacity, we expect TLLP to easily fund the next $100 million of organic growth capex and drop down payments through debt financing, which should make for more accretive projects. TLLP has earmarked $15.5 million of near-term organic growth capex over the next two years, which is expected to generate run-rate EBITDA of about $10.5 million. These projects will focus on filling High Plains system capacity in the Bakken and capturing additional services in the Terminalling segment. This implies very accretive projects at less than a 2.0x EBITDA multiple and the ability to grow EBITDA by over 20% even assuming no drop downs occur.
- **Significant drop-down potential offers visible ongoing growth.** The initial assets dropped to TLLP in the IPO generate roughly $50 million–$55 million of annual EBITDA. Tesoro has also identified a portfolio of assets that it has agreed to give the right of first offer (ROFO) to TLLP. The ROFO assets include three product terminals, two pipelines, and four marine terminals. Tesoro Corp. has a work team in place focused on prioritizing the potential drop downs. Some of the projects require more commercial development than others, but we expect a deliberate and ratable asset drop schedule over the next several years (for comparison purposes, the IPO process took six months and involved 10 assets, so we feel this ratable schedule is erring on the side of conservatism). In total, we estimate that the ROFO assets can generate annual EBITDA of $50 million–$80 million, which provides nice visibility on growth. We model a $50 million asset drop every 6 months beginning in the fourth quarter of 2011 using an 8–9x EBITDA multiple (so roughly $5-6 million in annual EBITDA per drop).
- **Asset footprint in regions of high demand and production growth.** TLLP's High Plains system is a premier crude gathering system in the Williston Basin (Bakken Shale), which is one of the most prolific and active onshore oil producing basins in North America. RBC estimates North Dakota rig count to increase from 177 rigs currently to about 200 by year end 2011. While estimates for future Bakken production vary widely, we see some level of consensus for Bakken production to double within the next five years (from about 400 Mbopd currently), and this could prove conservative if the current drilling pace holds. Tesoro recently announced that it is expanding its capacity at the Mandan refinery (the only refinery within 300 miles of the Bakken) from 58,000 Bopd to 68,000 Bopd, which will provide a near-term growth opportunity for TLLP (High Plains' sole function right now is to feed the Mandan refinery). In addition, as production in the play grows, there is an increasing need for crude oil takeaway capacity. We believe that TLLP is well positioned to benefit from this trend, as High Plains is ideally situated to add interconnects to third-party pipelines to increase utilization on the system (TLLP can push 70,000 Bopd to Mandan now, but the system can handle over 100,000 Bopd if interconnects are negotiated). On the terminalling side, TLLP's assets are primarily located on the West Coast, which is an area of expected growth in refined product demand.
- **TLLP is low in the GP splits, which should benefit the limited partners.** TLLP is currently in the 2% general partner splits, which should provide the opportunity for acquisitions to be more accretive to unitholders. The lower split level lowers the cost of capital versus MLPs higher in the split.

TLLP Investment Risks

We consider two sets of risks when looking at a master limited partnership. First are the risks that come from holding the asset class (think of the different risk profile between sub-sectors, like a regulated pipeline asset versus gathering and processing asset). Second are the risks associated with holding assets in a master limited partnership structure.

TLLP-Specific Risks

- TLLP derives substantially all of its revenue from sponsor Tesoro Corp. and would be adversely affected if it does not satisfy its commercial obligations to TLLP.
- Lower refined product demand could reduce Tesoro refining margins and volumes of crude and refined products handled by TLLP.
- The partnership's assets are concentrated and reduced production in the Bakken Shale could reduce volumes gathered by the High Plains system.
- Our forecast is dependent on TLLP coming to financial terms with its parent on the drop down assets. If TLLP does not come to financial terms, or if these terms are not as favorable as our forecast, this could have an impact on our analysis.

Overall MLP Risks

- **Credit markets**: Valuations are impacted by changes in overall interest rates and credit spreads. Rising interest rates or widening spreads in the credit market tend to negatively impact the valuation of MLPs.
- **Trading liquidity**: MLPs tend not to be traded as often as their corporate counterparts mainly due to accumulating tax deferrals. Therefore, trading liquidity is limited in many of the public partnerships.
- **Potential conflicts with general partner**: Most MLPs have a GP that is incentivized to grow the distribution pool (either by increasing the distribution and/or issuing more LP equity). This conflict could allow the GP to reap higher economics on transactions while the limited partners achieve minimal accretion or, worse, dilution. In addition, this potential conflict entices the GP to add riskier assets to grow the distribution pool. Investors should pay particular attention to the incentive distribution rights (IDRs) held by the GP; as the "splits" work higher, they could potentially increase the cost of equity capital for the partnership.

Valuation

Using our multi-stage dividend discount model (DDM) for the LP units, we calculate a 12-month price target of $28/unit, which implies a yield of 5.7% on our one-year-out distribution estimate of $1.57/unit. Our DDM is based on our distribution estimates for the four quarters starting one year out and then a five-year growth rate of 9% (from the current distribution rate, these assumptions result in an annualized growth rate of 13% over the next five years). We discount our DDM distributions at a rate consistent with our interest rate expectations and the risk associated with an Average risk qualifier. Our risk qualifier considers and weighs various risk factors, including TLLP's trading liquidity, debt to forward EBITDA of 0.9x, forward total unit coverage of 1.1x, diversification, and commodity exposure.

Comparable Company Valuation

We believe TLLP deserves a yield premium given the potential for above-average distribution growth over the next several years as the drop down story unfolds. Based on our analysis of comparable company valuations, TLLP is currently trading at an approximately 10% premium to the group on a yield basis. Note that our 2011 and 2012 EBITDA growth estimates assume additional debt balances to complete asset acquisitions while the valuation multiples below use the existing net debt balance of approximately $47 million.

Exhibit 1: Peer Group Valuation Comparison

Partnership	Ticker	Rating	Price	Market Cap ($MM)	Dist Ann	Current Yield	Price / 2011E DCFU	Price / 2012E DCFU	EV / 2011E EBITDA	EV / 2012E EBITDA
Tesoro Logistics LP	TLLP	O-Avg	$24.49	$747	$1.35	5.5%	16.2x	13.7x	15.1x	11.8x
Peer Average						**6.1%**	**13.6x**	**12.6x**	**12.2x**	**11.3x**
Plains All American Pipeline, LP	PAA	SP-Avg	$62.12	$9,264	$3.88	6.2%	13.2x	13.4x	10.6x	10.4x
Holly Energy Partners LP	HEP	NR	$54.96	$1,213	$3.42	6.2%	13.7x	11.4x	12.6x	11.0x
Sunoco Logistics Partners LP	SXL	SP-Avg	$84.44	$2,797	$4.78	5.7%	15.0x	15.0x	10.8x	10.6x
NuStar Energy LP	NS	NR	$63.35	$4,093	$4.30	6.8%	12.6x	11.2x	12.5x	11.2x
Enbridge Energy Partners LP	EEP	SP-Avg	$30.98	$7,894	$2.06	6.6%	12.9x	11.8x	11.0x	9.8x
Genesis Energy LP	GEL	O-Avg	$26.93	$1,740	$1.63	6.1%	12.6x	10.9x	13.8x	12.3x
Magellan Midstream Partners LP	MMP	O-Avg	$58.99	$6,650	$3.08	5.2%	15.0x	14.3x	14.3x	13.8x

Source: CapitalIQ, Company reports and RBC Capital Markets estimates; non-covered consensus include third-party estimates from CapitalIQ
Priced as of market close ET, May 27, 2011.

Distribution Structure and Outlook

TLLP Poised to Deliver Outsized Distribution Growth: TLLP has a minimum quarterly distribution (MQD) of $0.3375 per common unit or $1.35 annualized, representing a 5.5% yield at the current price. We forecast total distributions of $0.9329 in 2011 and $1.6230 in 2012, representing 74% growth as the IPO year only includes a partial distribution. However, we expect TLLP to deliver outsized distribution growth with an annualized distribution rate of $1.7730 in the fourth quarter of 2012, which represents 25% growth over the $1.4130 rate in the fourth quarter of 2011.

Incentive Distribution Rights (IDRs): IDRs, which are owned entirely by the general partner Tesoro Logistics GP, will not be triggered until common and subordinated unit holders receive an aggregate distribution of $0.388125.

Subordinated Units: Tesoro Corp. owns all of the 15.3 million subordinated units, or 49% of the total outstanding limited partner interest. The subordinated units can receive the MQD only after the common units have received the MQD and any arrearages from prior quarters. The subordination period ends after TLLP has paid the MQD for three consecutive years on or after June 30, 2014 or 150% of the MQD ($2.025) for the four quarters prior to that date.

Exhibit 2: Distribution Tiers

				Percentage Split		
				Unitholders	GP	IDR
Minimum Quarterly Distribution			$0.337500	98.0%	2.0%	0.0%
First Target	$0.337500	-	$0.388125	98.0%	2.0%	0.0%
Second Target	$0.388125	-	$0.421875	85.0%	2.0%	13.0%
Third Target	$0.421875	-	$0.506250	75.0%	2.0%	23.0%
Thereafter		>	$0.506250	50.0%	2.0%	48.0%

Source: Partnership reports

Partnership Overview

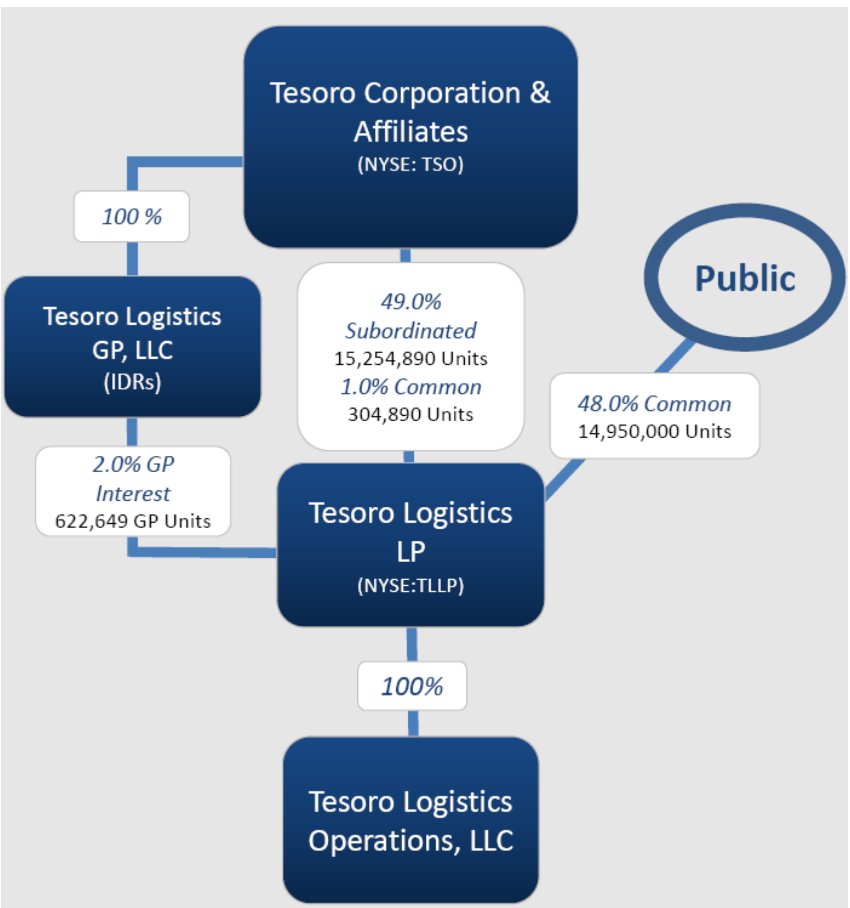
TLLP is a growth-oriented MLP formed by Tesoro Corporation[1] (TSO: $24.14: Sector Perform, Above Average Risk) to operate its gathering and processing, and short-haul pipelines, trucking and terminalling logistics assets. The partnership intends to operate its assets under long-term, minimum volume contracts with Tesoro and pursue asset drop-down growth opportunities. The initial assets are strategically located near Tesoro refineries in the Bakken Shale, West Coast, Rockies and Alaska with potential drop-downs near existing infrastructure.

TLLP was formed via an initial public offering on April 19, 2011, when Tesoro Corp., as the sole selling shareholder, sold 13,000,000 common units at a price of $21.00 per unit for net proceeds of $246.6 million. TLLP received $3 million for working capital with the balance used to fund $2 million of debt issuance costs and a $241.6 million distribution to Tesoro. Additionally, the partnership concurrently entered a $150 million credit facility and drew $50 million to fund an additional distribution to Tesoro. Following the offering and full exercise of the 1,950,000 over-allotment option, Tesoro Corp. owns 0.3 million common units, all 15.3 million subordinated units, and 0.6 million GP units (which in total represents a 52.0% interest). Common unit holders own a 48.0% common interest.

TLLP Incentive Distribution Rights Structure

Tesoro Corp. owns a 2.0% interest in all distributions in addition to holding 100% of the incentive distribution rights above minimum and target distribution levels. The incentive distribution rights entitle the general partner to receive increasing percentages, up to 48%, of distributions from operating surplus after pre-defined distribution targets.

Exhibit 3: TLLP Ownership Structure



Source: partnership presentation

[1] Covered by RBC Capital Markets, LLC analyst Jacques Rousseau; (703) 787-9014; jacques.rousseau@rbccm.com

Initial Assets Overview

As part of the IPO, Tesoro Corp. contributed crude oil and refined products logistics assets with gross book value of $193 million to the partnership, supported by fixed-fee minimum volume agreements with Tesoro. The initial assets consist of a crude oil gathering system in the Bakken Shale of North Dakota and Montana, eight refined products terminals in the Midwest and Western US, and a crude and refined products storage facility and five short-haul pipelines in Utah. The partnership's assets and operations are organized in two segments: Crude Oil Gathering and Terminalling, Transportation and Storage. Exhibit 4 summarizes the partnership's initial assets.

Exhibit 4: TLLP Initial Asset Overview

Crude Oil Gathering (~48% of EBITDA)

- Crude gathering system in Bakken Shale / Williston Basin
- ~700 miles of pipeline and trucking from wellhead to pipeline
- Primarily serves TSO's Mandan, ND refinery

Terminalling, Transportation and Storage (~52% of EBITDA)

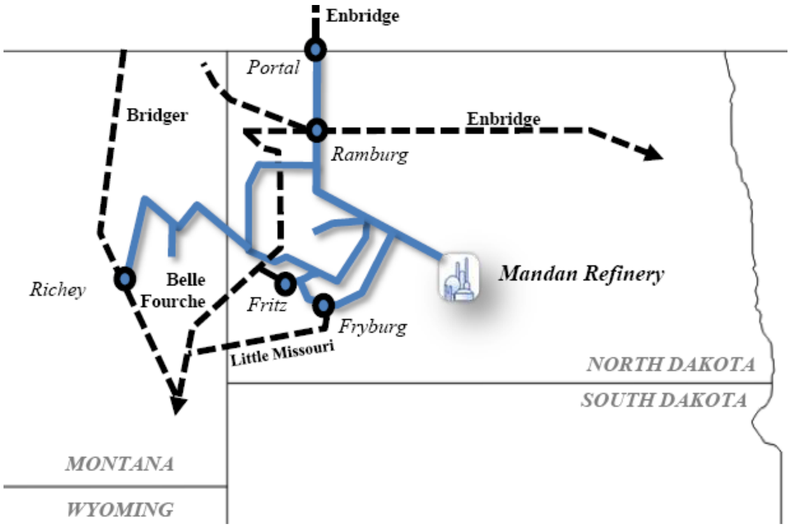
- 8 Refined product terminals
- Refined product and crude oil storage in Salt Lake City, Utah
- Short-haul pipelines in Salt Lake City, Utah

Source: Company presentations and filings

Crude Oil Gathering Segment

The partnership's common carrier High Plains system in North Dakota and Montana consists of 23,000 bpd truck-based crude gathering capacity and 700 miles of pipeline and storage assets with capacity to deliver up to 70,000 bpd to Tesoro's 58,000 bpd Mandan, ND refinery (the only refinery within 300 miles of the Bakken). We believe the High Plains assets present significant organic expansion opportunities, including capturing third party volumes and replacing truck-gathered volumes with higher margin pipe connections. The partnership expects minimum contracted volumes under agreements with Tesoro to account for approximately 88% and 97% of 2011 pipeline and trucking volumes, respectively Exhibit 5 provides a summary of the High Plains assets.

Exhibit 5: High Plains Gathering System Overview



High Plains Pipeline (~71% of Crude Volume)

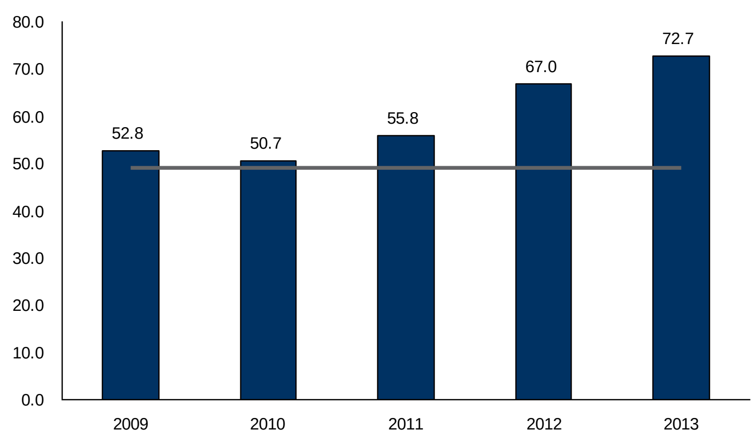
- 700 mile gathering and trunk line system across ND and MT with 70,000 bpd capacity
  - 45 proprietary gathering entry points
- Available capacity and interconnects with third party regional pipelines
- Can expand with optimization /debottlenecking and connections to third party pipelines

High Plains Truck Gathering (~29% of Crude Volume)

- 23,000 bpd truck gathering operations
- Hauls to 13 truck unloading facilities along the High Plains truck line system
- 45% proprietary and 55% third party trucks

Source: Company presentations and filings; RBC Capital Markets estimates

Exhibit 6: High Plains Pipeline Minimum and Expected Volumes (Mbpd)

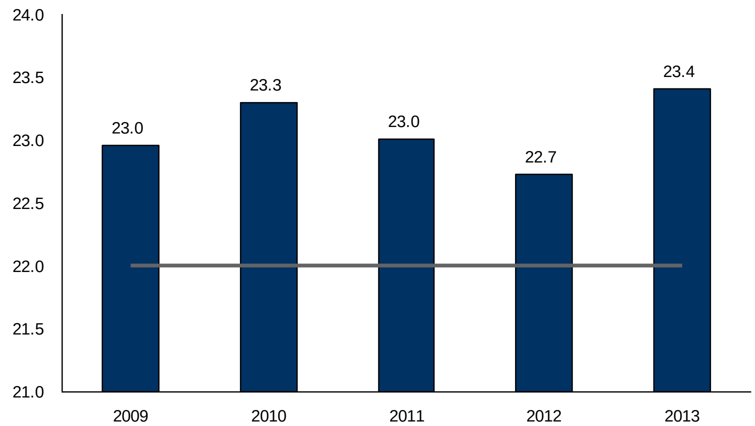


High Plains Transportation Agreement

- Tesoro reserves 70% of capacity (49,000 bpd)
- TLLP charges Tesoro for transporting crude oil from North Dakota origin points pursuant to both committed and uncommitted tariff rates, which vary depending on the origin point on the system from which barrels are transported.
  - 2009 Tariff: $1.28/bbl
  - 3Q10 LTM Tariff: $1.35/bbl
- TLLP filed a 10-Q for the March 2011 quarter on May 26, 2011. In the 10-Q, TLLP reported 1Q11 pipeline volumes of 55,301 bpd, which was 5% higher YoY on improved Mid-Continent volumes
- RBCCM volume forecast assumes 2Q12 completion of additional capacity in connection with the Mandan refinery expansion (see Exhibit 6).

Source: Company presentations and filings; RBC Capital Markets estimates

Exhibit 7: High Plains Trucking Minimum and Expected Volumes (Mbpd)



High Plains Trucking Agreement

- Tesoro is committed to 22,000 bpd
- Fee of $2.72 per truck-hauled barrel
- Additional $0.14/bbl tank usage fee
- Truck hauling fee includes a fuel surcharge
- Volumes that are shifted to pipeline gathering can relieve trucking volume commitment
- TLLP filed a 10-Q for the March 2011 quarter on May 26, 2011. In the 10-Q, TLLP reported 1Q11 trucking volumes of 21,628 bpd, which was 8% lower YoY on adverse weather. We expect volumes to normalize in 2Q11.

Source: Company presentations and filings; RBC Capital Markets estimates

Crude Oil Gathering Organic Growth Opportunities

Mandan Refinery Expansion: Tesoro parent recently announced plans to increase capacity at its Mandan refinery from 58,000 Bopd to 68,000 Bopd, with expected in-service in the second quarter of 2012. TLLP has identified $6.6 million of capital opportunities over the next 12 months to support the Mandan expansion. We expect this capex to drive an additional $6.4 million of EBITDA on an annual basis after completion in the second quarter of 2012, which implies an approximately $4.3 million contribution to full year 2012 EBITDA.

Exhibit 8: Near-Term Crude Oil Gathering Organic Growth Projects

Project	Capex ($MM)	Annual EBITDA ($MM)	Expected Completion	Description
Crude Gathering:				
High Plains	$6.6	$6.4	2Q12	Pumping, tankage and truck unloading capacity (one expansion and one additional truck unloading facility) to support TSO's Mandan refinery expansion
Total	**$6.6**	**$6.4**		

Source: Company presentations and filings; RBC Capital Markets estimates

Other Organic Growth Opportunities: Beyond what has been identified to support the Mandan refinery expansion, we believe TLLP may also pursue opportunities to capture growing Bakken take-away demand in addition to its Mandan volumes.

- Notably, referring back to Exhibit 5, TLLP has the potential to interconnect with pipelines at Portal, Fritz, and Fryburg in North Dakota and with the Bridger Pipeline in Richey, MT. While TLLP can currently push 70,000 Bopd to the Mandan refinery (stated capacity on the system), the physical capacity is over 100,000 Bopd if these interconnects can be negotiated. Two or three of the interconnects are very low capex requirements (basically turning a valve) and two or three of the interconnects are a bit more capital intensive. Regardless, we believe this is a nice source of potential growth.
- We believe TLLP may look at opportunities to move crude oil away from the Bakken (including to the West Coast), and this could include capital spent around Mandan to give the MLP that capability.
- Within the trucking segment, TLLP also may be able to better optimize its fleet over time, as the partnership currently utilizes 55% third-party trucks. This is primarily due to the difficulty to obtain and retain drivers, but if TLLP is able to increase its proprietary mix, we believe this could have some positive impact on results.
- We also believe that the partnership will seek to engage producers to replace truck-gathered volumes with pipeline volumes, which offers a higher margin.

Terminalling, Transportation, and Storage Segment

The partnership's Terminalling, Transportation, and Storage assets are located primarily on the West Coast and are comprised of eight refined products terminals and a refined products and crude storage facility with related short-haul pipelines serving Tesoro's Salt Lake City refinery. The product terminals have 229,000 bpd aggregate truck and barge delivery capacity and primarily support Tesoro's Los Angeles, Golden Eagle, Salt Lake City, Kenai, Mandan, and Anacortes refineries. The partnership expects minimum contracted volumes under agreements with Tesoro to account for approximately 86% and approximately 90% of total 2011 terminal and pipeline throughput, respectively. Exhibit 9 provides a summary overview of the refined product terminals.

Exhibit 9: Terminalling, Transportation, and Storage Asset Overview

Terminal	Capacity (bpd)	2010 Vols. (bpd)
Los Angles, CA	48,000	35,286
Stockton, CA	9,400	8,526
Salt Lake City, UT	42,000	25,457
Anchorage, AK	63,000	15,132
Mandan, ND	22,500	9,963
Vancouver, WA	19,600	8,432
Boise, ID	22,500	7,677
Burley, ID	12,000	3,477
Total Terminal	239,000	113,950
Short-haul Pipe		60,666

Refined Products Terminals

- Eight refined product terminals with aggregate truck and barge delivery capacity of 229,000 bpd
- Supports Tesoro's Los Angeles, Golden Eagle, Salt Lake City, Kenai, Mandan and Anacortes refineries
- Barge loading at Vancouver and Anchorage terminals
- 2010 volumes: 72% gasoline and blendstocks, 23% diesel, 5% jet fuel

Salt Lake City, UT Storage Facility

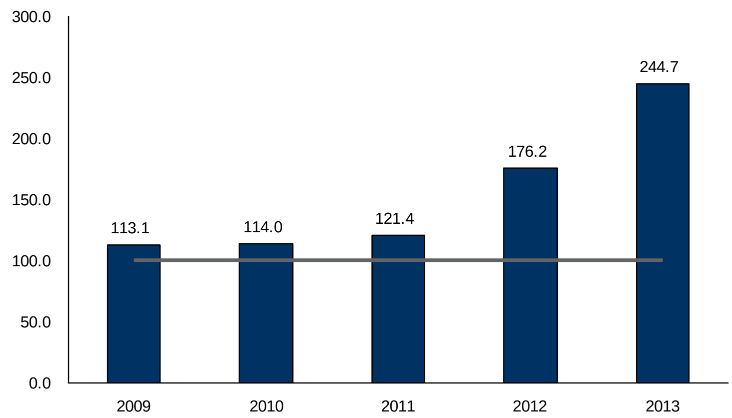
- 13 tanks with 878,000 Bbls storage capacity
- Feeds crude to TSO refinery and receives refined and intermediate products
- No terminalling capabilities

Short-haul Product and Crude Pipelines

- Three 8", 10" and 16" crude pipelines connected to Chevron and Plains All American interstate lines
- Two 6" and 8" refined products pipelines from refinery to Chevron Northwest Pipeline

Source: Company presentations and filings

Exhibit 10: Terminalling Minimum and Expected Volumes (Mbpd)



Source: Company presentations and filings; RBC Capital Markets estimates

Master Terminalling Agreement

- 100,000 bpd base terminalling volume commitments from 8 terminals
- Weighted average fee of $0.79/bbl
- 10-year contracts with two 5-year renewal options by Tesoro
- Fees rise annually on CPI escalator
- Base throughput rate and minimum commitment to ancillary service fees per Bbl
- Outlook includes volumes from our modelled drops
- TLLP filed a 10-Q for the March 2011 quarter on May 26, 2011. In the 10-Q, TLLP reported 1Q11 terminal throughput of 121,546 bpd, which was 10% higher YoY as 2010 included a scheduled turnaround.

Exhibit 11: Terminalling, Transportation and Storage Contract Overview

	Master Terminalling Agreement	SLC Storage Agreement	SLC Short-Haul Agreement
Term	10 yrs	10 yrs	10 yrs
Renewals	2 x 5 yrs	2 x 5 yrs	2 x 5 yrs
Min Vol. Commitment	100,000 bpd	878,000 Bbl	54,000 bpd
Tariff / Fee	~$0.79/Bbl	$0.25/Bbl	$0.50/Bbl/month
Escalator	CPI	CPI	CPI

Source: Company presentations and filings

Terminalling, Transportation & Storage Organic Growth Opportunities

TLLP has identified $8.9 million of capital opportunities over the next nine months within the segment, which we expect to drive an additional $4.5 million of annualized EBITDA when complete by the first quarter of 2012. Spending on the projects, which are outlined in Exhibit 12, will mostly occur in 2011 and we estimate an approximately $3.4 million impact to full year 2012 EBITDA. In general, we believe TLLP's greatest opportunities within the terminalling segment will be tapping third-party volumes. Third-party volumes were not actively pursued under Tesoro's control (so as to keep optionality open), but we believe the MLP will be better positioned to optimize the existing asset base. In addition to the identified opportunities, we believe TLLP can pursue further expansions and optimization opportunities, representing upside to our estimates.

Exhibit 12: Identified Terminalling Organic Growth Projects

Project	Capex ($MM)	Annual EBITDA ($MM)	Expected Completion	Description
Salt Lake City	$1.2	$1.4	2Q11	• Terminal rack infrastructure for ethanol blending
Stockton	$4.5	$2.6	1Q12	• Expand to capacity to capture TSO full market demand (8 Mbpd)
Los Angeles	$2.0	$0.4	1Q12	• Transmix receipt services for TSO's Los Angeles refinery
Burley	$1.2	$0.1	1Q12	• Terminal rack infrastructure for ethanol blending
Total	**$8.9**	**$4.5**		

Source: Company presentations and filings; RBC Capital Markets estimates

The Drop-Down Opportunity

TLLP has articulated a three-pronged strategy for distribution growth, which includes optimizing the existing asset base and capturing additional third-party volume, pursuing organic growth projects, and acquiring complementary logistics assets. On the acquisition front, Tesoro has granted the partnership a right of first offer to acquire certain of its logistics assets, providing a pipeline of low-hanging growth opportunities over the next several years.

Right of First Offer (ROFO) Assets

TLLP has right of first offer to acquire certain Tesoro logistics assets including terminals, pipelines, docks and storage facilities located in Alaska, California and Washington. Management has identified an inventory of assets with gross book value of $240 million. Tesoro parent has a work team in place focused on prioritizing the potential drop downs. Some of the projects require more commercial development than others, but we expect a deliberate and ratable asset drop schedule over the next several years (for comparison purposes, the IPO process took six months and involved 10 assets, so we feel this ratable schedule is erring on the side of conservatism). In total, we estimate that the ROFO assets can generate annual EBITDA of $50 million–$80 million.

We summarize the primary ROFO assets identified by the partnership in Exhibit 13.

Exhibit 13: ROFO Assets Provide Steady Inventory of Drop-Down Opportunities

Refined Product Terminals

- Golden Eagle (CA) – 38 Mbpd; no storage
- Nikisi (AK) – 2.6 Mbpd truck rack; 211 MBbls storage
- Anacortes (WA) – 1.7 bpd; no storage

Marine Terminals

- Long Beach (CA) – 104 Mbpd crude / refined products
- Amorco Wharf (CA) – 61 Mbpd crude; 425 MBbls storage
- Avon Wharf (CA) – limited vols; no storage
- Nikisi Dock (AK) – 74 Mbpd crude / refined products; 930 MBbls storage
- Anacortes (WA) – 54 Mbpd crude / refined products; 1.4 MMBbls storage

Pipelines

- Tesoro Alaska Pipeline – 69-mile pipeline with ~31 Mbpd throughput
- Los Angeles Pipeline System – 9 lines with ~45.2 Mbpd throughput

Source: Company presentations and filings

Our cash flow and distribution growth projections assume TLLP consummates $50 million of asset drops every other quarter beginning in the fourth quarter of 2011 with an average transaction multiple of 8-9x EBITDA, which implies annual EBITDA contributions of $5.5 million–$6.25 million per transaction. During our forecast period ended December 2013, we assume five transactions totalling $250 million at a 9.0x EBITDA multiple resulting in an ~$27.8 million cumulative EBITDA contribution (see Exhibit 14 below). Our asset drop assumptions drive our outsized annualized distribution growth estimates of +25% and +23% for the fourth quarter of 2012 and fourth quarter of 2013 respectively. Our full year distribution growth estimates for 2012 and 2013 of 74% and 25% are skewed by the fact that 2011 is a partial distribution year.

DCF Outlook

Our cash flow and distribution growth projections assume TLLP consummates $50 million of asset drops every other quarter beginning in 4Q 2011 with an average transaction multiple of 8-9x EBITDA, which implies annual EBITDA contributions of $5.5 million–$6.25 million per transaction. Our asset drop assumptions drive our outsized annualized distribution growth estimates of +25% and +23% for 4Q12 and 4Q13 respectively. Our full year distribution growth estimates for 2012 and 2013 of 74% and 25% are skewed by the fact that 2011 is a partial distribution year.

Exhibit 14: Asset Drop-Down Assumptions ($MM)

Period	Transaction Value	Annual EBITDA Impact	Cumulative EBITDA Impact
2011	$50	$1.1	$1.1
2012	100	4.5	8.8
2013	100	4.7	17.9
Total	**$250**		**$27.8**

We believe TLLP's solid financial position will allow it to deliver highly accretive growth through acquisitions in the near-term without the need for additional equity raises in the foreseeable future. After the IPO, TLLP has only $50 million of debt outstanding under its $150 million revolver which equates to ~0.9x Debt / forward EBITDA and ~12x of forward interest coverage. In addition to $100 million of current availability, the credit facility can ultimately be increased to $300 million with additional lender commitments.

Exhibit 15: DCF and Distribution Forecast

($ in MM, except per share data & ratios)	2011 Quarterly Results				2012 Quarterly Results						
	Q111E	Q211E	Q311E	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Adjusted EBITDA	**$12.3**	**$12.8**	**$13.2**	**$14.4**	**$14.6**	**$16.3**	**$17.1**	**$19.0**	**$52.7**	**$67.0**	**$84.6**
Cash Interest Expense	-	(0.3)	(0.6)	(0.9)	(1.1)	(1.4)	(1.7)	(1.9)	(1.7)	(6.2)	(10.5)
Maintenance CapEx	(0.8)	(1.1)	(1.1)	(1.3)	(1.2)	(1.3)	(1.4)	(1.5)	(4.3)	(5.4)	(6.3)
General Partner Interest	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.6)	(1.1)	(4.3)
Distributable Cash Flow to LP	**$11.5**	**$11.3**	**$11.2**	**$12.1**	**$12.0**	**$13.4**	**$13.8**	**$15.1**	**$46.1**	**$54.4**	**$63.4**
Distributable CF Per Unit		**$0.37**	**$0.37**	**$0.40**	**$0.39**	**$0.44**	**$0.45**	**$0.50**	**$1.14**	**$1.82**	**$2.22**
Distributions per Unit	-	**$0.24142**	**$0.33825**	**$0.35325**	**$0.36825**	**$0.39325**	**$0.41825**	**$0.44325**	**$0.93292**	**$1.62300**	**$2.02300**
Common Unit Coverage	-	**1.53x**	**1.09x**	**1.13x**	**1.07x**	**1.11x**	**1.08x**	**1.12x**	**1.22x**	**1.12x**	**1.10x**

Source: RBC Capital Markets estimates

Balance Sheet

TLLP has $50 million of outstanding long-term debt, which was a $50 million draw on its revolver. The partnership has an additional $100 million of revolver availability, which we expect to be utilized over the next year to fund organic growth and drop down acquisitions. We expect debt/EBITDA to increase from ~0.9x currently to around 3.0x by year end 2012 and 3.5x by year end 2013, which is at the high end of management's comfort zone. If the partnership undertakes larger or more numerous transactions than those assumed in our model, an equity issuance would likely be necessary.

Debt covenants are fairly relaxed, as the credit facility allows debt/EBITDA to increase to 4.5x for an acquisition, thereby allowing it to serve as a sort of bridge facility. Longer term, TLLP plans to maintain a conservative balance sheet with debt/EBITDA targeted at 3.5x and distribution coverage of 1.1x. In addition, TLLP has an accordion feature on its credit facility allowing for up to $300 million in capacity following an invitation for additional commitments.

Exhibit 16: Debt and Leverage Forecast

($ in MM, except per share data & ratios)	2011 Quarterly Results				2012 Quarterly Results						
	Q111E	Q211E	Q311E	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Total Assets	$136.7	$141.3	$142.9	$194.3	$195.1	$244.5	$243.6	$292.5	$194.3	$292.5	$384.9
Total Partners' Capital	129.8	84.3	84.0	84.0	83.3	83.0	82.3	81.7	84.0	81.7	71.9
Net Debt	-	**$47.0**	**$48.8**	**$99.6**	**$101.2**	**$150.2**	**$149.6**	**$198.4**	**$99.6**	**$198.4**	**$299.5**
Net Debt / TTM EBITDA	.0x	.9x	.9x	1.9x	1.8x	2.6x	2.4x	3.0x	1.9x	3.0x	3.5x
Interest Coverage	-	38.9x	19.6x	14.2x	10.7x	9.6x	8.5x	8.2x	26.1x	9.0x	6.7x

Source: RBC Capital Markets estimates

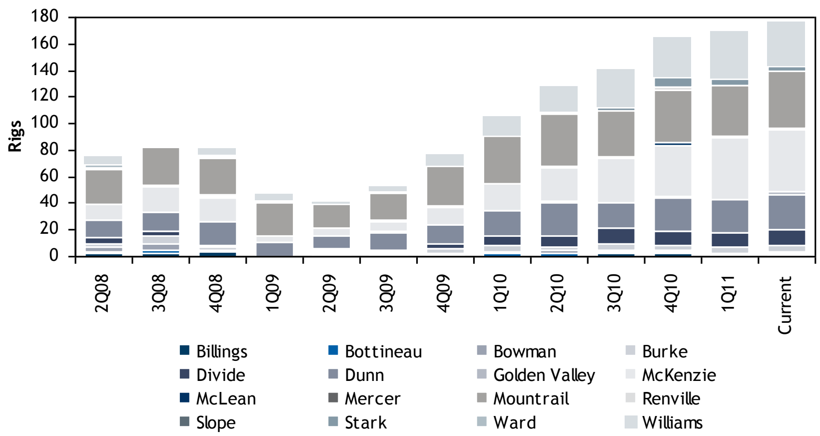
CapEx & Financing Assumptions

We estimate maintenance capex (MCX) of $4.3 million in 2011 and $5.4 million in 2012. This represents roughly 8% of EBITDA in both 2011 and 2012. For growth capital spending, we assume $10.2 million in 2011 primarily related to identified growth projects and a $50 million fourth quarter 2011 drop down. Our 2012 growth capex and acquisition estimates total $5.6 million and $100 million, respectively. We assume the capital requirements in 2011 and 2012 can be debt-funded, but if the partnership were to pursue drop downs at a faster than the expected pace, we anticipate future large acquisitions to be funded with a 50/50 debt to equity ratio to maintain leverage at or below 3.5x.

The Bakken Shale Advantage

Well Positioned for Bakken Shale / Williston Basin Production Growth: The Bakken Shale is a leading unconventional oil producing zone within the Williston Basin, which extends across North Dakota, South Dakota, Montana and parts of southern Canada. After a 2008 study, the US Geological Survey classified the Bakken as the largest "continuous" oil accumulation assessed by it to date, with 3.0 – 4.3 BBbls of technically recoverable reserves. TLLP's High Plains assets are uniquely levered to Bakken production growth which should remain robust as favorable economics drive increasing rig counts.

Exhibit 17: North Dakota Rig Count



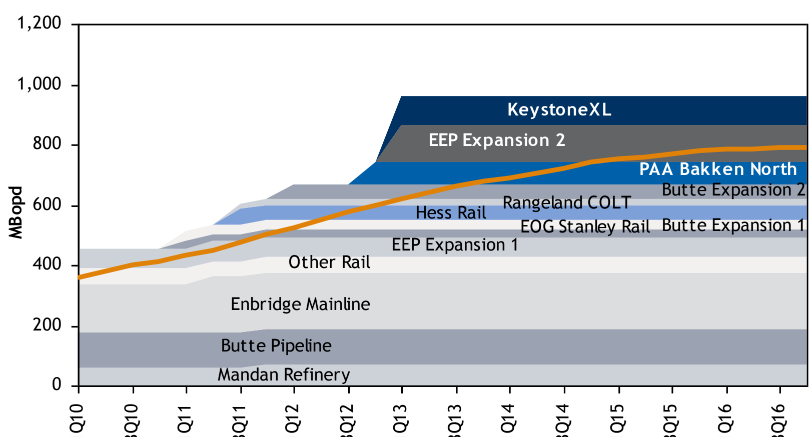
- Current rig count of 177 rigs as of May 16, 2011

Rig Count data and highlights are pulled from RBC Capital Markets E&P Analyst Scott Hanold's latest Bakken & Three Forks Update published March 24, 2011:

- **Robust Activity** continues with most operators planning to increase rig counts. We estimate the current rig count to near 200 by 2011YE.
- **Frac Capacity** is tight but some operators are committing to dedicated crews. We estimate there are around 30 crews working the basin with another half dozen on the way.
- **Bigger Still Better** more companies talking about increased well laterals and higher intensity (more stages, fluid, proppant) fracs because of improved well performance.
- **Pad Drilling** becoming in vogue now that HBP is less of an issue. This should improve operational efficiencies and reduce well costs.

Source: North Dakota Industrial Commission, Company Reports, RBC Capital Markets estimates

Exhibit 18: Bakken Shale Production Growth vs. Takeaway Capacity



- There is competition for takeaway from the Bakken Shale, but we believe the partnership will increasingly have opportunities to expand and optimize its High Plains system to capture additional third-party volumes
- Orange highlighted production forecast is a forecast for illustrative purposes from the North Dakota Pipeline Authority and does not necessarily reflect RBC's current production forecast

Source: Company presentations and filings, North Dakota Pipeline Authority, RBC Capital Markets estimates

Management

Tesoro Logistics GP, LLC, the general partner of TLLP, will manage the partnership's operations and draws on a deep bench of executive talent with an average of 27 years of industry experience.

Team

Gregory J. Goff – Chairman and Chief Executive Officer

Mr. Goff has been the chairman and chief executive officer of Tesoro Logistics GP since December 2010. Mr. Goff joined Tesoro Corporation as chief executive officer and president in May 2010. Prior to joining Tesoro Corporation, Mr. Goff served as a director of the GP of DCP Midstream from October 2008 to April 30, 2010. Mr. Goff spent the majority of his 29-year career with ConocoPhillips including as director and CEO of Conoco JET Nordic (1998-2000), MD of Conoco Limited (2000-2002), president of ConocoPhillips European and Asia Pacific downstream (2002-2004) and president of ConocoPhillips US Lower 48 and Latin America exploration and production business (2004-2006). Mr. Goff received a bachelor's of science degree from the University of Utah in 1978 and an MBA from the University of Utah in 1981. He initially expects to spend 15% of his time managing the business of the partnership.

Phillip M. Anderson – President and Director

Mr. Anderson has been president of Tesoro Logistics GP since December 2010. He has served as Vice President, Strategy for Tesoro since April 2010. Mr. Anderson has held a variety of senior management roles at Tesoro Corp including Vice President, Financial Optimization & Analytics and Vice President, Treasurer since joining Tesoro in 1998 as Senior Financial Analyst. Prior to his tenure at Tesoro, he served in a variety of finance roles at Ford Motor Co. for eight years. Mr. Anderson holds a bachelor's degree in economics from The University of Texas at Austin and an MBA from Southern Methodist University in Dallas. He will spend substantially all of his time managing the affairs of the partnership.

Scott G. Spendlove – Chief Financial Officer, Vice President and Director

Mr. Spendlove has been the chief financial officer, principal accounting officer and vice president of Tesoro Logistics GP since December 2010. He has served as chief financial officer and senior vice president of Tesoro Corporation since May 5, 2010. Mr. Spendlove has served in a variety of senior financial management roles since joining Tesoro in 2002 including Senior Vice President of Risk Management, Vice President of Asset Enhancement & Planning, Vice President of Strategy and Long-Term Planning, Vice President and Controller, Vice President of Finance and Treasurer. Prior to Tesoro, Mr. Spendlove held various positions in accounting, finance and investor relations at Ultramar Diamond Shamrock Corporation and Unocal beginning in 1997. Mr. Spendlove holds a bachelor's degree in accounting from Brigham Young University and an MBA from California State University. He initially expects to spend 20% of his time managing the business of the partnership.

Ralph J. Grimmer – Vice President Operations

Mr. Grimmer has been Vice President of Operations of Tesoro Logistics GP since December 2010 and is responsible for Tesoro's pipelines and refined product terminals, crude oil and refined products trucking, and rail operations. He joined Tesoro in 2006 and has held various operational roles including Vice President, Logistics; Vice President, Competitor Analysis; Vice President, Mergers and Acquisitions; and Vice President, Strategic Analysis. Prior to joining Tesoro, Mr. Grimmer served in a variety of consulting, marketing and logistics positions with Baker & O'Brien and Motiva Enterprises. Mr. Grimmer began his career with Texaco in 1974 as a ;r after receiving a bachelor's degree in chemical engineering from Texas Tech University. He initially expects to spend 70% of his time managing the business of the partnership.

Valuation

Using our multi-stage dividend discount model (DDM) for the LP units, we calculate a 12-month price target of $28/unit, which implies a yield of 5.7% on our one-year-out distribution estimate of $1.57/unit. Our DDM is based on our distribution estimates for the four quarters starting one year out and then a five-year growth rate of 9% (from the current distribution rate, these assumptions result in an annualized growth rate of 13% over the next five years). We discount our DDM distributions at a rate consistent with our interest rate expectations and the risk associated with an Average risk qualifier. Our risk qualifier considers and weighs various risk factors, including TLLP's trading liquidity, debt to forward EBITDA of 0.9x, forward total unit coverage of 1.1x, diversification, and commodity exposure.

Price Target Impediment

Among the key issues that could impede our price target are:

- Acquisition risk;
- Damage to pipeline infrastructure;
- Commodity price risks;
- TLL is dependent on Tesoro Corp parent for substantially all of its revenue, so any inability to meet its requirements with Tesoro would negatively impact results.
- Trading liquidity in the units is relatively low; and
- Other risks, including prolonged declines in volumes, interest rates, and regulatory risk.

Company Description

TLLP is a growth oriented MLP formed by Tesoro to operate its gathering and processing and short-haul pipelines, trucking and terminalling logistics assets. The partnership intends to operate its assets under long-term, minimum volume contracts with Tesoro and pursue asset drop-down growth opportunities. The initial assets are strategically located near Tesoro refineries in the Bakken Shale, West Coast, Rockies and Alaska with potential drop-downs near existing infrastructure.

($ in MM, except per share data & ratios)	2011 Quarterly Results				2012 Quarterly Results						
	Q111E	Q211E	Q311E	Q411E	Q112E	Q212E	Q312E	Q412E	FY11E	FY12E	FY13E
Crude Oil Gathering	12.1	12.5	12.9	13.1	13.2	13.6	14.3	15.0	50.6	56.1	61.8
Terminalling, Transport. & Storage	10.9	11.2	11.4	13.4	13.4	15.9	16.5	19.0	46.9	64.8	85.5
Total Revenue	$23.0	$23.7	$24.3	$26.5	$26.6	$29.5	$30.9	$34.0	$97.5	$120.9	$147.3
Total Costs and Expenses	12.9	13.1	13.4	14.9	15.0	16.7	17.2	19.0	54.3	67.9	81.6
Operating Income	$10.1	$10.6	$10.9	$11.6	$11.6	$12.8	$13.6	$14.9	$43.2	$53.0	$65.7
Interest Expense	-	(0.3)	(0.7)	(1.0)	(1.4)	(1.7)	(2.0)	(2.3)	(2.0)	(7.4)	(12.5)
Net Income	$10.1	$10.3	$10.2	$10.6	$10.3	$11.1	$11.6	$12.6	$41.2	$45.6	$53.1
General Partner Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.8	0.9	1.1
LP Interest In Net Income	$9.9	$10.1	$10.0	$10.4	$10.1	$10.9	$11.4	$12.3	$40.3	$44.7	$52.1
Diluted Earnings (loss) per Unit		$0.33	$0.33	$0.34	$0.33	$0.36	$0.37	$0.40	$1.00	$1.46	$1.71
Average Units Outstanding	-	30.5	30.5	30.5	30.5	30.5	30.5	30.5	22.9	30.5	30.5
Adjusted EBITDA	$12.3	$12.8	$13.2	$14.4	$14.6	$16.3	$17.1	$19.0	$52.7	$67.0	$84.6
Distributable Cash Flow											
Adjusted EBITDA	$12.3	$12.8	$13.2	$14.4	$14.6	$16.3	$17.1	$19.0	$52.7	$67.0	$84.6
Cash Interest Expense	-	(0.3)	(0.6)	(0.9)	(1.1)	(1.4)	(1.7)	(1.9)	(1.7)	(6.2)	(10.5)
Maintenance CapEx	(0.8)	(1.1)	(1.1)	(1.3)	(1.2)	(1.3)	(1.4)	(1.5)	(4.3)	(5.4)	(6.3)
General Partner Interest	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.6)	(1.1)	(4.3)
Distributable Cash Flow to LP	$11.5	$11.3	$11.2	$12.1	$12.0	$13.4	$13.8	$15.1	$46.1	$54.4	$63.4
Distributable CF Per Unit		$0.37	$0.37	$0.40	$0.39	$0.44	$0.45	$0.50	$1.14	$1.82	$2.22
Distributions per Unit	-	$0.24142	$0.33825	$0.35325	$0.36825	$0.39325	$0.41825	$0.44325	$0.93292	$1.62300	$2.02300
Common Unit Coverage	-	1.53x	1.09x	1.13x	1.07x	1.11x	1.08x	1.12x	1.22x	1.12x	1.10x
Balance Sheet											
Total Assets	$136.7	$141.3	$142.9	$194.3	$195.1	$244.5	$243.6	$292.5	$194.3	$292.5	$384.9
Total Partners' Capital	129.8	84.3	84.0	84.0	83.3	83.0	82.3	81.7	84.0	81.7	71.9
Net Debt	-	$47.0	$48.8	$99.6	$101.2	$150.2	$149.6	$198.4	$99.6	$198.4	$299.5
Net Debt / TTM EBITDA	.0x	.9x	.9x	1.9x	1.8x	2.6x	2.4x	3.0x	1.9x	3.0x	3.5x
Interest Coverage	-	38.9x	19.6x	14.2x	10.7x	9.6x	8.5x	8.2x	26.1x	9.0x	6.7x

Source: RBC Capital Markets estimates & Company Reports

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May 31, 2011

Equity Research

Tesoro Logistics L.P.

TLLP: We Are Initiating Coverage With An Outperform Rating

Outperform / V

Sector: Small Cap Pipeline MLPs
Overweight

Initiation of Coverage

- **We Are Initiating Coverage Of Tesoro Logistics L.P. (TLLP) With An Outperform Rating On The Units.** TLLP has (1) 100% fee-based cash flow, (2) a conservative capital structure, and (3) a strong general partner (GP) that is a source for organic growth and drop-down acquisition opportunities, in our view. We forecast a five-year distribution compound annual growth rate (CAGR) of 9.1%, assuming average annual (1) acquisitions of $100 million and (2) growth capex of $25 million. TLLP is likely to trade at a premium to other small-cap pipeline master limited partnerships (MLPs), in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year visible growth outlook, and (3) TLLP's low-risk business model.
- **Visible Growth Tied To Organic Initiatives And Drop-Downs.** TLLP has built-in growth over the next several years, supported by (1) capital expenditures earmarked primarily for Bakken Shale expansions and (2) potential acquisition opportunities. The GP sponsor Tesoro Corporation (TSO) owns additional logistics assets that it could drop down to TLLP over time, potentially more than doubling the partnership's size. Further, TLLP should be an active participant in the third-party acquisition market for midstream assets. Management has stated its intent to use the MLP vehicle to build Tesoro's logistics business.
- **A Low-Risk Profile Supported By Fee-Based Cash Flow, Favorable Contracts, And A Strong Balance Sheet.** TLLP derives 100% of its revenue from fee-based contracts and has limited volumetric risk due to ten-year minimum volume commitments for all of its assets with its key customer TSO. With a debt-to-EBITDA ratio of about 1x, TLLP has the financial flexibility to undertake meaningful investments to develop its logistics franchise, in our view.
- **Customer And Geographic Concentration Risks Exist**. The partnership relies on TSO as the key customer for all of its assets (about 93% of pro forma 2010 EBITDA) and a source for potential drop-downs. Consequently, the partnership is highly dependent on TSO's refining operations, midstream investments, and financial position, in our view. In addition, a majority of TLLP's revenue is derived from its operations in the Bakken Shale (about 53%).

	2010A	2011E		2012E	
DCF/unit		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	NE	$0.35		$0.42	
Q2 (June)	NE	0.36		0.42	
Q3 (Sep.)	NE	0.37		0.44	
Q4 (Dec.)	NE	0.38		0.44	
FY	NE	$1.46		$1.71	
CY	NE	$1.46		$1.71	
FY P/DCF	NM	16.8x		14.3x	
Rev.(MM)	NE	$96		$116	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, ♞ = Company is on the Priority Stock List

[1]Q1 2011 and 2011 figures are pro forma estimates

Ticker	TLLP
Price (05/27/2011)	$24.49
52-Week Range:	$22-26
Shares Outstanding: (MM)	30.5
Market Cap.: (MM)	$746.9
S&P 500:	1,331.10
Avg. Daily Vol.:	145,229
Dividend/Yield:	$1.35/5.5%
LT Debt: (MM)	$50.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	9.1%
CY 2011 Est. P/DCF/unit-to-Growth:	1.8x
Last Reporting Date:	05/26/2011 Intraday

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Valuation Range: $26.00 to $28.00 from NA to NA
Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 1.25%, and (2) a price-to-distributable cash flow multiple of 15x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Investment Thesis:
TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year growth outlook from potential drop-down opportunities and organic growth initiatives, and (3) TLLP's low-risk business model. We forecast a five-year distribution CAGR of 9.1%, assuming average annual (1) acquisitions of $100 million and (2) growth capex of $25 million. At least 80% of TLLP's distribution is expected to be tax deferred.

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Please see page 12 for rating definitions, important disclosures and required analyst certifications

Company Description:

Tesoro Logistics, L.P. is a publicly traded MLP that owns and operates a crude oil gathering system in the Bakken Shale, eight refined products terminals that primarily serve the Western United States market, and pipeline and storage assets located in Salt Lake City, Utah. The general partner of TLLP is Tesoro Corporation, which is one of the largest independent refiners in the United States.

I. GP Sponsor Supports Growth From Acquisitions And Stability In Cash Flow

Tesoro Corporation (TSO). TLLP's strategic relationship with its GP sponsor Tesoro Corporation enhances the partnership's growth prospects, in our view. TSO serves as a strong partner to jointly pursue third-party acquisitions and as a source for potential drop-down acquisitions. TSO has a sizeable portfolio of logistics assets, which the partnership could acquire over time to augment distribution growth. As TLLP's largest customer, TSO also supports stability in the partnership's cash flow through its long-term transportation, terminalling, and storage agreements with minimum volume commitments.

Tesoro Corporation is one of the leading independent refining companies in the United States. The company operates seven refineries primarily located in the Western United States with total refining capacity of 664,500 barrels (bbls) per day. In addition to refining assets, the company has a network of 880 retail stations in 15 states that sell transportation fuels primarily under the *Tesoro*, *Shell*, *USA Gasoline*, and *Mirastar* brands. Founded in 1968, TSO was originally focused on the exploration and production of crude oil. In 1969, TLLP purchased its first refinery near Kenai, Alaska. During the 1990s, TSO began to focus on its petroleum and marketing businesses and sold non-core assets including its exploration and production operations. From 1998 to 2002, TSO acquired refineries in Hawaii, Washington, North Dakota, Utah, and California. In 2007, the company acquired the Los Angeles refinery and 278 *Shell*-branded retail stations from Shell Oil Products. During this ten-year period, TSO increased its total refining capacity to 664,500 bbls per day from 72,000 bbls per day. The company is now the second-largest independent refiner and marketer in the United States, with an enterprise value of approximately $5 billion.

II. Investment Highlights

(1) <u>A Play On Infrastructure Development In The Bakken Shale</u>

We believe TLLP offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure. Crude oil gathering revenue from this region (i.e., the High Plains System) is expected to account for 53% of the partnership's total revenue projected for the 12 months ending March 31, 2012 (S-1 guidance). There are several larger MLPs that are investing in the Bakken Shale, but their potential upside is less impactful, in our view, given the relative size and geographic diversity of these partnerships. TLLP owns a crude oil gathering system tied to production from the Bakken Shale/ Williston Basin. The High Plains System includes 700 miles of pipeline with the capacity to deliver up to 70,000 bbls per day to TSO's Mandan, North Dakota refinery and trucking operations that gather about 23,000 bbls per day of crude oil from the region.

We anticipate the expansion of TLLP's footprint in the Bakken Shale to be a driver of organic growth for the partnership over time. TLLP already has committed to one project (i.e., an expansion of its High Plains System by Q2 2012 to accommodate the capacity addition at TSO's Mandan refinery). The partnership has identified other potential opportunities that have not been incorporated in its S-1 guidance. At this juncture, management has not quantified the potential amount of investments. For modeling purposes, we have assumed growth capex of $25 million annually in 2012-16, which may prove to be conservative. TLLP's potential projects in the Bakken Shale include the following:

(1) Expansion of the High Plains System through the construction of additional gathering lines to access new drilling locations.
(2) To establish additional outlet connections between the High Plains System and third-party regional pipelines, which would increase optionality for shippers and capture incremental third-party volume. Management has identified five potential interconnections that it believes could be accomplished with minimal capital: Enbridge's pipelines at Ramburg, North Dakota and Portal at the U.S./Canadian border, and True Companies' Bridger pipeline at Richey, Montana, Belle Fourche pipeline at Fritz, North Dakota, and Little Missouri pipelines at Fryburg, North Dakota.
(3) Increase High Plains System's throughput capacity with additional pumping capacity.
(4) Construction of a rail facility at TSO's Mandan refinery to increase the Williston Basin takeaway capacity for crude oil.

The Bakken Shale is one of the major emerging oil plays in North America. It is a key crude oil resource with approximately 4.0-6.3 billion bbls of recoverable reserves (including the underlying Three Forks formation), according to the North Dakota Department of Mineral Resources. This compares with total U.S. proved reserves of 19.1 billion bbls. The Bakken play is a formation in the Williston Basin, which is spread across parts of North Dakota, South Dakota, Montana, and Canada. Development in the Bakken Shale has accelerated given the favorable crude oil price environment, advancements in drilling technologies, and E&P companies' focus on liquids-rich areas due to more favorable economics. Specifically, the rig count tied to the play in North Dakota has increased 130% year over year, to 128 rigs as of May 6, 2011, from 98 rigs in the comparable year ago period, according to the Land Rig Newsletter. The North Dakota Department of Mineral Resources forecasts that oil production in North Dakota could reach 450,000-700,000 bbls per day within the next 3-7 years. For the U.S. portion of the Williston Basin, crude oil production could ramp up to 550,000-800,000 bbls per day during the 2015-2020 time frame, according to the state agency.

(2) Visible Multiyear Growth Outlook

Current slate of organic growth projects provides visible/meaningful upside potential. TLLP has earmarked $15.5 million of growth capex over the next two years. Incremental cash flow from these projects is expected to result in an 18% year-over-year increase in EBITDA for the 12 months ending March 31, 2013. The sizeable increase is primarily attributable to the attractive returns from enhancing TLLP's existing assets (i.e., an EBITDA multiple of less than 2x) and the relatively small size of the partnership (percentage change is more meaningful off of a smaller base, all else being equal).

As previously noted, TSO plans to increase the capacity at its Mandan refinery by 10,000 bbls per day to 68,000 bbls per day by Q2 2012. TLLP plans to spend about $6.5 million to add pumping, tankage, and truck unloading capacity to its High Plains System to support the Mandan refinery expansion. The partnership is also investing approximately $9 million to increase capacity and enhance its service capabilities at its terminals (e.g., ethanol blending, transmix). Specifically, TLLP is adding 8,000 bbls of storage capacity at Stockton by Q1 2012 for $4.5 million, ethanol blending capabilities at Salt Lake City and Burley in H1 2012 for $2.4 million, and transmix receipt services at its Los Angeles terminal by Q1 2012 for $2.0 million.

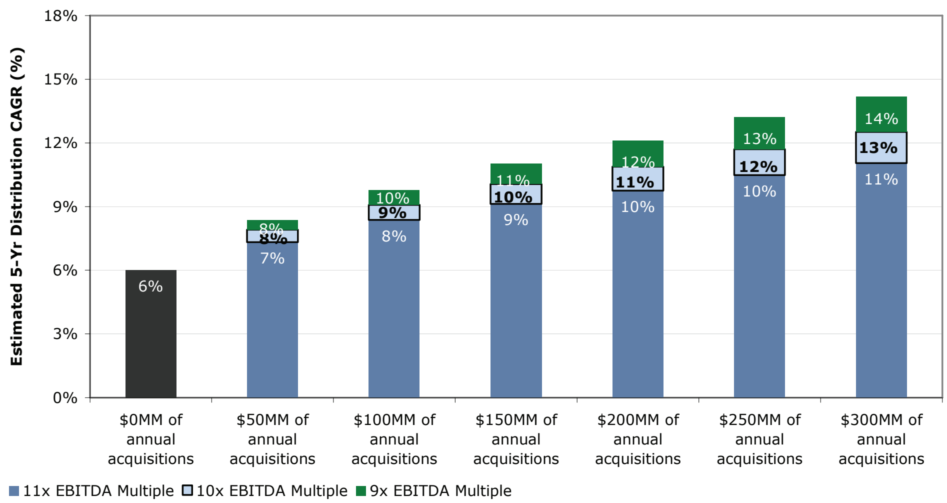
Modest distribution growth even absent acquisitions. According to our model, TLLP is well positioned to deliver a five-year distribution CAGR of 6.0%, assuming the $15.5 million of identified projects noted previously, $25 million of annual growth capex at an average EBITDA multiple of 6.0x in 2012-16, no acquisitions, and a distribution coverage ratio of 1.1x. Alternatively, if we assume that TLLP undertakes $250 million ($50 million annually at an EBITDA multiple of 6.0x) of organic growth initiatives and no acquisitions, this would increase our five-year distribution CAGR estimate to 7.9%, all else equal.

Upside beyond organic growth could potentially come from acquisitions. We forecast a five-year distribution CAGR of 9.1% predicated on assumed acquisitions of approximately $500 million in 2012-16 (or a $100 million transaction each year) completed at an EBITDA multiple of 10x and average annual growth capex of approximately $25 million during that period. Potential acquisitions will likely be a mix of drop-downs from TSO and third-party acquisitions, in our view.

All else being equal, we forecast that a $50 million increase or decrease in our assumed acquisition spending estimate will increase or decrease our five-year distribution CAGR by roughly 1-2%, depending on the EBITDA multiple assumed (i.e., lower multiples imply higher growth leverage from acquisition spending). Figure 1 illustrates the sensitivity of our distribution growth forecast to varying levels of assumed acquisition spending and EBITDA multiples. Key assumptions used in this analysis are as follows:

- Acquisition multiples in the range of 9-11x EBITDA.
- Maintenance capex of approximately 9% of EBITDA, which is in line with TLLP's guidance for the 12 months ending March 31, 2012.
- Acquisitions in 2012 financed 100% with debt given that TLLP currently has only $50 million of debt outstanding. We estimate 50% debt and 50% equity financing thereafter. Finally, we assume a long-term average interest rate of 6.75% and yield of 6.25% for the equity portion of the financing.

Figure 1. Five-Year Distribution CAGR Sensitivity Based On Acquisition Assumptions



Source: Wells Fargo Securities, LLC estimates

Drop-down of TSO's remaining logistics assets could double the size of TLLP. Based on an acquisition multiple of 10x EBITDA, we estimate approximately $660-680 million of immediate drop-down potential for TLLP. Management has not disclosed the earnings generated by TSO's remaining portfolio of midstream assets. However, it did note that the aggregate gross book value of TSO's retained logistics assets was $240 million as of December 31, 2010. This compares with the gross book value of $193 million for the assets currently in TLLP. Assuming that the relative gross book values are proportionate to cash flow, EBITDA of potential drop-down assets could approximate $66 million. Alternatively, we estimate EBITDA of $68 million for TSO's remaining portfolio of midstream assets based on the assets' average throughput in 2009 and 2010, estimated market-based rates, and margins in line with TLLP's S-1 guidance.

Entitled to right of first offer for future TSO midstream divestitures. For a period of ten years after its IPO, TLLP has a right of first offer to acquire certain logistics assets if TSO decides to sell them. Potential drop-down assets include three terminals, two pipelines, and five marine terminals located in Alaska, California, and Washington. Having the right of first offer on substantially all of TSO's potential midstream divestitures should mitigate competition with third parties for future acquisition opportunities, which we view as a significant benefit for the partnership.

(3) TLLP Has A Relatively Low-Risk Business Model And Stable Cash Flow

100% fee-based revenues with no direct commodity exposure. TLLP derives 100% of its cash flow from fee-based, transportation, terminalling, and storage contracts with limited volumetric risk. Essentially, the partnership receives a fee per unit (bbl) handled by its gathering system, terminals, pipelines, and/or storage assets. It does not take title to the product it handles and has no direct exposure to the price of crude oil or refined products. Accordingly, TLLP's cash flow should be relatively stable, in our view. While the partnership has no direct commodity exposure, changes in commodity prices can ultimately affect the partnership's volume. For example, if crude oil prices were to decline significantly, the development of the Bakken Shale could slow down. Consequently, a decrease in producer drilling activity in the region could lower TLLP's future gathering throughput, thereby, decreasing cash flow.

Long-term commercial agreements with TSO bolster stability of cash flow. TSO is the partnership's primary customer and accounted for 93% of TLLP's pro forma 2010 EBITDA. The company is expected to account for 97% of the partnership's revenue for the 12 months ending March 31, 2012, compared to 96% of pro forma 2010 revenue. Notably, TLLP's contracts with TSO are long-term in nature. For the High Plains System, TLLP entered into a ten-year crude oil gathering and transportation agreement and a two-year trucking transportation services agreement with TSO, which is the primary shipper on the system. In addition, TLLP secured a ten-year services agreement for all eight of its terminals and ten-year transportation and storage contracts for its assets in Salt Lake City. All ten-year agreements may be renewed for two additional five-year terms at TSO's option. The trucking contract will automatically be extended for successive two-year terms, up to a maximum of ten years. These long-term agreements should provide the partnership with a reliable stream of cash flow into the future, in our view.

Ten-year minimum volume commitments also mitigate volatility of cash flow. Unlike for many other midstream operators, TLLP's volumetric risk is limited through a minimum volume commitment feature in all of its agreements with TSO. This feature should mitigate the sensitivity of the partnership's cash flow to variability in throughput volume for the first ten years of the partnership's existence. Notably, management estimates that 84% of TLLP's projected revenue for the 12 months ending March 31, 2012, is supported by its minimum volume commitments (i.e., $81.7 million out of $97.3 million). This implies that TLLP's distribution coverage ratio would approximate 0.73x (cash flow deficit of $11.4 million) if the partnership realized only the minimum volume during that time frame and did not realize a commensurate decrease in operating expenses.

Annual fee escalators should offset potential inflationary cost pressures. The High Plains pipeline rate is subject to the Federal Energy Regulatory Commission (FERC) indexing methodology. Based on the formula of PPI plus 2.65%, TLLP should benefit from a 6.8% rate increase in July 2011. TLLP's terminalling fees and Salt Lake City transportation and storage fees are subject to automatic annual escalators. This should help mitigate the impact of potential increases in the partnership's cost structure in the future. The fees are adjusted annually by a percentage equal to the change in the consumer price index. Alternatively, if management is successful in keeping expenses level, the annual rate increases should result in modest margin growth, all else being equal.

(4) Conservative Capital Structure Provides Flexibility To Pursue Growth Objectives

Strong balance sheet. With only $50 million of debt outstanding and a debt-to-EBITDA ratio of 1.0x, TLLP has the financial flexibility to pursue organic growth initiatives and acquisitions, in our view. The partnership has a $150 million revolving credit facility, which expires in April 2014, with a $150 million accordion feature. This provides TLLP the option to meaningfully increase its borrowing capacity in the future. TLLP's total liquidity of $100 million should be more than sufficient to finance its estimated 2011 growth capital expenditures of approximately $8 million.

We believe that TLLP will maintain a strong balance sheet and a relatively conservative capital structure of 50% debt and 50% equity over the long term. We forecast that the partnership could end 2011 and 2012 with a debt-to-EBITDA ratio of 1.1x and 2.6x, respectively. This compares favorably to the median ratio of 4.0x for other small-cap pipeline MLPs.

For 2012, we forecast that TLLP will spend $25 million of growth capex. Our model also incorporates a $100 million acquisition assumption in Q1 financed with 100% debt. We forecast that the partnership could end 2012 with $76 million of liquidity and a debt-to-EBITDA ratio of 2.6x, which compares with the maximum permitted covenant threshold of 4.0x.

IDR reset option enables management to better control cost of capital. Similar to other MLPs, TLLP has an IDR "reset" option in its partnership agreement. The reset option gives management better control of the partnership's cost of capital over the long term and allows TLLP to better compete for acquisitions and/or invest in organic projects that would otherwise not be accretive when the partnership becomes "deep in the splits," in our view. As stipulated by the agreement, the general partner (TSO) holds the right to reset, at higher levels, the minimum quarterly distribution and incentive distribution levels. The cumulative cash flow accruing to the GP would not be altered, but instead, the future cash flow stream is affected.

III. Overview Of TLLP's Assets

TLLP owns and operates crude oil and refined product logistics assets. Specifically, the partnership owns crude oil gathering pipelines and a truck-based crude oil gathering operation tied to production from the Bakken Shale/Williston Basin (i.e., the High Plains System). The system supplies crude oil to TSO's Mandan refinery in North Dakota. In addition, TLLP owns and operates eight refined product terminals with associated storage facilities located primarily in the Western United States, and five short-haul pipelines and storage assets in Salt Lake City, Utah. TLLP's terminalling assets are primarily tied to TSO's refinery operations and play an integral role in helping TSO distribute refined products to market.

Figure 2. Overview Of TLLP Assets

(Barrels per day)	Location	2010 Throughput	Mgmt. Guidance TTM 3/31/12	Total Capacity
Crude Oil Gathering (i.e. High Plains)				
Pipelines	ND and MT	50,695	58,000	70,000
Truck-based crude oil gathering	ND and MT	23,305	22,900	-
Total Throughput		**74,000**	**80,900**	-
Terminalling, Transportation and Storage				
Eight refined products terminals		113,950	115,200	229,000
5 short-haul pipelines	Salt Lake City, UT	60,666	65,800	-
Storage facility	Salt Lake City, UT	-	-	878,000

Source: Partnership reports

We expect TLLP's Crude Oil Gathering Segment (the High Plains System) to account for a significant portion of the partnership's cash flow (i.e., 56% of our pro forma 2011 EBITDA forecast). For the 12 months ending March 31, 2012, management expects the segment to account for approximately 53% of TLLP's total revenue. TSO plans to expand the capacity at its Mandan refinery to 68,000 bbls per day from 58,000 bbls per day (i.e., a 17% increase in total refining capacity). Concurrently, TLLP plans to spend approximately $6-7 million of growth capex on its High Plains system to accommodate the expected capacity increase by Q2 2012. Excluding the impact of potential acquisitions, we believe that the partnership's gathering operations in the Bakken Shale will be the primary driver of growth in the near term (i.e., 58% of 2013 estimated EBITDA (excluding acquisitions), versus 56% of 2011E pro forma EBITDA).

TLLP's Assets In The Bakken Shale

Pipeline operations. Currently, TLLP operates approximately 700 miles of gathering and trunk lines tied to the Bakken Shale/Williston Basin in North Dakota and Montana. The system also has access to Canadian crude oil through connections with third-party pipelines. The partnership gathers crude oil (up to 70,000 bbls per day) for shipment to TSO's Mandan refinery in central North Dakota. TLLP's crude gathering system includes the following:

(1) Approximately 143 miles of up to 6-inch injection lines in western North Dakota and eastern Montana,

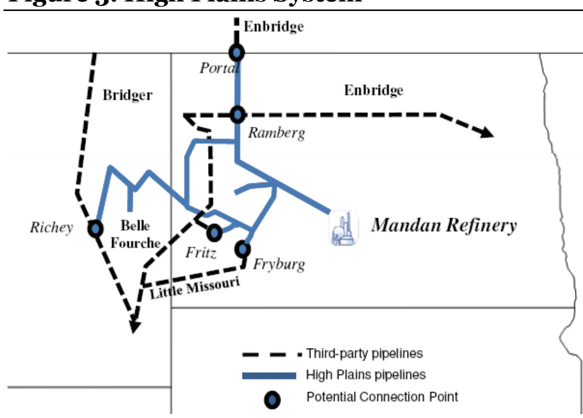
(2) 474 miles of up to 12-inch gathering and trunk lines in Montana and North Dakota, which lead to TLLP's Dunn Center crude storage facility in North Dakota, and

(3) Approximately 88 miles of 16-inch trunk lines, which transport crude oil from the Dunn Center storage facility to TSO's Mandan refinery

As shown in Figure 3, the High Plains System can receive crude oil at connection points with the Bridger pipeline (at Richey, Montana), Enbridge's North Dakota System (at Ramburg, North Dakota), and Enbridge's pipeline on the Canadian border (at Portal, North Dakota).

TLLP's pipelines gathered an average of 50,695 bbls per day and 52,806 bbls per day, respectively, in 2010 and 2009. Management estimates average pipeline volume of approximately 58,000 bbls per day for the 12 months ending March 31, 2012.

Figure 3. High Plains System



Source: Partnership reports

Trucking operations. TLLP also utilizes trucks to gather crude oil from wells that are not connected to gathering pipelines. Local producers contact TLLP when they have crude oil ready to be delivered onto TLLP's High Plains system. TLLP uses both proprietary and third-party trucks to gather crude oil from nearby wells or collection points and deliver onto TLLP's High Plains system through one of the partnership's 13 proprietary truck unloading facilities. TLLP's trucking operation gathered an average of 23,305 bbls per day and 22,963 bbls per day, respectively, in 2010 and 2009. Management estimates that these trucks will gather approximately 22,900 bbls per day of crude oil for the 12 months ending March 31, 2012.

TLLP's Terminalling, Transportation, And Storage Segment

TLLP also operates eight refined product terminals primarily located in the Western United States, with total terminalling capacity of 239,000 bbls per day and storage capacity of 1,627,000 bbls. The terminals are located in the states of California, Idaho, North Dakota, Utah, and Washington. In Salt Lake City, the partnership also owns 13 refined product and crude oil storage tanks with 878,000 bbls of capacity and five short-haul pipelines, which serve TSO's nearby refinery.

Terminals. TLLP's terminals provide distribution, truck loading, storage, inventory management, and blending services to its customers. The partnership's eight terminals primarily receive refined products from pipelines connected to TSO's Los Angeles, Martinez, Salt Lake City, Kenai, Mandan, and Anacortes refineries. Revenue is generated largely from throughput fees for delivering refined product from TLLP's terminals to trucks and barges. TLLP also generates revenue from providing ancillary services such as blending, jet fuel filtering, and additive injections at certain terminals.

Figure 4. Overview Of TLLP's Refined Product Terminals

(In barrels/day) Terminal	Maximum Terminalling Capacity	2010 Avg. Throughput	Storage Capacity (Bbls)	Products Handled: Gasoline	Diesel	Jet Fuel	Supply Source	Mode of Delivery
Los Angeles, CA	48,000	35,286	6,000	✓	✓		TSO Los Angeles Refinery	Truck
Stockton, CA	9,400	8,526	66,000	✓	✓		TSO Martinez Refinery	Truck
Salt Lake City, UT	42,000	25,457	18,000	✓	✓	✓	TSO Salt Lake City Refinery	Truck
Anchorage, AK	63,000	15,132	883,000	✓	✓	✓	Pipeline; Barge	Truck; Barge; Pipeline
Mandan, ND	22,500	9,963	-	✓	✓	✓	TSO Mandan Refinery	Truck
Vancouver, WA	19,600	8,432	298,000	✓	✓		Pipeline; Barge	Truck; Barge
Boise, ID	22,500	7,677	254,000	✓	✓	✓	Pipeline	Truck
Burley, ID	12,000	3,477	147,000	✓	✓		Pipeline	Truck
Total	**239,000**	**113,950**	**1,672,000**					

Note: Includes storage capacity for refined products and ethanol only; excludes storage for gasoline and diesel additives
Source: Partnership reports

TLLP's terminals handle gasoline and gasoline blendstocks, 72% of 2010 volume, diesel fuel, 23%, and jet fuel, 5%. TSO accounted for nearly all (i.e., 92%) of TLLP's terminal volume in 2010. TLLP expects this figure to decrease over time as a result of its efforts to secure additional third-party volume.

Salt Lake City storage facility and pipelines. TLLP owns crude oil and refined product pipelines and an 878,000 bbl storage facility, which exclusively support TSO's 58,000 bbls per day Salt Lake City refinery. These assets were purchased by TSO in 2001 in connection with the acquisition of the Salt Lake City refinery from BP. TLLP's logistics assets facilitate the movement of crude oil and refined products into and out of TSO's Salt Lake City refinery. Approximately 41% of the refinery's yield is distributed via a third-party pipeline to TLLP's Burley and Boise Terminals. Further details of TLLP's Salt Lake City assets follow:

(1) **Crude oil and refined product storage.** TLLP owns 13 crude oil and refined product storage tanks with total shell capacity of 878,000 bbls. The storage tanks are connected to TSO's Salt Lake City refinery though four proprietary pipelines. The crude oil storage tanks supply the Salt Lake City refinery, while the refined product storage tanks store the refinery's product yield including gasoline, diesel, and jet fuel.

(2) **Crude oil pipelines.** TLLP owns three crude oil pipelines (8, 10, and 16 inches), which are each approximately two miles long. These pipelines transport crude oil from a Chevron interstate pipeline and Plains All American's Pacific crude oil pipeline to TLLP's storage facility. Approximately 79% of the Salt Lake City refinery's crude oil feedstock is delivered by TLLP's short-haul crude oil pipelines.

(3) **Refined product pipelines.** TLLP also has two (6 and 8 inch) refined product pipelines, which transport gasoline and diesel three miles from TSO's refinery to Chevron's Northwest Pipeline.

In 2010, TLLP's Salt Lake City pipeline throughput averaged 60,666 bbls per day, versus an average of 62,822 bbls per day in 2009, and the three-year average of 64,126 bbls per day. Management estimates an average throughput of 65,800 bbls per day for the 12 months ending March 31, 2012.

IV. Risks

Risks Specific To TLLP

Customer concentration. In 2010, TSO accounted for 96% of TLLP's total revenue and 92% of the partnership's terminalling throughput. Thus, a disruption to TSO's refinery operations and/or a change in TSO's financial position could negatively affect the partnership's cash flow and future growth.

Slower-than-forecasted drop-downs from TSO. TLLP's distribution growth prospects are highly dependent on acquisitions from its GP sponsor, in our view. If there is a delay in the drop-down of assets to the partnership, TLLP's ability to grow could be slower than forecasted.

Geographic concentration in Bakken Shale. Currently, a majority of TLLP's revenue is derived from its operations in the Bakken Shale region. For the 12 months ending March 31, 2012, TLLP's crude oil gathering system in the Bakken Shale is expected to account for 53% of total revenue. If TSO's Mandan refinery were to experience any disruptions for a prolonged period of time, this could have a negative impact on the partnership's primary source of revenue.

Lower refining margin. A decrease in TSO's refining margin could materially affect the amount of crude oil and refined products handled by TLLP. Margin could deteriorate if crude oil (feedstock) prices increase and/or refined product prices decrease due to lower demand (i.e., economic weakness, high unemployment, inventory levels, etc.). Weak refining margin could cause TSO to reduce refined product production at its refineries, which could result in lower throughput volume for the MLP's assets.

Declining production. The partnership's crude oil gathering volume is dependent on the production profiles of the Bakken Shale. Lower-than-expected production volume, inability to secure incremental volume to offset declining wells, or a decline in drilling activity due to lower crude oil prices or rising costs could negatively affect future earnings and cash flow.

Lower commodity prices. While TLLP currently has no direct commodity price risk, a majority of its revenue is tied to the exploration and production operations of producers in the Bakken Shale. Lower crude oil prices could have the potential to dramatically decrease producers' drilling activity and consequently, the partnership's throughput volume.

Risks Applicable To All Energy MLPs

Legislative risk. The potential for U.S. tax reform, which could result in the corporate taxation of pass-through entities, is a risk for MLPs. Discussion around carried interest, derivative legislation, and cap and trade could also result in headline legislative risk.

Access to capital markets. MLPs are dependent on debt and equity markets to finance growth projects and acquisitions. A dislocation in either of these markets could reduce a partnership's ability to increase distributions, as investments would become more expensive on the margin.

A severe economic downturn. Energy demand is closely linked to overall economic growth. A severe economic downturn could reduce the demand for energy and commodity products, which could result in lower earnings and cash flow.

Interest rate risk. As evidenced from the period 1998-99, MLPs have generally underperformed during periods of rapidly rising interest rates.

Regulatory risk. MLPs are regulated across a number of industries. TLLP's crude gathering assets are subject to state and Federal Energy Regulatory Commission (FERC) regulations. Increased regulations and standards to address safety and environmental concerns could affect an MLP's ability to grow.

Environmental incidents and terrorism. Many MLPs have assets that have been designated by the Department of Homeland Security as potential terrorist targets, such as pipelines and storage assets. A terrorist attack or environmental incident could disrupt the operations of an MLP, which could negatively affect cash flow and earnings in the near term.

V. Valuation

Valuation -- $26-28 Per Unit

Our valuation range is based on a blend of (1) our three-stage distribution discount model, which assumes an 8.5% required rate of return and a long-term growth rate of 1.25%, and (2) a price-to-distributable cash flow multiple of about 15x our 2012 estimate.

Discounted Distribution Model (DDM) Model

Our primary valuation tool is a three-stage distribution discount model. Our model assumes a required rate of return of 8.5%. For our growth estimates, we have assumed a five-year distribution CAGR of 9.1%, a second-stage growth rate of 2.5%, and a perpetual growth rate of 1.25%. The reduction between our second and perpetual growth rate assumptions reflect the fact that eventually 50% of incremental cash flow at TLLP will accrue to the general partner.

Price-To-Distributable Cash Flow (DCF)

We arrived at $26 per unit for the low end of our valuation range by applying a distributable cash flow multiple of about 15x to our 2012 distributable cash flow estimate. TLLP currently trades a price-to-2012E DCF multiple of 14.3x, versus 10.4x for small-cap pipeline MLPs. Distributable cash flow is defined as the cash available to be distributed to limited unit holders after payments are made for maintenance capital expenditure and cash distributions to the general partner.

TLLP Versus The Small-Cap Pipeline MLP Peer Group

TLLP trades at a yield of 5.5%, an enterprise value (EV)-to-adjusted EBITDA (2012E) multiple of 13.3x, and a price-to-DCF (2012E) multiple of 14.3x. In comparison, small-cap pipeline MLPs trade at a median yield of 6.8%, an EV-to-adjusted EBITDA (2012E) multiple of 10.4x, and a price-to-DCF (2012E) multiple of 10.4x. Notably, on a price-to-DCF-to-growth basis (which is akin to a PEG ratio), TLLP trades at 1.2x, versus 2.1x for the peer group.

The “drop-down” model has proven to be a successful strategy, as evidenced by the premium valuations afforded in the market for MLPs with this business model. Investors seem willing to pay a premium for the visibility of future growth, in our view. MLPs that have drop-down opportunities are not reliant on third-party acquisitions or on finding internal organic projects to fuel growth. While the timing of drop-down acquisitions is not always certain, the market is clearly ascribing a certain value to the growth visibility afforded by having a parent company with significant “MLP-able” assets, in our view. In addition, we believe there is less integration risk with drop-down assets than with third-party acquisitions.

Holly Energy Partners, L.P. (HEP) is a good comparable for TLLP, in our view, given its (1) strategic relationship with its GP sponsor Holly Corporation (HOC), which is an independent petroleum refiner and marketer (similar to TSO), (2) dependence on HOC for throughput, (3) similar asset base (e.g., pipelines and terminals), (4) access to a midstream portfolio of drop-down assets, and (5) largely fee-based cash flow.

Figure 5. TLLP Versus Small-Cap Pipeline MLP Peer Group

		Price		EV / Adj. EBITDA		Price/DCF		Distr. growth ests.			P/DCF-to-
	Ticker	5/27/11	Yield	2011E	2012E	2011E	2012E	1-year	3-year	5-year	growth
Genesis Energy L.P.	GEL	$27.00	6.0%	14.4x	13.4x	13.7x	12.7x	10.5%	9.6%	8.8%	1.3x
Holly Energy Partners L.P.	HEP	$55.00	6.2%	14.4x	14.2x	15.1x	13.3x	5.3%	6.4%	6.3%	2.1x
Martin Midstream Partners L.P.	MMLP	$38.75	7.9%	9.8x	10.0x	11.4x	9.8x	2.3%	4.1%	3.7%	2.4x
TC PipeLines L.P.	TCLP	$46.15	6.5%	12.6x	12.5x	10.6x	10.4x	5.9%	7.1%	6.5%	1.5x
Tesoro Logistics L.P.	**TLLP**	**$24.49**	**5.5%**	**15.2x**	**13.3x**	**16.7x**	**14.3x**	**12.2%**	**11.9%**	**9.1%**	**1.2x**
Transmontaigne Partners L.P.	TLP	$34.76	7.0%	11.5x	11.4x	9.4x	9.7x	3.7%	4.6%	4.6%	2.1x
Small Cap Pipeline MLPs Median			**6.8%**	**10.9x**	**10.4x**	**11.4x**	**10.4x**	**4.3%**	**5.4%**	**5.4%**	**2.1x**

Source: Partnership reports, FactSet, and Wells Fargo Securities, LLC estimates

VI) Financial Overview And Model Assumptions

Overview Of 2011 Estimates

For 2011, we have forecasted pro forma EBITDA and DCF per unit of $52.0 million and $1.46, respectively. Based on our distribution estimate of $1.35 per unit, we forecast a coverage ratio of 1.08x in 2011E (or excess cash flow of $3.4 million).

Our 2011 estimates are based on the following:

- Total capex spending of $12.4 million, which consists of the following:
    - Maintenance capex of $4.6 million (9% of EBITDA);
    - Growth capex of $7.8 million;
- Average High Plains System (crude oil gathering) throughput of 79,967 bbls per day
    - Pipeline throughput of 51,137 bbls per day;
    - Trucking volume of 22,830 bbls per day:
- Average refined products terminalled of 115,718 bbls per day
- Average Salt Lake City short-haul pipelines throughput of 63,840 bbls per day
- Salt Lake City storage capacity reserved of 878,000 bbls

Overview Of 2012 Estimates

We have assumed TLLP completes a $100 million acquisition at an EBITDA multiple of 10x in Q1 2012E and invests $25 million in growth capex. We have forecasted EBITDA and DCF per unit of $68.1 million and $1.71, respectively. Based on our distribution estimate of $1.52 per unit, we forecast a coverage ratio of 1.13x in 2012E (or excess cash flow of $6.1 million). Our 2012 distribution forecast represents a 12.2% increase over our 2011 distribution estimate. Excluding our $100 million acquisition assumptions, we estimate that TLLP will generate $58.1 million of EBITDA and DCF per unit of $1.60.

Our 2012 estimates are based on the following:

- Total capex spending of $131 million, which consists of the following:
    - Maintenance capex of $6.0 million (9% of EBITDA);
    - Growth capex of $25.0 million;
    - Assumed acquisition capex of $100 million;
- Average High Plains System (crude oil gathering) throughput of 90,528 bbls per day
    - Pipeline throughput of 67,545 bbls per day – the projected 18% year-over-year increase reflects the anticipated benefit of 2011-12 growth capex and assumes no material change in pipeline rates;
    - Trucking volumes of 22,983 bbls per day:
- Average refined products terminalled of 124,192 bbls per day
- Average Salt Lake City short-haul pipelines throughput of 68,243 bbls per day
- Salt Lake City storage capacity reserved of 878,000 bbls

Figure 6. TLLP Operational Summary

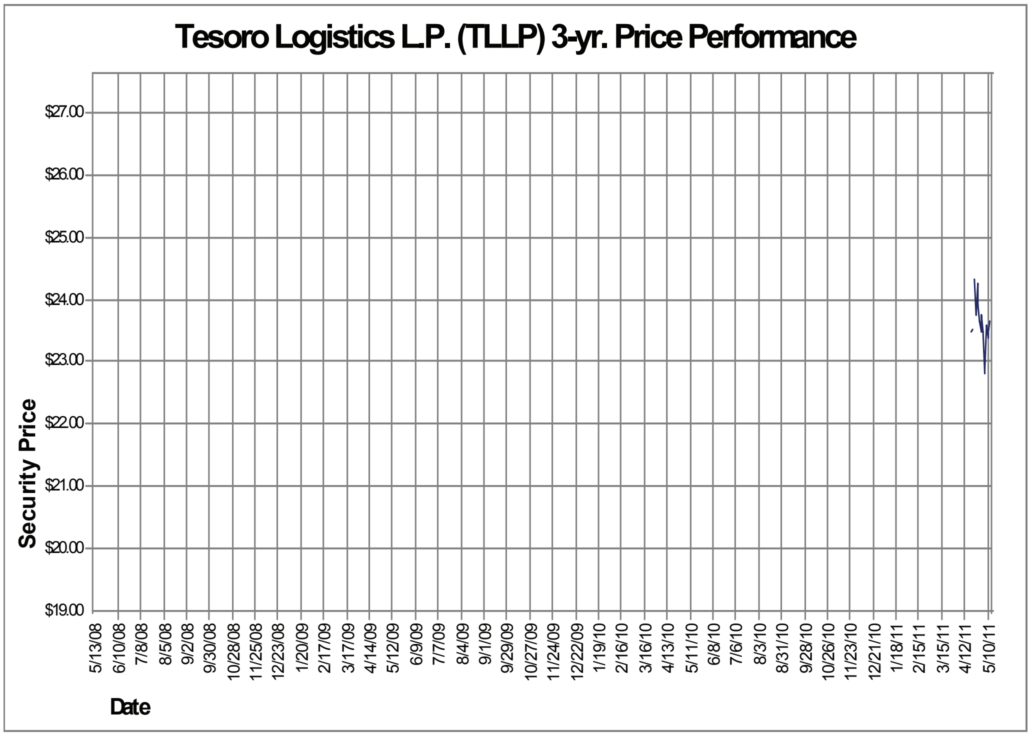
TESORO LOGISTICS, L.P. (TLLP) - OPERATIONAL SUMMARY

Year ended December 31
($ in millions, except for per unit data)

	Q1'11A	*Q2'11E*	*Q3'11E*	*Q4'11E*	**PF2011E**	*Q1'12E*	*Q2'12E*	*Q3'12E*	*Q4'12E*	**FY2012E**	**FY2013E**	**FY2014E**	**FY2015E**	**FY2016E**
Crude oil pipeline throughput (Bbls/d)	55,500	56,487	57,625	58,936	57,137	58,986	68,096	71,092	72,006	67,545	79,483	84,513	91,172	97,392
Yr/Yr % Change						*6.3%*	*20.6%*	*23.4%*	*22.2%*	*18.2%*	*17.7%*	*6.3%*	*7.9%*	*6.8%*
Trucking volume (Bbls/d)	22,700	22,781	22,870	22,970	22,830	22,975	22,980	22,985	22,990	22,983	23,312	23,528	23,815	24,082
Yr/Yr % Change						*1.2%*	*0.9%*	*0.5%*	*0.1%*	*0.7%*	*1.4%*	*0.9%*	*1.2%*	*1.1%*
Terminal throughput (Bbls/d)	116,800	116,036	115,337	114,700	115,718	114,774	127,331	127,331	127,331	124,192	127,674	127,882	129,668	132,346
Yr/Yr % Change						*-1.7%*	*9.7%*	*10.4%*	*11.0%*	*7.3%*	*2.8%*	*0.2%*	*1.4%*	*2.1%*
Short-haul pipeline throughput (Bbls/d)	60,300	62,234	64,762	68,066	63,840	68,136	68,207	68,278	68,349	68,243	68,530	68,638	69,577	70,982
Yr/Yr % Change						*13.0%*	*9.6%*	*5.4%*	*0.4%*	*6.9%*	*0.4%*	*0.2%*	*1.4%*	*2.0%*
Storage capacity reserved (Bbls)	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000
Yr/Yr % Change						*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA By Segment														
Crude oil gathering	6.9	7.1	7.5	7.7	29.2	7.5	8.1	8.6	8.6	32.8	37.7	41.3	45.2	49.0
% of Total	*55.2%*	*55.7%*	*56.5%*	*57.1%*	*56.1%*	*48.0%*	*48.0%*	*48.3%*	*48.5%*	*48.2%*	*44.5%*	*41.3%*	*39.2%*	*37.5%*
Terminalling, transportation, and storage	6.4	6.5	6.6	6.6	26.0	6.4	7.1	7.5	7.5	28.5	30.4	31.9	33.2	34.7
% of Total	*51.2%*	*50.5%*	*49.5%*	*48.9%*	*50.0%*	*41.2%*	*41.9%*	*42.1%*	*42.0%*	*41.8%*	*35.8%*	*31.9%*	*28.8%*	*26.6%*
Other	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Assumed Drop-Downs	-	-	-	-	-	2.5	2.5	2.5	2.5	10.0	20.0	30.0	40.0	50.0
% of Total	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*16.0%*	*14.8%*	*14.1%*	*14.0%*	*14.7%*	*23.6%*	*30.0%*	*34.7%*	*38.3%*
Total EBITDA	**12.5**	**12.8**	**13.2**	**13.5**	**52.0**	**15.7**	**16.9**	**17.8**	**17.8**	**68.1**	**84.9**	**100.0**	**115.2**	**130.5**
EPU	**$0.32**	**$0.32**	**$0.33**	**$0.34**	**$1.32**	**$0.35**	**$0.35**	**$0.37**	**$0.36**	**$1.44**	**$1.59**	**$1.70**	**$1.78**	**$1.84**
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.7	32.0	33.6	35.1
Distributable Cash Flow (DCF)														
Adjusted EBITDA	12.5	12.8	13.2	13.5	52.0	15.7	16.9	17.8	17.8	68.1	84.9	100.0	115.2	130.5
(-) Interest expense	0.5	0.5	0.5	0.5	2.0	1.3	2.3	2.6	2.6	8.9	15.5	20.2	24.7	29.3
(-) Maintenance capital expenditure	1.1	1.1	1.2	1.2	4.6	1.4	1.5	1.6	1.6	6.0	7.4	8.7	10.1	11.4
(-) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available cash flow	10.9	11.2	11.6	11.8	45.5	13.0	13.1	13.6	13.6	53.3	62.0	71.0	80.4	89.7
General Partner's Interest	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.3	1.0	2.4	4.0	5.6	8.0
Distributable Cash Flow	10.7	11.0	11.4	11.6	44.6	12.8	12.8	13.4	13.3	52.3	59.6	67.0	74.8	81.7
DCF Per Unit	**$0.35**	**$0.36**	**$0.37**	**$0.38**	**$1.46**	**$0.42**	**$0.42**	**$0.44**	**$0.44**	**$1.71**	**$1.94**	**$2.10**	**$2.23**	**$2.33**
Distribution Declared Per Unit	**$0.34**	**$0.34**	**$0.34**	**$0.34**	**$1.35**	**$0.35**	**$0.37**	**$0.39**	**$0.41**	**$1.52**	**$1.75**	**$1.89**	**$2.01**	**$2.09**
Yr/Yr % Change						*4.4%*	*9.6%*	*14.8%*	*20.0%*	*12.2%*	*15.7%*	*7.8%*	*6.1%*	*4.0%*
Distribution Coverage	1.04x	1.06x	1.10x	1.12x	1.08x	1.18x	1.13x	1.13x	1.07x	1.13x	1.10x	1.10x	1.10x	1.10x
Excess Cash Flow (Deficit)	0.4	0.7	1.1	1.3	3.4	2.0	1.6	1.5	0.9	6.1	5.4	6.2	7.0	8.1
% of Total Cash Distribution														
General Partner	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.6%	2.2%	4.2%	6.1%	7.6%	9.9%
Limited Partners	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	97.4%	97.8%	95.8%	93.9%	92.4%	90.1%
Capital Expenditures														
Acquisition Capex	-	-	-	-	-	100.0	-	-	-	100.0	100.0	100.0	100.0	100.0
Growth Capex	-	2.6	2.6	2.6	7.8	6.9	9.4	4.3	4.3	25.0	25.0	25.0	25.0	25.0
Maintenance Capex	1.1	1.1	1.2	1.2	4.6	1.4	1.5	1.6	1.6	6.0	7.4	8.7	10.1	11.4
Total Capex	**1.1**	**3.7**	**3.8**	**3.8**	**12.4**	**108.3**	**10.9**	**5.9**	**5.9**	**131.0**	**132.4**	**133.7**	**135.1**	**136.4**
Credit Metrics														
Equity Issuances	-	-	-	-	-	-	-	-	-	-	50	50	50	50
Total Debt	50	52	54	56	56	161	169	171	174	174	244	313	381	449
TTM EBITDA				52	52	55	59	64	68	68	85	100	115	130
Debt/EBITDA (TTM)				1.1x	1.1x	2.9x	2.8x	2.7x	2.6x	2.6x	2.9x	3.1x	3.3x	3.4x
Debt/ annualized EBITDA	1.0x	1.0x	1.0x	1.0x	-	2.6x	2.5x	2.4x	2.4x	-	-	-	-	-
EBITDA/Interest Expense (TTM)				26.4x	26.4x	19.8x	12.8x	9.5x	7.7x	7.7x	5.5x	4.9x	4.7x	4.4x
EBITDA/Interest Expense	26.3x	26.6x	26.6x	26.1x	26.4x	12.2x	7.3x	6.8x	6.7x	7.7x	5.5x	4.9x	4.7x	4.4x
Maintenance capex as % of EBITDA	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%

Note: Q1 2011 are pro forma figures.
Source: Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)

Source: Wells Fargo Securities, LLC estimates and Reuters data

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

Rating Code Key
- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- 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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As of: May 31, 2011

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CREDIT SUISSE

Tesoro Logistics LP (TLLP)

INITIATION

Rating	**OUTPERFORM* [V]**
Price (27 May 11, US$)	24.49
Target price (US$)	28.00[1]
52-week price range	24.50 - 22.81
Market cap. (US$ m)	740.02
Adjusted EV	—

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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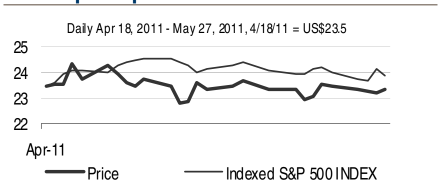
Drop-downs + Bakken Potential = Growth

- **Initiating Coverage of Tesoro Logistics LP (TLLP) with Outperform:** TLLP was formed to be Tesoro Corp's (TSO) vehicle to grow its logistics infrastructure business. Initially, substantially all of TLLP's revenue will be derived from TSO under various long-term, fee-based agreements that include minimum volume commitments. Contracts with TSO provide cash flow stability while drop-downs provide visible upside. Our model assumes that TLLP will acquire $200 million of assets from Tesoro Corp. from 2012-2015, enabling the MLP to grow its distribution at a five year CAGR of 8.0%.
- **Strategic Position in Bakken Shale/Williston Basin Provides Upside:** TLLP's gathering assets are located in one of the premier and actively drilled oil plays in the U.S. TSO is the primary shipper on TLLP's High Plains system. However, the partnership is evaluating expansion of its system to access new sources of production and make outlet connections to third party pipelines. Importantly, these connections can be made with modest capital requirements. TLLP is also considering construction of a rail facility at TSO's Mandan refinery to move crude oil in excess of the refinery's needs.
- **Third Party Business/Acquisitions Another Source for Growth:** TLLP may partner with TSO in the pursuit of third party acquisitions. For example, TSO and TLLP could jointly bid on a refining acquisition with the refinery assets acquired by TSO and logistics assets acquired by the MLP.
- **Price Target of $28:** We derived our price target through a three-stage distribution discount model (DDM). Our assumptions include a discount rate of 9.0%, distribution CAGR of 8.0% over the next five years and 5.0% over the following five years and a terminal growth rate of 1.5%. Our $28 price target implies a yield of 5.1% in the second quarter of 2012 (12 months out) based on a forecast annualized distribution of $1.43 per unit.

Share price performance



On 05/27/11 the S&P 500 INDEX closed at 1331.1

Qtrly EPU	Q1	Q2	Q3	Q4
2010A	—	—	—	—
2011E	0.28	0.31	0.33	0.34
2012E	0.31	0.31	0.35	0.35

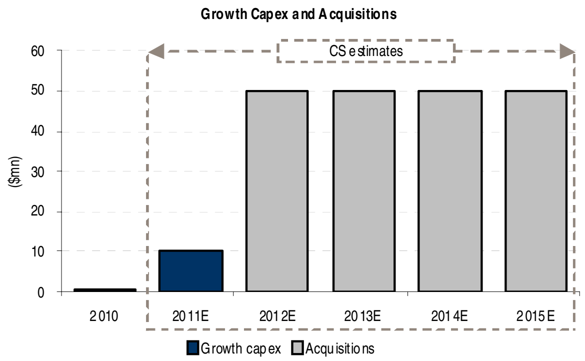
Financial and valuation metrics

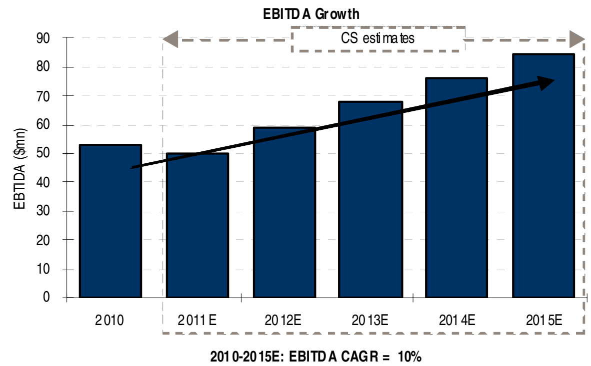
Year	12/10A	12/11E	12/12E	12/13E
EBITDA (US$ m)	53	50	59	68
Distribution/unit - DPU (US$ m)	—	1.03	1.46	1.61
Earnings/unit - EPU (US$)	1.36	1.26	1.31	1.45
EPU - consensus (US$)	—	0.97	1.30	1.21
Distributable CF/unit (US$)	—	1.03	1.46	1.61
Distribution coverage (x)	—	1.07	1.11	1.12
P/DCF (x)	—	—	—	—
Adj. current EV/EBITDA (x)	—	15.3	15.3	19.5

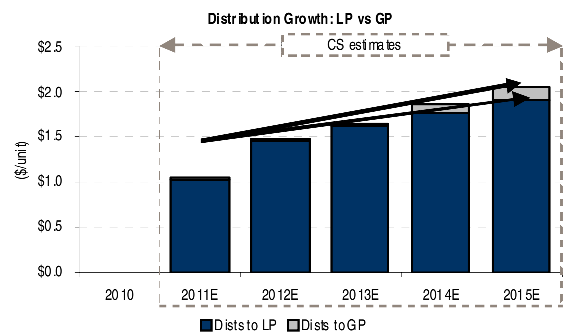
Dist./unit - DPU (Next Qtr., US$)	—	Distribution yield (%)	—
Units outstanding (m)	30	GP take (%)	—
Net debt current (US$ m)	45.7	Net debt/EBITDA (x)	0.88
6-month ADV (000's)	274,488	Net debt/market cap. (%)	—
Free float (%)	—	Institutional ownership (%)	—

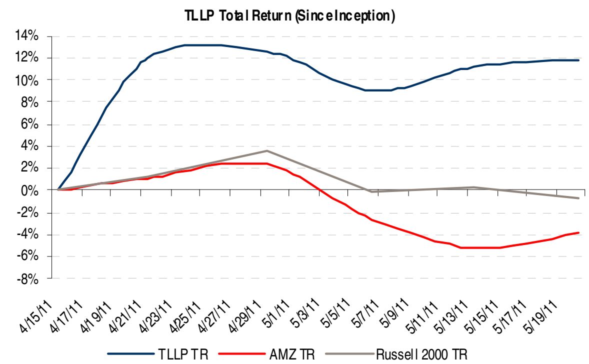
Source: Company data, Credit Suisse estimates.

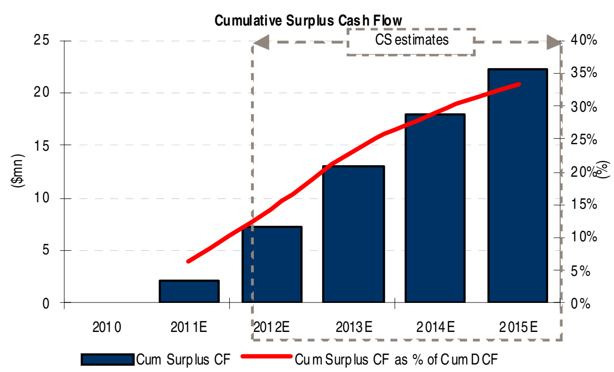
Exhibit 1: TLLP Charts Page

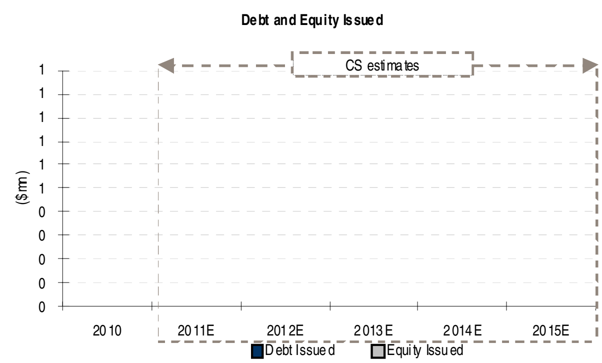


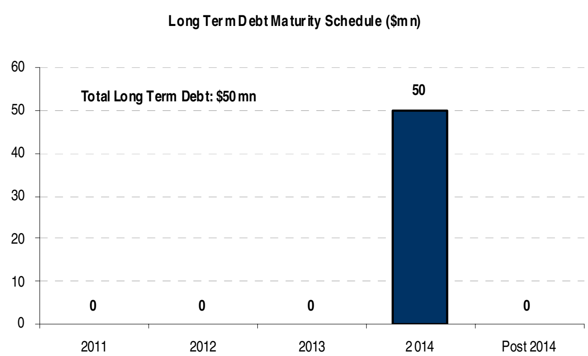


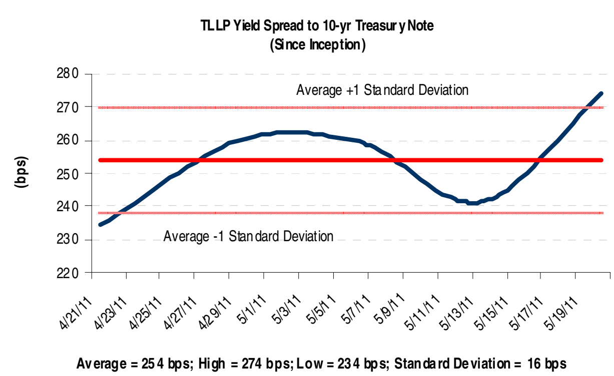












Source: Partnership data, Credit Suisse estimates.

Investment Thesis

We are initiating coverage of TLLP with an Outperform Rating

We are initiating coverage of Tesoro Logistics LP (TLLP) with an Outperform rating and price target of $28. TLLP is a fee-based, growth oriented MLP formed by Tesoro Corp to own, operate and acquire crude oil and refined products logistics assets. In other words, TLLP was formed to be Tesoro Corp's vehicle to grow its logistics infrastructure business. Initially, substantially all of TLLP's revenue will be derived from Tesoro, primarily under various long-term, fee-based commercial agreements that include minimum volume commitments. Near term, there is visible growth from already identified projects and future drop-downs or asset sales from Tesoro Corp. Longer term, we expect that TLLP's third party business will grow both organically and via acquisitions. Our model assumes that TLLP will acquire $200 million of assets from Tesoro Corp. from 2012-2015, enabling the MLP to grow its distribution at a five year CAGR of 8.0%.

TLLP's current valuation does not fully reflect the partnership's growth prospects and low risk profile, in our view. Hence, we rate the stock Outperform.

Company Description

Tesoro Logistics (TLLP) is a fee-based, growth oriented MLP formed by Tesoro Corp (TSO) to own, operate and acquire crude oil and refined products logistics assets. TLLP's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area, eight refined products terminals in the western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Corp is the second largest refiner in the US with core area of operations in the midwestern and western United States. It owns and operates seven refineries that serve markets in Alaska, Arizona, California, Hawaii, Idaho, Minnesota, Nevada, North Dakota, Oregon, Utah, Washington and Wyoming. Tesoro Corp trades under the symbol TSO and has a market cap that approximates $3.7 billion. TSO retains a significant ownership in the MLP as it will own about 51% of the limited partner interest and the 2.0% general partner interest and associated incentive distribution rights.

Exhibit 2: **TLLP Asset Map**

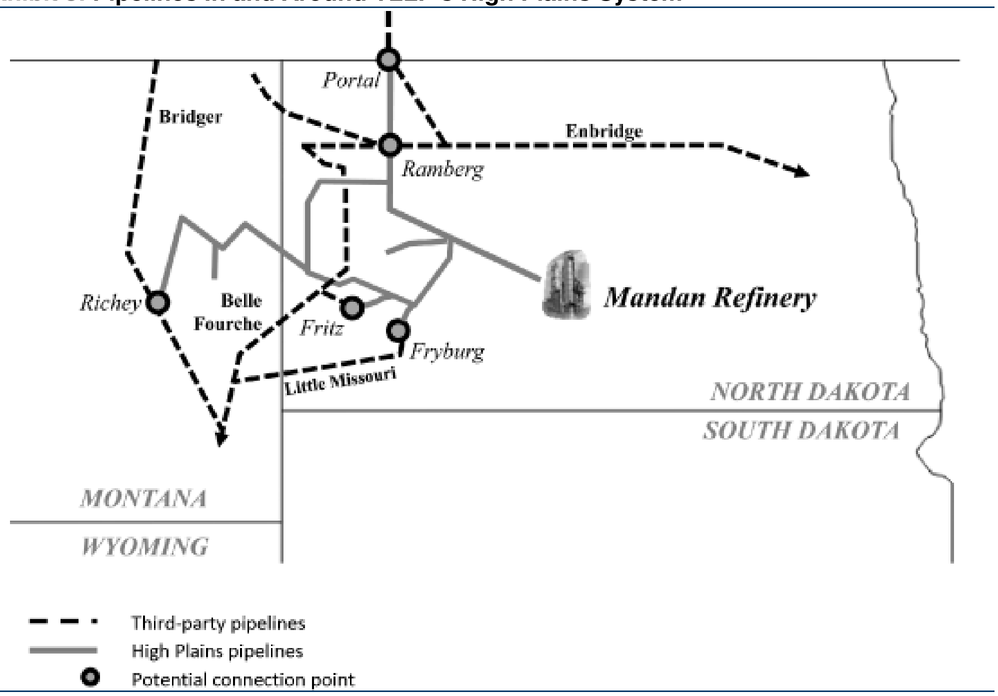
Source: Company data, Credit Suisse estimates

TLLP's assets are organized into two segments:

High Plains System Transports Bakken Oil to Tesoro's Mandan Refinery

- **Crude Oil Gathering** will comprise approximately 48% of projected 2011 EBITDA. Revenues from this segment come from TLLP's High Plains system which gathers and transports crude oil from North Dakota and Montana to Tesoro's Mandan refinery. High Plains is situated within the Bakken shale; perhaps the most exciting oil play in the US today, and is well positioned for growth. TLLP will spend approximately $6 to $7 million over the next year to expand its High Plains system to accommodate Tesoro's announced 10,000 barrels per day expansion (to 68,000 bpd) of its Mandan refinery. This project is expected to add about $6 million to TLLP's EBITDA beginning in the second quarter of 2012. In addition, TLLP is in discussion with third parties regarding expanding its system to gather their crude from the Bakken shale.

Exhibit 3: **Pipelines In and Around TLLP's High Plains System**



Source: Partnership reports

- **Terminalling, Transportation and Storage** will comprise approximately 52% of projected 2011 EBITDA. TLLP owns and operates eight refined products terminals that provide distribution primarily for refined products produced at Tesoro's refineries. Most of the revenues generated in this segment come from transferring refined products from terminals to trucks and barges. These terminals are located in Los Angeles and Martinez, California; Salt Lake City, Utah; Kenai, Alaska; Anacortes, Washington; and Mandan, North Dakota. Growth in this segment will be tied to increases in gasoline consumption, better asset utilization, in part by pursuing third party volumes, and pursuing small expansion projects, such as adding ethanol blending capabilities at several terminals.

Exhibit 4: TLLP Terminals

Terminal Location	Products Handled	Storage Capacity (MBbls)	Supply Source	Mode Of Delivery	Terminalling Capacity (MBbls/d)	2010 Throughput	Capacity Utilization
Los Angeles, California	Gasoline; Diesel	6	Refinery	Truck	48	35	73.5%
Stockton, California	Gasoline; Diesel	66	Refinery	Truck	9	9	90.7%
Salt Lake City, Utah	Gas, Diesel, Jet Fuel	18	Refinery	Truck	42	25	60.6%
Anchorage, Alaska	Gasoline, Diesel, Jet Fuel	883	Pipeline; Barge	Truck; Barge; Pipeline	63	15	24.0%
Mandan, North Dakota	Gasoline, Diesel, Jet Fuel	-	Refinery	Truck	23	10	44.3%
Vancouver, Washington	Gasoline; Diesel	298	Pipeline; Barge	Truck; Barge	20	8	43.0%
Boise, Idaho	Gasoline, Diesel, Jet Fuel	254	Pipeline	Truck	23	8	34.1%
Burley, Idaho	Gasoline; Diesel	147	Pipeline	Truck	12	3	29.0%
Total		**1,672**			**239**	**114**	**47.7%**

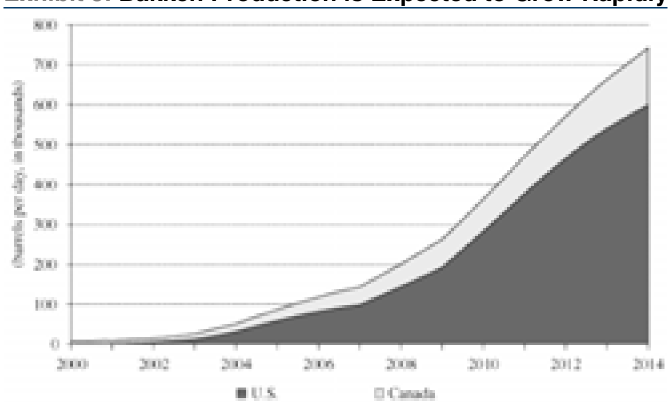
Source: Partnership data, Credit Suisse estimates

Bakken Shale

The Bakken Shale play is one of the premier oil plays in North America today. This unconventional play extends from North Dakota and eastern Montana in the United States into the Canadian provinces of Saskatchewan and Manitoba. TLLP's focus is in the Bakken Shale/Williston Basin in Montana and North Dakota, the heart of the play. In 2008, the US Geological Survey (USGS) estimated that reserves in place could be as high as 3.65 billion barrels of oil. The Bakken Shale play in North Dakota is currently the most actively drilled oil play in the US. According to the Land Rig Newsletter, the current rig count is 128 (all time high was 137 in December 2010).

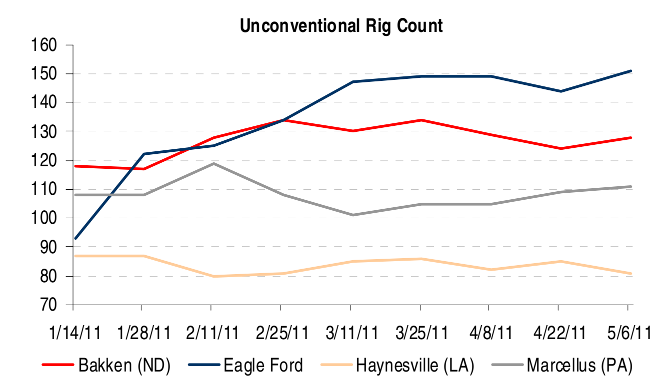
Oil production has ramped to 359,589 barrels per day in March 2011, from 137,642 bpd in January 2008 according to the North Dakota Industrial Commission (NDIC). TLLP will continue to evaluate opportunities to expand its High Plains system to accommodate increasing crude production from the Bakken Shale.

Exhibit 5: Bakken Production is Expected to Grow Rapidly



Source: Partnership reports, PIRA Energy Group

Exhibit 6: Bakken Drilling Activity Remains Strong



Source: Land Rig Newsletter, Credit Suisse

Valuation

We derive our price target of $28 for TLLP through a three-stage distribution discount model (DDM). Our assumptions include a discount rate of 9.0%, distribution CAGR of 8.0% over the next five years and 5.0% over the following five years and a terminal growth rate of 1.5%. To arrive at our discount rate we use a blended approach combining the discount rate implied by the capital asset pricing model with the discount rate implied by investors' assumed required rate of return (yield plus expected distribution growth). Our $28 price target implies a yield of 5.1% in the second quarter of 2012 (12 months out) based on a forecast annualized distribution of $1.43 per unit.

Exhibit 7: DDM Sensitivity

Terminal gwth rate \ Required Rate of Return	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%	10.5%
0.0%	30	28	27	25	24	22	21
0.5%	32	30	28	26	24	23	22
1.0%	33	31	29	27	25	24	22
1.5%	35	32	30	**28**	26	24	23
2.0%	37	34	31	29	27	25	24
2.5%	40	36	33	30	28	26	24
3.0%	43	39	35	32	30	27	25

Source: Company data, Credit Suisse estimates

Exhibit 8: Target Yield Sensitivity

Distribution \ Target Yield	3.6%	4.1%	4.6%	5.1%	5.6%	6.1%	6.6%
$1.54	42	37	33	30	27	25	23
1.50	45	39	35	32	29	26	24
1.46	45	40	36	32	29	27	25
1.43	39	35	31	**28**	25	23	22
1.40	39	34	30	27	25	23	21
1.36	37	32	29	26	24	22	20
1.32	34	30	26	24	22	20	18

Source: Company data, Credit Suisse estimates

TLLP currently trades at a yield of 5.5% compared to the median MLP yield of 6.1% for our coverage universe and at a 245-basis-point spread to 10-year treasury yield. TLLP currently trades at a price-to-2011E distributable-cash flow multiple of 17.7 times and price-to-2012E distributable-cash flow multiple of 16.6 times versus the median for our coverage of 14.7 times and 13.7 times, respectively.

Exhibit 9: Credit Suisse MLP Coverage Universe

		Current Stock Information				Valuation Metrics											Total Returns			
	Ticker	Price 5/27/11	Market Cap (m)	Current Dist.	Current Yield	Rating	Price Target	Upside/ Downside to PT	Expected Total Return	3-Yr Dist CAGR	P/DCF 2010	P/DCF 2011E	P/DCF 2012E	Adj. EV/EBITDA 2010	Adj. EV/EBITDA 2011E	Adj. EV/EBITDA 2012E	YTD	1-Yr	3-Yr	5-Yr
Energy MLPs																				
Boardwalk Pipeline Partners, LP	BWP	$29.20	$5,624	$2.08	7.1%	Outperform	$35	20%	27%	3.2%	13.7x	14.7x	13.4x	14.2x	13.4x	12.8x	-3%	12%	43%	84%
Duncan Energy Partners	DEP	$41.54	$2,400	$1.83	4.4%	Neutral	$42	1%	6%	3.0%	23.0x	15.6x	12.5x	NA	NA	NA	33%	78%	163%	NA
DCP Midstream Partners	DPM	$40.50	$1,785	$2.47	6.1%	Outperform	$45	11%	17%	5.3%	16.3x	15.1x	13.9x	19.7x	15.1x	13.3x	12%	50%	81%	118%
Energy Transfer Partners, LP	ETP	$47.59	$9,245	$3.57	7.5%	Outperform	$56	18%	25%	3.7%	13.9x	13.6x	12.3x	13.7x	12.1x	10.5x	-5%	18%	26%	58%
Enterprise Products Partners, LP	EPD	$41.64	$35,392	$2.39	5.7%	Outperform	$46	10%	16%	5.2%	13.7x	14.6x	14.8x	15.2x	14.1x	13.5x	3%	36%	68%	137%
Kinder Morgan Energy Partners, LP	KMP	$74.18	$23,651	$4.56	6.1%	Neutral	$76	2%	9%	4.9%	16.6x	15.8x	14.7x	16.2x	14.7x	13.3x	9%	26%	56%	133%
Kinder Morgan Management, LLC	KMR	$65.11	$6,088	$4.56	7.0%	Outperform	$75	15%	22%	4.9%	14.5x	13.8x	12.9x	NA	NA	NA	1%	28%	49%	129%
Magellan Midstream Partners , LP	MMP	$59.01	$6,653	$3.03	5.1%	Neutral	$59	0%	5%	7.0%	16.2x	16.1x	14.5x	16.7x	14.8x	13.7x	7%	44%	81%	142%
Targa Resources Partners, LP	NGLS	$34.41	$2,916	$2.23	6.5%	Outperform	$40	16%	23%	8.3%	9.8x	11.2x	10.2x	12.0x	10.2x	9.0x	5%	71%	78%	NA
Niska Gas Storage Partners	NKA	$19.57	$1,323	$1.40	7.2%	Neutral	$21	7%	14%	3.8%	NA	NA	13.3x	NA	14.1x	11.7x	1%	14%	NA	NA
NuStar Energy, LP	NS	$63.35	$4,093	$4.30	6.8%	Neutral	$67	6%	13%	3.2%	14.3x	13.7x	13.0x	14.3x	12.9x	11.5x	-6%	24%	59%	84%
ONEOK Partners, LP	OKS	$83.05	$8,463	$4.60	5.5%	Neutral	$87	5%	10%	5.6%	18.2x	16.7x	15.9x	16.2x	14.1x	12.5x	7%	50%	67%	144%
Plains All American Pipeline, LP	PAA	$62.14	$9,267	$3.88	6.2%	Outperform	$67	8%	14%	4.6%	15.3x	14.5x	14.2x	16.7x	14.3x	13.3x	2%	16%	65%	87%
Spectra Energy Partners, LP	SEP	$32.09	$2,862	$1.84	5.7%	Neutral	$35	9%	15%	8.4%	16.0x	15.4x	14.4x	18.3x	15.8x	13.8x	0%	10%	56%	NA
Sunoco Logistics Partners, LP	SXL	$84.67	$2,805	$4.72	5.6%	Neutral	$89	5%	11%	5.9%	14.9x	14.5x	13.1x	14.6x	13.2x	12.2x	4%	39%	100%	184%
Western Gas Partners	WES	$35.39	$2,882	$1.56	4.4%	Neutral	$39	10%	15%	11.6%	15.8x	15.6x	14.6x	40.0x	14.0x	11.0x	19%	70%	156%	NA
Average					**6.1%**				**15%**	**5.5%**	**15.5x**	**14.7x**	**13.6x**	**17.5x**	**13.8x**	**12.3x**	**6%**	**37%**	**76%**	**118%**
Median					**6.1%**				**14%**	**5.1%**	**15.3x**	**14.7x**	**13.7x**	**16.2x**	**14.1x**	**12.6x**	**3%**	**32%**	**67%**	**129%**
Tesoro Logistics LP	**TLLP**	**$24.49**	**$747**	**$1.35**	**5.5%**	**Outperform**	**$28**	**14%**	**20%**	**7.3%**	**NA**	**17.7x**	**16.6x**	**NA**	**16.1x**	**13.8x**	**NA**	**NA**	**NA**	**NA**
General Partners																				
Energy Transfer Equity	ETE	$41.73	$9,305	$2.16	5.2%	Outperform	$47	13%	18%	9.9%	19.2x	18.2x	16.2x	NA	NA	NA	10%	48%	59%	112%
Kinder Morgan Inc.	KMI	$29.18	$20,630	$1.16	4.0%	Neutral	$32	10%	14%	8.6%	NA	25.2x	22.6x	NA	NA	NA	NA	NA	NA	NA
NuStar GP Holdings	NSH	$36.29	$1,545	$1.92	5.3%	Neutral	$36	-1%	5%	6.5%	19.4x	18.2x	16.9x	NA	NA	NA	3%	41%	72%	NA
Targa Resources Corp.	TRGP	$34.40	$1,455	$1.09	3.2%	Neutral	$34	-1%	2%	19.3%	NA	27.2x	27.2x	NA	NA	NA	30%	NA	NA	NA
Average					**4.4%**				**10%**	**11.1%**	**19.3x**	**22.2x**	**20.7x**				**14%**	**45%**	**65%**	
Median					**4.6%**				**9%**	**9.3%**	**19.3x**	**21.7x**	**19.8x**				**10%**	**45%**	**65%**	
Indices																				
Alerian Index	AMZ	$367			6.2%												4%	33%	57%	110%
Russell 2000 Index	RUT	$836			1.1%												7%	26%	19%	23%
S&P 500 Index	SP50	$1,331			1.8%												6%	23%	2%	15%
10-year Treasury Note	US10Y				3.1%															

Source: FactSet, Credit Suisse estimates.

Strengths/Opportunities

- ***Strategic Position in Bakken Shale/Williston Basin Provides Upside:*** TLLP's gathering assets are located in one of the premier and actively drilled oil plays in the U.S. TSO is the primary shipper on TLLP's High Plains system. However, the partnership is evaluating expansion of its system to access new source of production and make outlet connections to third party pipelines. Importantly, these connections can be made with modest capital requirements. TLLP is also considering construction of a rail facility at TSO's Mandan refinery to move crude oil in excess of the refinery's needs.

- ***Contractual Arrangements with Tesoro Corp Provide Stable Source of Revenue***. TLLP has long-term (mostly ten-year commitments) fee-based contracts with Tesoro that also provide minimum volume commitments and fees that are indexed to inflation.

- ***Potential Dropdowns from Tesoro Provide Visible Growth Opportunities.*** Tesoro still has logistics assets with total aggregate book value of $240 million that may be sold to TLLP. This compares to approximately $193.0 million for the initial assets contributed to TLLP.

Exhibit 10: TLLP Right Of First Offer Terminals

Asset	Location	Terminalling Capacity (MBbls/d)	2010 Throughput	Capacity Utilization	Description
Golden Eagle Refined Products Terminal	Martinez, California	38	14	37.1%	Truck loading rack with three loading bays
Golden Eagle Marine Terminal	Martinez, California	145	50	34.3%	Single-berth dock, five crude oil storage tanks with combines capacity of 425,000 barrels
Golden Eagle Wharf Facility	Martinez, California	50	30	59.8%	Single-berth dock and related pipelines
Tesoro Alaska Pipeline	Nikiski, Alaska	48	36	75.0%	Approx. 69 miles of 10-inch pipeline
Nikiski Refined Products Terminal	Nikiski, Alaska	-	82	-	A truck loading rack with two loading bays
Los Angeles Crude Oil & Refined Products Pipeline System	Los Angeles, California	-	42	-	Nine separate DOT-regulated pipelines totaling approx. 17 miles
Anacortes Refined Products Terminal	Anacortes, Washington	-	2	-	Truck loading facility with two loading bays
Anacortes Marine Terminal and Storage Facility	Anacortes, Washington	-	31	-	Crude oil & refined products wharf and four storage tanks
Long Beach Marine Terminal	Long Beach, California	-	99	-	A dock with two vessels

Source: Partnership data, Credit Suisse estimates

- ***Third Party Business/Acquisitions Another Source for Growth***. TLLP was formed in part to facilitate the growth of Tesoro's logistics business and to potentially partner with Tesoro in the pursuit of third party acquisitions. For example, Tesoro and TLLP could jointly bid on a refining acquisition with the refinery assets acquired by Tesoro and the logistics assets acquired by the MLP.

- ***Financial Flexibility.*** TLLP has a strong balance sheet with just $50 million drawn under a $150 million revolving credit facility. For perspective, EBITDA over the next twelve months should approximate $50 million, so debt to EBITDA is just around 1.0 times and well below a target leverage of under 3.0 times. Also, the distribution coverage ratio is a conservative 1.1 times.

Challenges/Risks

- ***Tesoro accounts for nearly all of TLLP's revenues and revenues from Tesoro's minimum volume commitments are not sufficient to cover the minimum quarterly distribution.*** More than 95% of TLLP's next twelve months total revenues is expected to come from Tesoro and approximately 84% of TLLP's revenues are forecasted to be generated from minimum volume commitments from Tesoro. This risk is mitigated by Tesoro's strong base of business, financial position and majority (52%) ownership of TLLP.

- ***It is hard to predict the timing of drop-downs and/or third party acquisitions.*** Our model and distribution forecast assumes that TLLP will acquire $200 million of logistics assets from Tesoro over the period of 2012 through 2015. Although we assume $50 million of annual drop-downs there is no explicit commitment from Tesoro and TLLP. The timing and amount of drop-downs will impact distribution growth.

- ***Pipeline expansions in the Bakken Shale could displace trucking volumes on the High Plains gathering system.*** Overall increases in volumes on the High Plains pipeline system is expected to more than offset potential volume declines in trucking volumes. Additionally, pipeline margins are higher than trucking volumes primarily because of the lower operating costs.

- ***Tesoro, under certain circumstances could suspend, reduce, or terminate its contractual commitments***. These events include the closure or suspension of refining operations by Tesoro or a force majeure event that would prevent TLLP from being able to meet its service obligations.

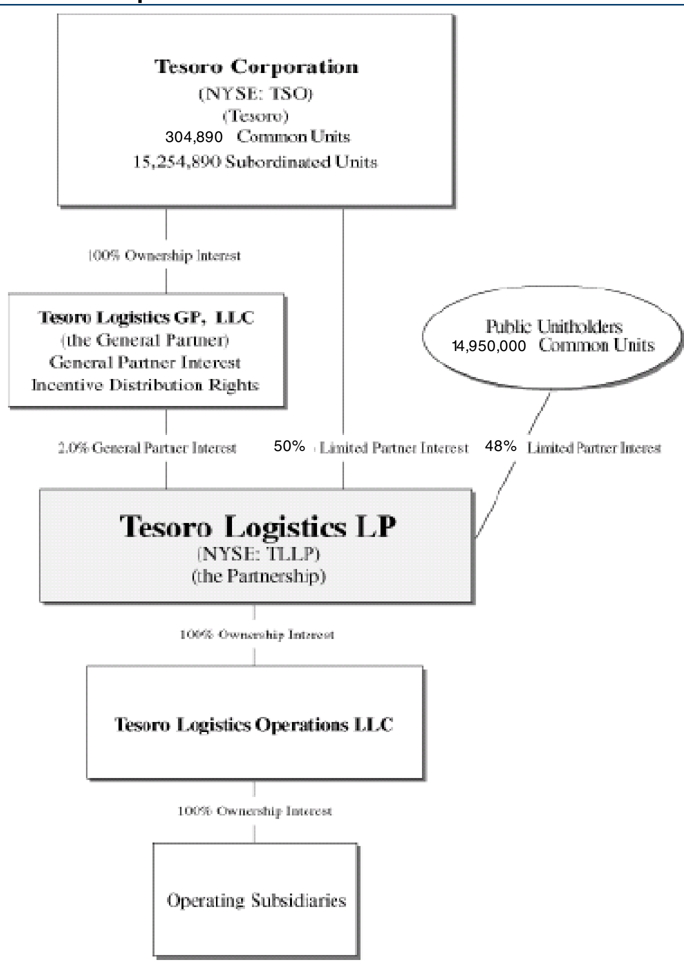
- ***Change in Taxation of Pass-through Entities.*** As pass-through entities, MLPs currently pay no tax at the corporate level. A corporate tax on MLPs would negatively impact distributable cash flow across the sector and could negatively impact TLLP's ability to pay distributions. However, we view MLP tax reform as unlikely, as energy MLPs play a crucial role in building and maintaining US infrastructure, which in turn creates U.S. jobs.

Structure

Tesoro Logistics LP (TLLP) completed its initial public offering (IPO) of 13 million units at $21 per unit in April 2011. To note, the offering was upsized from 12.5 million units, the underwriters' over-allotment option was exercised (1.95 million common units) and pricing was at the high end of the $19 to $21 filing range. The units were priced to yield 6.4% based on the minimum quarterly distribution of $0.3375. The public owns 48.0% of the outstanding equity of TLLP and the balance is owned by Tesoro Corp., including the general partner, incentive distribution rights (IDRs) and subordinated common units.

TLLP has the conventional IDR structure with the general partner entitled to up to 50% of distribution increases if targeted distribution tiers are achieved.

Exhibit 11: TLLP Ownership Structure



Source: Partnership reports; as of TLLP's IPO

Exhibit 12: **TLLP IDR Summary Table**

	Quarterly Distribution/Unit	LP	GP + IDR	Annual Distribution/Unit
Minimum Quarterly Distribution	$0.3375	98%	2%	$1.35
First Target Distribution	up to $0.3881	98%	2%	$1.55
Second Target Distribution	> $0.3881 up to $0.4219	85%	15%	$1.69
Third Target Distribution	> $0.4219 up to $0.50630	75%	25%	$2.03
Thereafter	> $0.50630	50%	50%	$2.03

Source: Partnership data, Credit Suisse estimates.

Financials

Long Term Agreements with Tesoro Provide Cash Flow Stability

A majority (84%) of TLLP's revenues are expected to come from long-term fee-based contracts with Tesoro. These contracts contain minimum volume commitments and fees that are indexed to inflation, except for the trucking transportation services agreement.

High Plains Pipeline – 10-Year Pipeline Services Agreement

TLLP and Tesoro have a ten-year agreement under which Tesoro is obligated to transport an average of at least 49,000 bpd of crude oil per month at a committed rate on TLLP's High Plains pipeline from North Dakota origin points to Tesoro's Mandan refinery. Committed revenues on this agreement approximate $20 million. To note, actual volumes transported have historically exceeded this minimum volume commitment and we expect this to be the case moving forward. In addition, the tariff rates will be adjusted annually at a rate equal to the percentage change consistent with the FERC indexing methodology.

High Plains Trucking – Two Year Agreements that Renew Automatically

Similarly, there is a two-year trucking transportation services agreement in place for a minimum of 22,000 bpd per month at a rate of $2.72 per barrel. Committed revenues on this agreement approximate $22 million. TLLP expects to generate incremental revenues above the minimum commitment. To note, volumes that are shifted to pipeline gathering can reduce the trucking volume minimum obligation. However, TLLP realizes a higher margin on its pipeline gathering so financial results should not be adversely affected. The trucking transportation services agreement will renew automatically for up to four successive two-year terms unless earlier terminated by TLLP or Tesoro with at least three months notice.

Master Terminalling Services Agreement for Refined Products Terminals Aggregating

Under this ten-year agreement, Tesoro is obligated to an aggregate minimum throughput of 100,000 bpd per month at TLLP's eight refined product terminals. The minimum revenue commitment approximates $29 million and fees will escalate annually by a percentage equal to the consumer price index. Additionally, TLLP will charge Tesoro separate fees for providing ancillary services such as ethanol blending and additive injection. Tesoro retains the option to renew the contract for two additional five year terms.

Short-Haul Pipeline Transportation Services Agreement ~ $5 million Commitment

Similarly, Tesoro and TLLP have entered into a ten-year minimum volume commitment on TLLP's five Salt Lake City short-haul pipelines. Based on minimum volumes of 54,000 bpd and a $0.25 per tariff, the revenue commitment totals $5 million annually. As above, the agreement can be renewed for two additional five-year terms and the annual tariff will escalate with the percentage change in the consumer price index.

Salt Lake City Storage Is Fully Contracted

Tesoro has leased all the capacity (878,000 barrels) at TLLP's Salt Lake City storage facility and the existing capacity on the four pipelines connecting to Tesoro's Salt Lake City refinery. The agreed upon tariff of $0.50 per barrel per month may be increased annually by the percentage change in the consumer price index (at TLLP's option). This agreement has an initial term of ten years and may be renewed for two additional five year terms at Tesoro's option.

Distribution Outlook

We forecast a five year distribution CAGR of 8.0%, driven by $200 million of estimated drop-downs ($50 million per year from 2012-15). We estimate the transactions are consummated at an EBITDA multiple of eight times.

Balance Sheet and Liquidity

TLLP has a strong balance sheet with a $150 million revolving credit facility of which $50 million has been drawn and paid to Tesoro as part of the compensation for the assets contributed in the formation of the MLP. To note, Tesoro also received $280 million of the net proceeds from the IPO and TLLP retained just $5 million (primarily for working capital purposes and the cost for setting up the revolving credit facility). Capacity under the revolver can be increased to $300 million subject to receiving increased commitments from the lenders. The loan is guaranteed by all of TLLP's subsidiaries and secured by substantially all of TLLP's assets. The borrowing rate approximates a base rate of 3.25% plus a margin of about 1.5% or a Eurodollar rate (0.21% at April 26, 2011) plus an applicable margin of about 2.5%. There is a 0.50% annual commitment fee for the unused portion of the revolver. To note, the facility is set to mature on April 25, 2014.

TLLP's EBITDA over the next twelve months should approximate $53 million, so debt to EBITDA is just around 1.0 times and well below a target leverage of under 3.0 times. Also, the distribution coverage ratio is a conservative 1.1 times.

Capex

We forecast only $10 million of growth capex in 2011 related to projects to expand services at certain terminals and to add capacity on its High Plains System. The latter relates to the announced expansion of Tesoro's Mandan refinery. As noted, the majority of TLLP's distribution growth will result from $200 million in drop-down acquisitions.

Forecast

We forecast 2011 recurring EBITDA of $50 million, which does not assume any additional acquisitions for the year. We assume EBITDA grows at ~16% in 2012-13 and 11-12% in 2014-15, driven by $200 million in drop-down acquisitions. To note, we think there is upside to our numbers, as the market value of potential drop-downs is likely $300+mn. There also may be upside to our growth capex estimate of $10 million if TLLP is able to further expand its gathering system around the Bakken Shale. Finally, third party acquisitions may provide upside to our estimates.

We forecast three quarters of distributable cash flow (2Q12-4Q12) of $34 million and distributable cash flow per LP unit of $1.10. This compares to our declared LP distribution/unit estimate of $1.03, and implies a 1.07x times coverage ratio. We assume a coverage ratio of 1.05-1.12 times throughout our forecast period.

Management

Management consists of experienced and well-regarded veterans.

Exhibit 13: Management Team

Name	Title	Joined TSO
Gregory J. Goff	Chairman of the Board of Directors and Chief Executive Officer	May-2010
Phillip M. Anderson	President and Director	Dec-1998
G. Scott Spendlove	Vice President, Chief Financial Officer and Director	2002
Charles S. Parrish	Vice President, General Counsel, Secretary and Director	1994
Raymond J. Bromark	Director (Outside)	Mar-2011
Ralph J. Grimmer	Vice President, Operations	2006

Source: Partnership data.

Exhibit 14: TLLP Abbreviated Financial Statements, 2008–2015E

Tesoro Logistics, L.P. (NYSE: TLLP)
Abbreviated Financial Statements

Credit Suisse - Master Limited Partnerships and Natural Gas
Yves Siegel, CFA (212) 325-8462
Elvira Scotto, CFA (212) 538-7097
Joseph Siano, CFA (212) 538-2585

Year ending December 31 ($ millions, except per unit data)	TLLP Predecessor			Pro Forma	Pro Forma								
	2008	**2009**	**2010**	**2010**	1Q11E	2Q11E	3Q11E	4Q11E	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**
Distributable Cash Flow (DCF)													
Net income				42	9	10	10	10	39	41	45	49	54
(+) Interest expense, net				2	0	0	0	0	2	4	6	8	11
(+) Depreciation and amortization				8	2	2	2	2	9	14	16	18	20
EBITDA				**53**	**12**	**12**	**13**	**13**	**50**	**59**	**68**	**76**	**84**
(-) Cash interest paid				2	0	0	0	0	2	4	6	8	11
(-) Maintenance capital expenditure				2	0	1	1	1	3	5	6	6	7
(-) Other				3	0	0	0	0	0	0	0	0	0
Distributable Cash Flow				**46**	**11**	**11**	**11**	**12**	**45**	**50**	**56**	**61**	**67**
DCF per LP unit				**$1.51**	**$0.36**	**$0.35**	**$0.37**	**$0.37**	**$1.46**	**$1.62**	**$1.78**	**$1.89**	**$2.02**
Cash Distribution Declared Per Unit						**$0.34**	**$0.34**	**$0.35**	**$1.03**	**$1.46**	**$1.61**	**$1.77**	**$1.92**
% yr/yr growth									*NA*	*41.6%*	*10.7%*	*9.9%*	*8.2%*
Total declared cash distributions						11	11	11	32	45	50	57	62
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)						1	1	1	2	5	6	5	4
Distribution Coverage (Total DCF/Total Distribution Declared)						**1.05x**	**1.08x**	**1.08x**	**1.07x**	**1.11x**	**1.12x**	**1.09x**	**1.07x**
% of Total Cash Distribution													
General Partner						2%	2%	2%	2%	2%	3%	4%	6%
Limited Partners						98%	98%	98%	98%	98%	97%	96%	94%
Capital Expenditures & Acquisitions													
Growth Capex	10	6	0	0	3	3	3	3	10	0	0	0	0
Maintenance Capex	8	3	2	2	0	1	1	1	3	5	6	6	7
Acquisitions	0	0	0	0	0	0	0	0	0	50	50	50	50
Total Capital Expenditures & Acquisitions	**19**	**9**	**2**	**2**	**3**	**4**	**4**	**4**	**13**	**5**	**6**	**6**	**7**
Financing and Credit Metrics													
Equity Issuances ($ Millions)				0	0	0	0	0	0	0	0	0	0
Net Debt Issuances ($ Millions) - includes credit facility				0	0	(9)	2	2	(5)	50	43	43	46
Total Debt ($ Millions)				50	50	41	43	45	45	95	137	181	227
Net Debt-to-TTM EBITDA				0.9x	0.8x	0.8x	0.8x	0.9x	0.9x	1.5x	2.0x	2.3x	2.6x
Interest Expense, Net ($ Millions)				(2)	(0)	(0)	(0)	(0)	(2)	(4)	(6)	(8)	(11)
EBITDA-to-Interest Expense				NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Maintenance Capex As % of EBITDA				3%	1%	8%	8%	8%	7%	8%	8%	8%	8%
Debt-to-Market Cap													
Abbreviated Balance Sheet													
Cash and Equivalents	0	0	0	3	12	1	1	1	1	6	4	3	3
Current Assets	**0**	**3**	**4**	**3**	**12**	**1**	**1**	**1**	**1**	**6**	**4**	**3**	**3**
Property Plant and Equipment, Net	139	138	132	132	132	133	134	136	136	176	216	253	290
Other Assets	3	0	0	2	2	2	2	2	2	2	2	2	2
Total Assets	**142**	**141**	**136**	**137**	**145**	**136**	**137**	**138**	**138**	**184**	**222**	**258**	**295**
Current Liabilities	**0**	**5**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Credit facility	0	0	0	50	50	41	43	45	45	95	137	181	227
Long term debt, less current portion & Credit Facility	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	9	1	2	50	50	41	43	45	45	95	137	181	227
Total Liabilities	**9**	**5**	**7**	**50**	**50**	**41**	**43**	**45**	**45**	**95**	**137**	**181**	**227**
Partners Capital	133	136	129	87	95	95	94	94	94	89	85	77	69
Total Liabilities & Partners Capital	**142**	**141**	**136**	**137**	**145**	**136**	**137**	**138**	**138**	**184**	**222**	**258**	**295**

Source: Company data, Credit Suisse estimates

Exhibit 15: Operating Metrics

Operating Metrics	TLLP Predecessor 2008	2009	2010	Pro Forma 2010	Pro Forma 1Q11E	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Crude Oil Gathering:													
Pipeline (Mbpd)	54.7	52.8	50.7	50.7	55.3	55.0	57.0	58.0	56.3	63.0	68.0	70.0	72.1
Average pipeline revenue per barrel ($/Bbl)	$1.06	$1.01	$1.06	$1.35	$1.12	$1.26	$1.26	$1.26	$1.23	$1.28	$1.31	$1.33	$1.36
Trucking (Mbpd)	23.8	23.0	23.3	23.3	21.6	22.9	22.9	22.9	22.6	22.2	21.5	20.9	20.5
Average trucking revenue per barrel ($/Bbl)		$2.88		$2.91	$2.88	$2.88	$2.89	$2.90	$2.89	$2.93	$2.93	$2.93	$2.93
Terminalling, Transportation and Storage:													
Terminal throughput (Mbpd)	112.9	113.1	114.0	114.0	121.5	116.0	117.0	118.0	118.1	118.0	121.0	124.0	127.1
Average terminal revenue per barrel				$0.79	$0.79	$0.79	$0.79	$0.79	$0.79	$0.81	$0.84	$0.86	$0.89
Total Short-haul pipeline throughput	68.9	62.8	60.7	60.7	62.2	60.3	60.3	60.3	60.8	60.3	60.3	60.3	60.3
Average short-haul pipeline revenue per barrel				$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.27	$0.27	$0.27	$0.27
Storage capacity reserved (shell capacity M barrels)				878.0	878.0	878.0	878.0	878.0	878.0	878.0	878.0	878.0	878.0
Storage per shell capacity barrel (per month)				$0.50	$0.51	$0.51	$0.51	$0.51	$0.51	$0.52	$0.52	$0.52	$0.52

Source: Company data, Credit Suisse estimates

Exhibit 16: TLLP Income Statement, 2008–2015E

Tesoro Logistics, L.P. (NYSE: TLLP) — **Credit Suisse - Master Limited Partnerships and Natural Gas**

Consolidated Statements of Income - Fiscal Year End December 31

($ in millions except per unit data)

Yves Siegel, CFA (212) 325-8462
Elvira Scotto, CFA (212) 538-7097
Joseph Siano, CFA (212) 538-2585

	TLLP Predecessor 2008	2009	2010	Pro Forma 2010	Pro Forma 1Q11E	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Affliate	21.0	19.3											
Third Party	0.2	0.1											
Crude oil gathering	21.2	19.4	19.6	49.6	11.2	12.3	12.7	12.8	49.0	53.2	55.4	56.4	57.7
Terminalling, transportation and storage	3.3	3.2	3.7	43.6	11.4	11.1	11.2	11.3	45.0	46.4	48.3	50.4	52.6
Acquisitions					0.0	0.0	0.0	0.0	0.0	7.5	17.5	27.5	37.5
Total revenue	**24.5**	**22.7**	**23.3**	**93.2**	**22.6**	**23.4**	**23.9**	**24.2**	**94.1**	**107.1**	**121.2**	**134.3**	**147.7**
% change sequential	*2.5%*	*-7.5%*	*2.8%*	*311.1%*	*-3.1%*	*3.5%*	*2.4%*	*0.9%*	*1.0%*	*13.8%*	*13.3%*	*10.7%*	*10.0%*
Operating and maintenance	29.7	32.6	33.0	36.8	9.3	9.2	9.2	9.2	36.9	39.2	41.6	43.9	46.3
Depreciation and amortization	6.6	8.8	8.0	8.0	2.3	2.3	2.3	2.3	9.2	14.4	16.4	18.4	20.4
General and administrative	2.5	3.1	3.2	3.4	1.8	1.8	1.8	1.8	7.0	9.0	11.6	14.3	16.9
% yr/yr Change									*103.4%*	*28.5%*	*29.2%*	*22.6%*	*18.5%*
Unallocated G&A					1.5	1.5	1.5	1.5	6.0	6.1	6.2	6.4	6.5
Allocated G&A					0.3	0.3	0.3	0.3	1.0	2.9	5.4	7.9	10.4
Total operating expense	**38.9**	**44.5**	**44.2**	**48.3**	**13.3**	**13.2**	**13.3**	**13.3**	**53.1**	**62.7**	**69.6**	**76.5**	**83.7**
EBIT (operating income recurring)	**(14.4)**	**(21.9)**	**(20.9)**	**44.9**	**9.3**	**10.2**	**10.7**	**10.9**	**41.0**	**44.4**	**51.6**	**57.7**	**64.1**
Interest expense (income), net				**(2.4)**	**(0.4)**	**(0.4)**	**(0.4)**	**(0.4)**	**(1.7)**	**(3.5)**	**(6.1)**	**(8.3)**	**(10.6)**
Net income (recurring)	**(14.4)**	**(21.9)**	**(20.9)**	**42.5**	**8.8**	**9.7**	**10.3**	**10.5**	**39.3**	**40.9**	**45.5**	**49.4**	**53.5**
Non-recurring Items					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported Net Income	**(14.4)**	**(21.9)**	**(20.9)**	**42.5**	**8.8**	**9.7**	**10.3**	**10.5**	**39.3**	**40.9**	**45.5**	**49.4**	**53.5**
Net Income Attributed to Tesoro Logistics LP	**(14.4)**	**(21.9)**	**(20.9)**	**42.5**	**8.8**	**9.7**	**10.3**	**10.5**	**39.3**	**40.9**	**45.5**	**49.4**	**53.5**
Pre-Acquisition (income) loss allocated to Parent			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GP interest in net income				0.9	0.2	0.2	0.2	0.2	0.8	0.8	1.2	2.4	3.9
% of net income				*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.6%*	*4.9%*	*7.3%*
LP interest in net income				41.6	8.6	9.5	10.1	10.2	38.5	40.1	44.3	47.0	49.6
% of net income				*98.0%*	*98.0%*	*98.0%*	*98.0%*	*98.0%*	*98.0%*	*98.0%*	*97.4%*	*95.1%*	*92.7%*
Total net income				**42.5**	**8.8**	**9.7**	**10.3**	**10.5**	**39.3**	**40.9**	**45.5**	**49.4**	**53.5**
Recurring Net income per unit (EPU)- diluted				**$1.36**	**$0.28**	**$0.31**	**$0.33**	**$0.34**	**$1.26**	**$1.31**	**$1.45**	**$1.54**	**$1.63**
Reported Net Income Per Unit				**$1.36**	**$0.28**	**$0.31**	**$0.33**	**$0.34**	**$1.26**	**$1.31**	**$1.45**	**$1.54**	**$1.63**
Common units (diluted)				15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3
Subordinated units				15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3
Weighted average L.P. units outstanding (diluted)				**30.5**	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**

Source: Company data, Credit Suisse estimates

Exhibit 17: TLLP Balance Sheet, 2008–2015E

Tesoro Logistics, L.P. (NYSE: TLLP) | **Credit Suisse - Master Limited Partnerships and Natural Gas**

Consolidated Balance Sheets - Fiscal Year End December 31

($ in millions except per unit data)

Yves Siegel, CFA (212) 325-8462
Elvira Scotto, CFA (212) 538-7097
Joseph Siano, CFA (212) 538-2585

	TLLP Predecessor			Pro Forma									
	2008	2009	2010	2010	1Q11E	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
ASSETS													
Cash and cash equivalents	0.0	0.0	0.0	3.0	11.5	1.0	0.9	0.7	0.7	5.8	4.4	2.8	3.1
Total current assets	**0.0**	**3.2**	**4.0**	**3.0**	**11.5**	**1.0**	**0.9**	**0.7**	**0.7**	**5.8**	**4.4**	**2.8**	**3.1**
Net property, plant, and equipment	138.8	138.1	131.6	131.6	131.9	133.1	134.4	135.7	135.7	176.2	215.5	253.5	290.2
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total assets	**141.7**	**141.2**	**135.6**	**136.6**	**145.4**	**136.1**	**137.3**	**138.4**	**138.4**	**184.0**	**221.9**	**258.3**	**295.2**
LIABILITIES AND PARTNERS' CAPITAL													
Total current liabilities	**0.0**	**4.6**	**5.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Long-term debt	**0.0**	**0.0**	**0.0**	**50.0**	**50.0**	**41.5**	**43.0**	**44.5**	**44.5**	**94.5**	**137.3**	**180.8**	**226.7**
Other			1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	**8.7**	**5.5**	**6.8**	**50.0**	**50.0**	**41.5**	**43.0**	**44.5**	**44.5**	**94.5**	**137.3**	**180.8**	**226.7**
Partners' capital													
Common unitholders - public	0.0	0.0	0.0	246.6	255.2	254.5	254.1	253.7	253.7	249.4	244.6	237.6	228.8
Common unitholders - affiliate	0.0	0.0	0.0	(20.8)	(20.8)	(20.8)	(20.8)	(20.8)	(20.8)	(20.8)	(20.8)	(20.8)	(20.8)
Subordinated unitholders - affiliate	0.0	0.0	0.0	(140.9)	(140.9)	(140.9)	(140.9)	(140.9)	(140.9)	(140.9)	(140.9)	(140.9)	(140.9)
General partner interest	0.0	0.0	0.0	1.7	1.9	1.9	1.9	1.9	1.9	1.8	1.7	1.6	1.5
Accum. other comprehensive income/Non Controlling Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	0.0
Total partners' capital	**133.0**	**135.7**	**128.8**	**86.6**	**95.4**	**94.6**	**94.3**	**93.9**	**93.9**	**89.5**	**84.6**	**77.5**	**68.5**
Total liabilities and partners' capital	**141.7**	**141.2**	**135.6**	**136.6**	**145.4**	**136.1**	**137.3**	**138.4**	**138.4**	**184.0**	**221.9**	**258.3**	**295.2**

Source: Partnership data, Credit Suisse estimates

Exhibit 18: TLLP Statement of Cash Flows, 2008–2015E

Tesoro Logistics, L.P. (NYSE: TLLP) | **Credit Suisse - Master Limited Partnerships and Natural Gas**

Consolidated Statement of Cash Flows - Fiscal Year End December 31

($ in millions except per share data)

Yves Siegel, CFA (212) 325-8462
Elvira Scotto, CFA (212) 538-7097
Joseph Siano, CFA (212) 538-2585

	TLLP Predecessor			Pro Forma									
	2008	2009	2010	2010	1Q11E	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Cash flow from operating activities:													
Net income (loss)	**(14.4)**	**(21.9)**	**(20.9)**	**42.5**	**8.8**	**9.7**	**10.3**	**10.5**	**39.3**	**40.9**	**45.5**	**49.4**	**53.5**
Adjustments to reconcile net income (loss) to cash provided by operating activities:													
Depreciation and amortization	6.6	8.8	8.0	0.0	2.3	2.3	2.3	2.3	9.2	14.4	16.4	18.4	20.4
Other, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in assets and liabilities:													
Net cash provided by (used in) operating activities	**(6.5)**	**(13.4)**	**(11.9)**	**42.5**	**11.1**	**12.0**	**12.6**	**12.8**	**48.5**	**55.3**	**61.9**	**67.8**	**73.9**
Cash flow from investing activities:													
Capital expenditures	0.0	0.0	0.0	0.0	(2.6)	(3.5)	(3.6)	(3.6)	(13.3)	(4.9)	(5.7)	(6.4)	(7.1)
Acquisitions	(16.0)	(12.2)	(2.6)	0.0	0.0	0.0	0.0	0.0	0.0	(50.0)	(50.0)	(50.0)	(50.0)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by (used in) investing activities	**(16.0)**	**(12.2)**	**(2.6)**	**0.0**	**(2.6)**	**(3.5)**	**(3.6)**	**(3.6)**	**(13.3)**	**(54.9)**	**(55.7)**	**(56.4)**	**(57.1)**
Cash flow from financing activities:													
Proceeds from issuance of partnership units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowings under credit facility	0.0	0.0	0.0	0.0	0.0	(8.5)	1.5	1.5	(5.5)	50.0	42.8	43.5	45.9
Proceeds from issuance of long-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contributions from unitholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributions to unitholders	0.0	0.0	0.0	0.0	0.0	(10.5)	(10.7)	(10.8)	(32.0)	(45.3)	(50.4)	(56.5)	(62.4)
Parent contribution	22.1	24.6	14.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by (used in) financing activities	**22.1**	**24.6**	**14.0**	**0.0**	**0.0**	**(19.0)**	**(9.1)**	**(9.3)**	**(37.5)**	**4.7**	**(7.6)**	**(13.1)**	**(16.5)**
Change in cash and cash equivalents	**(0.5)**	**(1.1)**	**(0.5)**	**(0.5)**	**8.5**	**(10.5)**	**(0.2)**	**(0.2)**	**(2.3)**	**5.1**	**(1.4)**	**(1.6)**	**0.3**
Cash and cash equivalents at beginning of period	0.5	1.1	0.5	0.0	3.0	11.5	1.0	0.9	3.0	0.7	5.8	4.4	2.8
Cash and cash equivalents at end of period	**0.0**	**0.0**	**0.0**	3.0	**11.5**	**1.0**	**0.9**	**0.7**	**0.7**	**5.8**	**4.4**	**2.8**	**3.1**

Source: Partnership data, Credit Suisse estimates

Companies Mentioned *(Price as of 27 May 11)*
Boardwalk Pipeline Partners, LP (BWP, $29.20, OUTPERFORM, TP $35.00)
DCP Midstream Partners, LP (DPM, $40.50, OUTPERFORM, TP $45.00)
Duncan Energy Partners, LP (DEP, $41.54, NEUTRAL, TP $42.00)
Energy Transfer Equity, LP (ETE, $41.73, OUTPERFORM, TP $47.00)
Energy Transfer Partners, L.P. (ETP, $47.59, OUTPERFORM, TP $56.00)
Enterprise Products Partners, LP (EPD, $41.64, OUTPERFORM, TP $46.00)
Kinder Morgan Energy Partners, L.P. (KMP, $74.18, NEUTRAL, TP $76.00)
Kinder Morgan Management, LLC (KMR, $65.11, OUTPERFORM, TP $74.72)
Kinder Morgan, Inc. (KMI, $29.18, NEUTRAL [V], TP $32.00)
Magellan Midstream Partners, LP (MMP, $59.01, NEUTRAL, TP $59.00)
Niska Gas Storage, LLC (NKA, $19.57, NEUTRAL, TP $21.00)
NuStar Energy LP (NS, $63.35, NEUTRAL, TP $67.00)
NuStar GP Holdings LLC (NSH, $36.29, NEUTRAL, TP $36.00)
ONEOK Partners, LP (OKS, $83.05, NEUTRAL, TP $87.00)
Spectra Energy Partners, LP (SEP, $32.09, NEUTRAL, TP $35.00)
Sunoco Logistics Partners, L.P. (SXL, $84.67, NEUTRAL, TP $89.00)
Targa Resources Corp (TRGP, $34.40, NEUTRAL [V], TP $34.00)
Targa Resources Partners LP (NGLS, $34.41, OUTPERFORM, TP $40.00)
Tesoro Logistics LP (TLLP, $24.49, OUTPERFORM, TP $28.00)
Western Gas Partners, L.P. (WES, $35.39, NEUTRAL, TP $39.00)

Disclosure Appendix

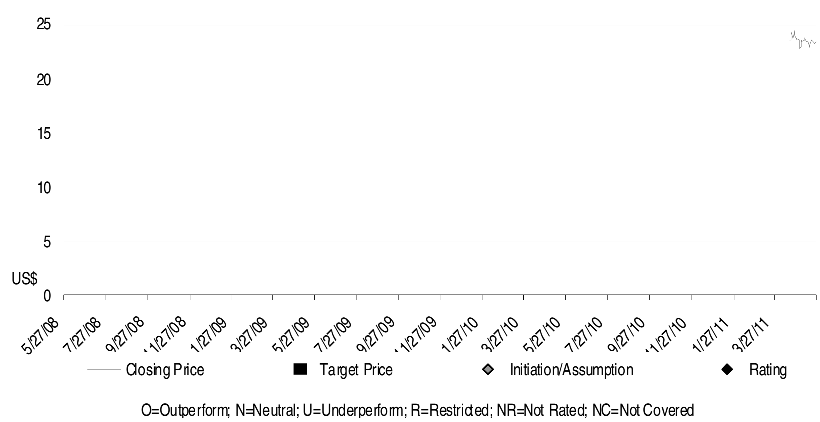
Important Global Disclosures

I, Yves Siegel, CFA, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for TLLP

TLLP Date	Closing Price (US$)	Target Price (US$)	Rating	Initiation/ Assumption



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Price Target: (12 months) for (TLLP)

Method: We derived our $28 price target through a three-stage distribution discount model (DDM). Our assumptions include a discount rate of 9.0%, distribution compounded annual growth rate of 8.0% over the next five years and 5.0% over the following five years and a terminal growth rate of 1.5%.

Risks: Risks to our $28 price target for TLLP are potential refinery closings which would negatively impact volumes, dependence upon TSO for the majority of revenue, difficulty predicting timing of drop-down acquisitions which could result in lower than expected growth, potential for interest rate increases, which would negatively impact interest expense at the partnership's revolving credit facility, and demand destruction and/or declining volumes in the areas in which TLLP operates.

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May 31, 2011

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Equity Research

Tesoro Logistics L.P.

TLLP: We Initiated Coverage With An Outperform Rating

Outperform / V

Sector: Small Cap Pipeline MLPs
Overweight

Initiation of Coverage

- **We Initiated Coverage Of Tesoro Logistics L.P. (TLLP) With An Outperform Rating On The Units.** TLLP has (1) 100% fee-based cash flow, (2) a conservative capital structure, and (3) a strong general partner (GP) that is a source for organic growth and drop-down acquisition opportunities, in our view. We forecast a five-year distribution compound annual growth rate (CAGR) of 9.1%, assuming average annual (1) acquisitions of $100 million and (2) growth capex of $25 million. TLLP is likely to trade at a premium to other small-cap pipeline master limited partnerships (MLPs), in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year visible growth outlook, and (3) TLLP's low-risk business model.
- **Visible Growth Tied To Organic Initiatives And Drop-Downs.** TLLP has built-in growth over the next several years, supported by (1) capital expenditures earmarked primarily for Bakken Shale expansions and (2) potential acquisition opportunities. The GP sponsor Tesoro Corporation (TSO) owns additional logistics assets that it could drop down to TLLP over time, potentially more than doubling the partnership's size. Further, TLLP should be an active participant in the third-party acquisition market for midstream assets. Management has stated its intent to use the MLP vehicle to build Tesoro's logistics business.
- **A Low-Risk Profile Supported By Fee-Based Cash Flow, Favorable Contracts, And A Strong Balance Sheet.** TLLP derives 100% of its revenue from fee-based contracts and has limited volumetric risk due to ten-year minimum volume commitments for all of its assets with its key customer TSO. With a debt-to-EBITDA ratio of about 1x, TLLP has the financial flexibility to undertake meaningful investments to develop its logistics franchise, in our view.
- **Customer And Geographic Concentration Risks Exist.** The partnership relies on TSO as the key customer for all of its assets (about 93% of pro forma 2010 EBITDA) and a source for potential drop-downs. Consequently, the partnership is highly dependent on TSO's refining operations, midstream investments, and financial position, in our view. In addition, a majority of TLLP's revenue is derived from its operations in the Bakken Shale (about 53%).

DCF/unit	2010A	2011E Curr.	2011E Prior	2012E Curr.	2012E Prior
Q1 (Mar.)	NE	$0.35	NE	$0.42	NE
Q2 (June)	NE	0.36	NE	0.42	NE
Q3 (Sep.)	NE	0.37	NE	0.44	NE
Q4 (Dec.)	NE	0.38	NE	0.44	NE
FY	NE	$1.46	NE	$1.71	NE
CY	NE	$1.46		$1.71	
FY P/DCF	NM	16.8x		14.3x	
Rev.(MM)	NE	$96		$116	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

[1]Q1 2011 and 2011 figures are pro forma estimates.

Ticker	TLLP
Price (05/27/2011)	$24.49
52-Week Range:	$22-26
Shares Outstanding: (MM)	30.5
Market Cap.: (MM)	$746.9
S&P 500:	1,331.10
Avg. Daily Vol.:	143,418
Dividend/Yield:	$1.35/5.5%
LT Debt: (MM)	$50.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	9.1%
CY 2011 Est. P/DCF/unit-to-Growth:	1.8x
Last Reporting Date:	05/26/2011 Intraday

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Valuation Range: $26.00 to $28.00 from NA to NA
Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 1.25%, and (2) a price-to-distributable cash flow multiple of 15x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecast rate of acquisitions, dependence on TSO, and geographic concentration.

Investment Thesis:
TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year growth outlook from potential drop-down opportunities and organic growth initiatives, and (3) TLLP's low-risk business model. We forecast a five-year distribution CAGR of 9.1%, assuming average annual (1) acquisitions of $100 million and (2) growth capex of $25 million. At least 80% of TLLP's distribution is expected to be tax deferred.

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Company Description

Tesoro Logistics, L.P. is a publicly traded MLP that owns and operates a crude oil gathering system in the Bakken Shale, eight refined products terminals that primarily serve the Western United States market, and pipeline and storage assets located in Salt Lake City, Utah. The general partner of TLLP is Tesoro Corporation, which is one of the largest independent refiners in the United States.

Executive Summary

TLLP is a high-quality MLP with (1) 100% fee-based cash flow, (2) a conservative capital structure that provides the flexibility to pursue growth objectives, and (3) a strong GP that is a source for organic and drop-down acquisition opportunities, in our view. We have forecasted a five-year distribution CAGR of 9.1%, assuming average annual (1) acquisitions of $100 million and (2) growth capex of $25 million. TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) the fact that it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multiyear growth outlook, and (3) TLLP's low-risk business model. We believe key investment highlights and considerations include the following:

- **A play on infrastructure development in the Bakken shale.** Revenue from this emerging play is expected to account for 53% of the partnership's total revenue projected for the 12 months ending March 31, 2012 (S-1 guidance). Several larger MLPs are investing in the Bakken Shale, but the potential upside is less impactful, in our view, given the relative size and geographic diversity of these partnerships. We anticipate the expansion of TLLP's footprint in the Bakken to be a driver of organic growth for the partnership over time.

- **Visible organic growth outlook**. Excluding acquisitions, our total growth capex forecast of approximately $133 million in 2011-16 could support a 6.0% distribution CAGR over the next five years. TLLP has earmarked $15.5 million of growth capex over the next two years. Incremental cash flow from these projects is expected to result in an 18% year-over-year increase in EBITDA for the 12 months ending March 31, 2013.

- **Upside could come from potential drop-down acquisitions**. Our five-year distribution CAGR forecast increases to 9.1% assuming $100 million of acquisitions annually. TSO still has a sizeable portfolio of logistics assets, which the partnership could acquire over time to augment distribution growth and potentially more than double its size. TSO still owns and operates three additional terminals, two pipelines, and five marine terminals outside of the partnership.

- **A relatively low-risk business model and stable cash flow.** TLLP derives 100% of its revenue from fee-based contracts. In addition, the partnership's stable cash flow is underpinned by ten-year terminalling, transportation, and storage agreements, and ten-year minimum volume commitments for all of its assets.

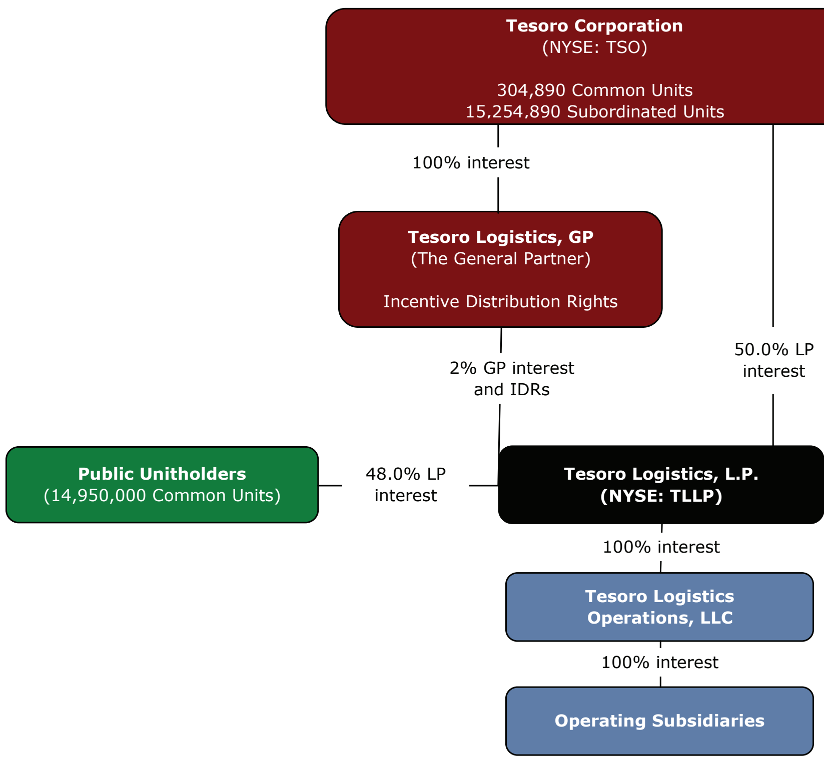
- **Strong balance sheet.** With $50 million of debt outstanding and $100 million available (and a $150 million accordion feature) on its credit facility, the partnership has the financial flexibility to pursue organic growth and acquisitions, in our view.

- **Customer and geographic concentration risks.** The partnership relies on TSO as the key customer for all of its assets (approximately 93% of pro forma 2010 EBITDA) and a source for potential drop-downs. Consequently, the partnership is highly dependent on TSO's refining operations, midstream investments, and financial position, in our view. In addition, a majority of TLLP's revenue is derived from its operations in the Bakken Shale (about 53%).

Partnership Formation, Initial Public Offering, And Structure

In December 2010, Tesoro Corporation (TSO) formed TLLP to own, operate, and invest in crude oil and refined products logistics assets. In connection with TLLP's initial public offering (IPO), TSO contributed certain crude oil and refined product logistics assets to the partnership in exchange for a 2% general partner (GP) interest, a 56.2% limited partner (LP) interest, and the incentive distribution rights (IDR). TLLP began trading on the New York Stock Exchange on April 20, 2011. Approximately 42% of the partnership was sold to the public via the issuance of 13 million units priced at $21.00 per unit. The overallotment of 2 million units was exercised in full, which increased public unit holders' LP interest to 48.0% (15 million units) from 41.8% and reduced TSO's LP interest to 50.0% from 56.2%.

Figure 1. Partnership Structure (Adjusted For Overallotment Exercise)



Note: Adjusted for the exercise of the overallotment
Source: Partnership reports

Currently, there are 15.3 million common units and 15.3 million subordinated units outstanding. The latter class of units is all held by TSO. In total, TSO owns a limited partner (LP) interest of 50.0% and a 100% interest in the partnership's general partner Tesoro Logistics GP and the IDRs. Management estimates that at least 80% of TLLP's annualized distribution of $1.35 per unit is tax deferred through December 31, 2013.

TLLP's limited partner interest is divided between two tranches of equity: common units and subordinated units (both 50% of total LP units). The key differences we perceive between common and subordinated units are as follows: (1) subordinated units are not entitled to receive any distributions until the common units have received the minimum quarterly distribution plus any arrearages from prior quarters during the subordination period and (2) subordinated units do not accrue arrearages. Typically, an MLP will fund short-term distribution shortfalls through its revolving credit facility, but may opt to halt distributions to subordinated unit holders if coverage is expected to fall below 1.0x for an extended period of time. Hence, subordinated units act as a cushion for common unit holders, providing additional distribution security.

TLLP's subordinated units are eligible to convert to common units on a one-to-one basis beginning on June 30, 2014, assuming the partnership has paid an annualized distribution of at least $1.35 per unit for three years. Alternatively, subordinated units are eligible for immediate conversion assuming TLLP has paid an annualized distribution per unit in excess of $2.025 (150.0% of the annualized minimum quarterly distribution) for a period of four consecutive quarters.

GP Sponsor Supports Growth From Acquisitions And Stability In Cash Flow

Tesoro Corporation (TSO). TLLP's strategic relationship with its GP sponsor Tesoro Corporation enhances the partnership's growth prospects, in our view. TSO serves as a strong partner to jointly pursue third-party acquisitions and as a source for potential drop-down acquisitions. TSO has a sizeable portfolio of logistics assets, which the partnership could acquire over time to augment distribution growth. As TLLP's largest customer, TSO also supports stability in the partnership's cash flow through its long-term transportation, terminalling, and storage agreements with minimum volume commitments.

Management has stated its intent to use the MLP vehicle to build Tesoro's logistics business. This could include potential joint bids for refining and logistics assets by TSO and TLLP. TLLP should benefit from gaining exposure to deal flow that would normally be unsuitable for an MLP (e.g., package sale of refining and logistics assets). By pursuing acquisitions jointly, the companies could potentially consummate a transaction and divide the assets between the two entities based on operational fit and relative risk profiles. Specifically, midstream properties would be more appropriate for TLLP, while retail or marketing-related businesses would be better suited for TSO.

Tesoro Corporation is one of the leading independent refining companies in the United States. The company operates seven refineries primarily located in the Western United States with total refining capacity of 664,500 barrels (bbls) per day. In addition to refining assets, the company has a network of 880 retail stations in 15 states that sell transportation fuels primarily under the *Tesoro*, *Shell*, *USA Gasoline*, and *Mirastar* brands. Founded in 1968, TSO was originally focused on the exploration and production of crude oil. In 1969, TLLP purchased its first refinery near Kenai, Alaska. During the 1990s, TSO began to focus on its petroleum and marketing businesses and sold non-core assets including its exploration and production operations. From 1998 to 2002, TSO acquired refineries in Hawaii, Washington, North Dakota, Utah, and California. In 2007, the company acquired the Los Angeles refinery and 278 *Shell*-branded retail stations from Shell Oil Products. During this ten-year period, TSO increased its total refining capacity to 664,500 bbls per day from 72,000 bbls per day. The company is now the second-largest independent refiner and marketer in the United States, with an enterprise value of approximately $5 billion.

TSO's long-term debt is currently rated Ba1 and BB+ by Moody's and Standard and Poor's, respectively, with Stable outlooks. While TSO's debt ratings are one notch below investment grade, the company's credit metrics appear to be in line with those of other refiners and its liquidity has improved significantly since the economic recession in 2008-09. As of Q1 2011, TSO's debt-to-EBITDA ratio was 2.0x (versus the median of 2.2x for other refiners) and its net debt-to-EBITDA ratio and debt-to-capitalization ratio were 1.2x and 37%, respectively. As of March 31, 2011, the company had almost $1.7 billion of available liquidity consisting of $742 million of cash and $974 million undrawn on the company's revolving credit facility.

Figure 2. Tesoro Corporation's Refinery Locations

Source: Company reports

Why Was Tesoro Logistics Partners Created?

An MLP provides TSO with a number of benefits, including the following:

- **A tax-advantaged structure with which to increase Tesoro's logistics assets.** Tesoro Logistics Partners provides a platform for TSO to build its logistics business and maximize the integrated value of its midstream and downstream assets. In addition, an expansion of Tesoro's logistics franchise should enable TSO to diversify its asset base (e.g., mitigate its exposure to refining fundamentals).

- **A premium valuation on midstream assets.** Historically, assets within an MLP structure have traded at higher valuations in the market than those same assets would within a corporate structure. For example, small-cap pipeline MLPs are currently trading at a median enterprise value (EV)-to-2012 adjusted EBITDA multiple of 10.4x, versus 4.8x for North American refining companies.

- **The opportunity to maintain control of the assets while participating in the upside potential of the incentive distribution rights.**

- **Another financing vehicle.** TLLP provides TSO with a source of lower-cost equity with which it can finance logistics-related growth. Historically, MLPs have had good access to the capital markets, which could help facilitate growth of the overall entity.

Investment Highlights

A Play On Infrastructure Development In The Bakken Shale

TLLP offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure. Crude oil gathering revenue from this region (i.e., the High Plains System) is expected to account for 53% of the partnership's total revenue projected for the 12 months ending March 31, 2012 (S-1 guidance). There are several larger MLPs that are investing in the Bakken Shale, but their potential upside is less impactful, in our view, given the relative size and geographic diversity of these partnerships. TLLP owns a crude oil gathering system tied to production from the Bakken Shale/ Williston Basin. The High Plains System includes 700 miles of pipeline with the capacity to deliver up to 70,000 bbls per day to TSO's Mandan, North Dakota refinery and trucking operations that gather about 23,000 bbls per day of crude oil from the region.

We anticipate the expansion of TLLP's footprint in the Bakken Shale to be a driver of organic growth for the partnership over time. TLLP already has committed to one project (i.e., an expansion of its High Plains System by Q2 2012 to accommodate the capacity addition at TSO's Mandan refinery). The partnership has identified other potential opportunities that have not been incorporated in its S-1 guidance. At this juncture, management has not quantified the potential amount of investments. For modeling purposes, we have assumed growth capex of $25 million annually in 2012-16, which may prove to be conservative. TLLP's potential projects in the Bakken Shale include the following:

- Expansion of the High Plains System through the construction of additional gathering lines to access new drilling locations.
- To establish additional outlet connections between the High Plains System and third-party regional pipelines, which would increase optionality for shippers and capture incremental third-party volume. Management has identified five potential interconnections that it believes could be accomplished with minimal capital: Enbridge's pipelines at Ramburg, North Dakota and Portal at the U.S./Canadian border, and True Companies' Bridger pipeline at Richey, Montana, Belle Fourche pipeline at Fritz, North Dakota, and Little Missouri pipelines at Fryburg, North Dakota.
- Increase High Plains System's throughput capacity with additional pumping capacity.
- Construction of a rail facility at TSO's Mandan refinery to increase the Williston Basin takeaway capacity for crude oil.

The Bakken Shale is one of the major emerging oil plays in North America. It is a key crude oil resource with approximately 4.0-6.3 billion bbls of recoverable reserves (including the underlying Three Forks formation), according to the North Dakota Department of Mineral Resources. This compares with total U.S. proved reserves of 19.1 billion bbls. The Bakken play is a formation in the Williston Basin, which is spread across parts of North Dakota, South Dakota, Montana, and Canada. Development in the Bakken Shale has accelerated given the favorable crude oil price environment, advancements in drilling technologies, and E&P companies' focus on liquids-rich areas due to more favorable economics. Specifically, the rig count tied to the play in North

Dakota has increased 130% year over year, to 128 rigs as of May 6, 2011, from 98 rigs in the comparable year ago period, according to the Land Rig Newsletter. The North Dakota Department of Mineral Resources forecasts that oil production in North Dakota could reach 450,000-700,000 bbls per day within the next 3-7 years. For the U.S. portion of the Williston Basin, crude oil production could ramp up to 550,000-800,000 bbls per day during the 2015-2020 time frame, according to the state agency. (Please refer to pages 20-22 for more details.)

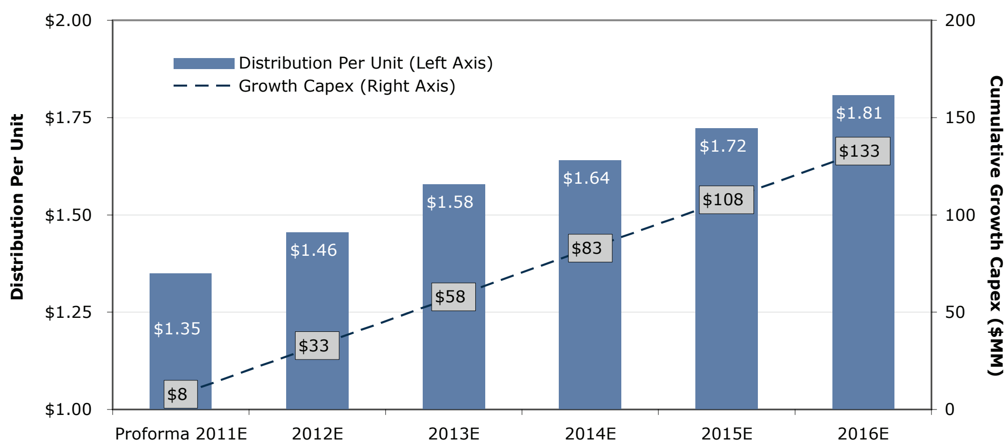
Visible Multiyear Growth Outlook

Current slate of organic growth projects provides visible/meaningful upside potential. TLLP has earmarked $15.5 million of growth capex over the next two years. Incremental cash flow from these projects is expected to result in an 18% year-over-year increase in EBITDA for the 12 months ending March 31, 2013. The sizeable increase is primarily attributable to the attractive returns from enhancing TLLP's existing assets (i.e., an EBITDA multiple of less than 2x) and the relatively small size of the partnership (percentage change is more meaningful off of a smaller base, all else being equal).

As previously noted, TSO plans to increase the capacity at its Mandan refinery by 10,000 Bbls per day to 68,000 bbls per day by Q2 2012. TLLP plans to spend about $6.5 million to add pumping, tankage, and truck unloading capacity to its High Plains System to support the Mandan refinery expansion. The partnership is also investing approximately $9 million to increase capacity and enhance its service capabilities at its terminals (e.g., ethanol blending, transmix). Specifically, TLLP is adding 8,000 bbls of storage capacity at Stockton by Q1 2012 for $4.5 million, ethanol blending capabilities at Salt Lake City and Burley in H1 2012 for $2.4 million, and transmix receipt services at its Los Angeles terminal by Q1 2012 for $2.0 million.

Modest distribution growth even absent acquisitions. According to our model, TLLP is well positioned to deliver a five-year distribution CAGR of 6.0%, assuming the $15.5 million of identified projects noted previously, $25 million of annual growth capex at an average EBITDA multiple of 6.0x in 2012-16, no acquisitions, and a distribution coverage ratio of 1.1x. Alternatively, if we assume that TLLP undertakes $250 million ($50 million annually at an EBITDA multiple of 6.0x) of organic growth initiatives and no acquisitions, this would increase our five-year distribution CAGR estimate to 7.9%, all else equal.

Figure 3. Growth Capex Supports 6% Distribution Growth Even Absent Acquisitions



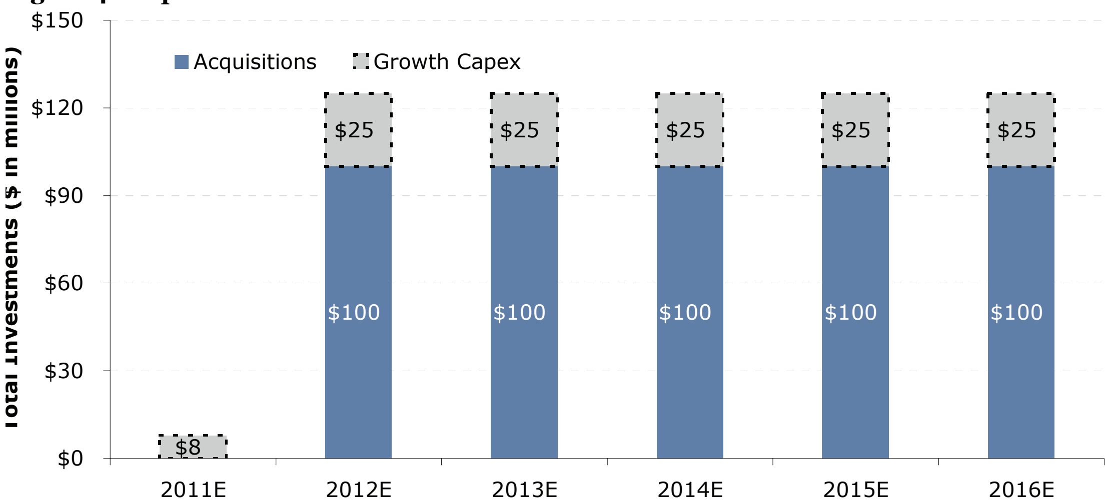
($ in millions except per unit data)	Proforma 2011E	2012E	2013E	2014E	2015E	2016E
Growth Capex	**$7.8**	**$25.0**	**$25.0**	**$25.0**	**$25.0**	**$25.0**
Cumulative G. Capex Spending	$7.8	$32.8	$57.8	$82.8	$107.8	$132.8
EBITDA	$52.0	$58.1	$64.9	$70.0	$75.2	$80.5
(-) Interest expense	$2.0	$3.4	$5.3	$7.3	$8.9	$9.9
(-) Maintenance capex	$4.6	$5.1	$5.6	$6.0	$6.5	$6.9
(-) GP interest	$0.8	$0.9	$1.1	$1.4	$2.0	$2.9
Distributable cash flow	$44.6	$48.7	$52.9	$55.2	$57.8	$60.7
DCF per unit	$1.46	$1.60	$1.73	$1.81	$1.89	$1.99
Distribution per unit	$1.35	$1.46	$1.58	$1.64	$1.72	$1.81
Yr/yr growth	**-**	**7.8%**	**8.4%**	**4.0%**	**5.0%**	**4.9%**
Coverage ratio	1.08x	1.10x	1.10x	1.10x	1.10x	1.10x

Source: Wells Fargo Securities, LLC estimates

Upside beyond organic growth could potentially come from acquisitions. We forecast a five-year distribution CAGR of 9.1% predicated on assumed acquisitions of approximately $500 million in 2012-16 (or a $100 million transaction each year) completed at an EBITDA multiple of 10x and average annual growth capex of approximately $25 million during that period. Potential acquisitions will likely be a mix of drop-downs from TSO and third-party acquisitions, in our view.

The actual economics of a potential drop-down will likely be a function of the organic growth profile of the acquisition target and the maturity of TLLP as an MLP. For example, a higher acquisition multiple is likely for TSO's terminals with more volume upside due to (1) a favorable demand outlook for petroleum products in the region, (2) a less competitive market, (3) access to multiple sources (refineries), and/or (4) enhanced service capabilities available. In addition, as the partnership's earnings base grows and a higher percentage of distributions are paid to the GP, it becomes more challenging to consummate accretive acquisitions, in our view. Accordingly, TSO may elect to reduce drop-down multiples in the outer years to ensure that the transaction benefits both TLLP's GP and LP unit holders. We view TLLP's potential drop-down opportunities as a competitive advantage given that they provide a built-in growth platform and eliminate the need to compete for third-party acquisitions.

Figure 4. Acquisition Forecast For TLLP



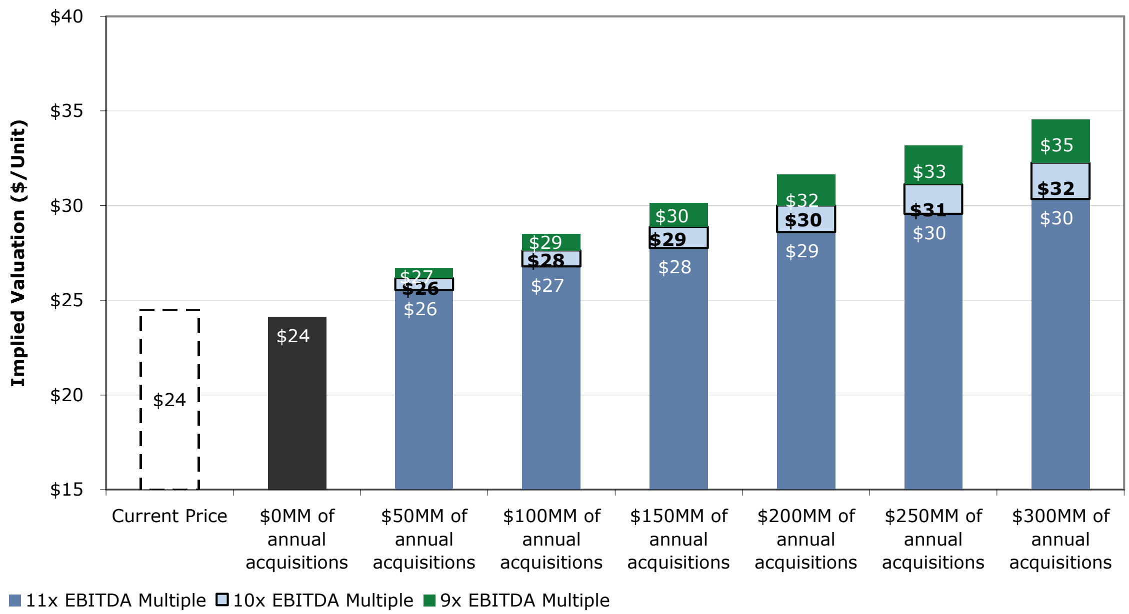
Source: Wells Fargo Securities, LLC estimates

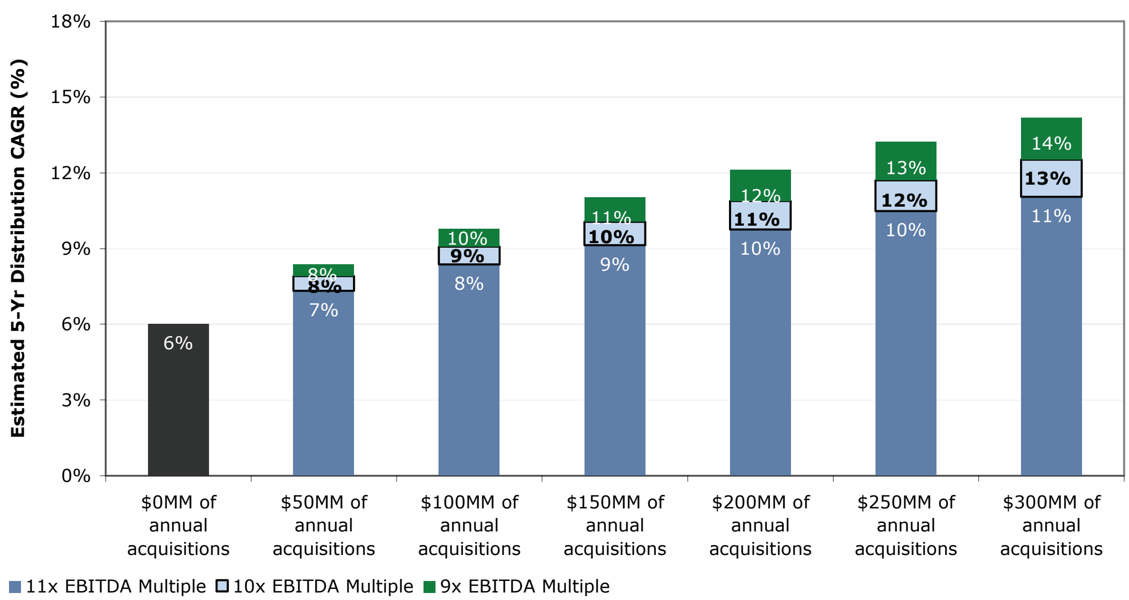
The pool of potential drop-down assets should increase as TSO continues to invest in logistics assets. In addition, management intends to use TLLP as a vehicle to pursue third-party acquisitions. Accordingly, our distribution growth forecast could prove conservative if the size and/or timing of acquisitions consummated exceeds expectations. To note, the assumed EBITDA of $50 million for our acquisition forecast in 2012-16 compares with estimated cash flow of $66-68 million from TSO's current remaining portfolio of midstream assets (see pages 10-11 for details).

All else being equal, we forecast that a $50 million increase or decrease in our assumed acquisition spending estimate will increase or decrease our five-year distribution CAGR by roughly 1-2%, depending on the EBITDA multiple assumed (i.e., lower multiples imply higher growth leverage from acquisition spending). Figure 5 illustrates the sensitivity of our distribution growth forecast to varying levels of assumed acquisition spending and EBITDA multiples. Key assumptions used in this analysis are as follows:

- Acquisition multiples in the range of 9-11x EBITDA.
- Maintenance capex of approximately 9% of EBITDA, which is in line with TLLP's guidance for the 12 months ending March 31, 2012.
- Acquisitions in 2012 financed 100% with debt given that TLLP currently has only $50 million of debt outstanding. We estimate 50% debt and 50% equity financing thereafter. Finally, we assume a long-term average interest rate of 6.75% and yield of 6.25% for the equity portion of the financing.

Figure 5. Five-Year Distribution CAGR And Valuation Sensitivity Based On Acquisition Assumptions





Source for both charts: FactSet and Wells Fargo Securities, LLC estimates

Drop-down of TSO's remaining logistics assets could double the size of TLLP. Based on an acquisition multiple of 10x EBITDA, we estimate approximately $660-680 million of immediate drop-down potential for TLLP. Management has not disclosed the earnings generated by TSO's remaining portfolio of midstream assets. However, it did note that the aggregate gross book value of TSO's retained logistics assets was $240 million as of December 31, 2010. This compares with the gross book value of $193 million for the assets currently in TLLP. Assuming that the relative gross book values are proportionate to cash flow, EBITDA of potential drop-down assets could approximate $66 million. Alternatively, we estimate EBITDA of $68 million for TSO's remaining portfolio of midstream assets based on the assets' average throughput in 2009 and 2010, estimated market-based rates, and margins in line with TLLP's S-1 guidance. Our assumptions include (1) average volume in 2009 and 2010 for TSO's pipelines and terminals and the maximum storage capacity; (2) a transportation rate of $0.61 per bbl for TSO's Alaska Pipeline based on its published tariff, (3) a transportation rate of $0.25 per bbl for TSO's Los Angeles Pipeline System based on Plains All American Pipeline's (Pacific) average tariffs in the region; (4) an average terminalling fee of $0.81 per bbl in line with TLLP's guidance for the 12 months ending March 31, 2012, (5) an average storage fee of $0.50 per bbl per month, in line with TLLP's guidance; (6) an operating margin of approximately 60%, in line with TLLP's guidance; and (7) SG&A expenses that equal to about 7% of revenue, in line with TLLP's guidance.

Figure 6. Estimated EBITDA Of Drop-Down Portfolio

	2009-10 Avg Throughput (Bbls per day)	Assumed Rate Per Bbl	$ in millions
Tesoro Alaska Pipeline	33,500	$0.61	
Los Angeles Pipeline System	43,700	$0.25	
Terminals	325,550	$0.81	
Storage Capacity (total Bbls)	2,966,000	$0.50	
Tesoro Alaska Pipeline			$7.5
Los Angeles Pipeline System			$4.0
Terminals			$96.2
Storage Capacity			$17.8
Total revenue			**$125.5**
Operating expenses			$48.9
G&A expense			$8.6
EBITDA			**$68.0**

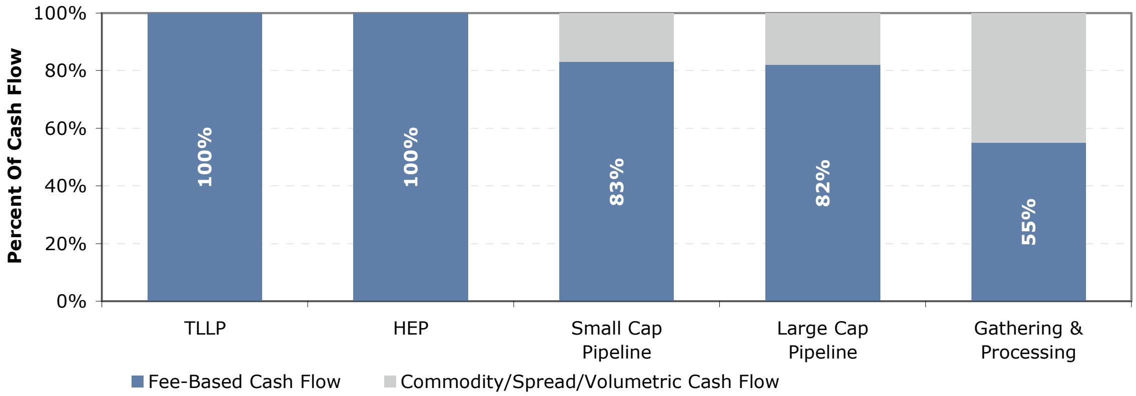
Source: Company reports and Wells Fargo Securities, LLC estimates

Entitled to right of first offer for future TSO midstream divestitures. For a period of ten years after its IPO, TLLP has a right of first offer to acquire certain logistics assets if TSO decides to sell them. Potential drop-down assets include three terminals, two pipelines, and five marine terminals located in Alaska, California, and Washington. Please refer to the Appendix (pages 38-42) for descriptions of these assets. Having the right of first offer on substantially all of TSO's potential midstream divestitures should mitigate competition with third parties for future acquisition opportunities, which we view as a significant benefit for the partnership.

TLLP Has A Relatively Low-Risk Business Model And Stable Cash Flow

100% fee-based revenues with no direct commodity exposure. TLLP derives 100% of its cash flow from fee-based, transportation, terminalling, and storage contracts with limited volumetric risk (see pages 12-14 for details on minimum volume commitments). Essentially, the partnership receives a fee per unit (bbl) handled by its gathering system, terminals, pipelines, and/or storage assets. It does not take title to the product it handles and has no direct exposure to the price of crude oil or refined products. Accordingly, TLLP's cash flow should be relatively stable, in our view. While the partnership has no direct commodity exposure, changes in commodity prices can ultimately affect the partnership's volume. For example, if crude oil prices were to decline significantly, the development of the Bakken Shale could slow down. Consequently, a decrease in producer drilling activity in the region could lower TLLP's future gathering throughput, thereby, decreasing cash flow.

Figure 7. Fee-Based Cash Flow Mix For MLPs



Source: Partnership reports and Wells Fargo Securities, LLC estimates

TLLP's 100% fee-based cash flow compares favorably with that of other small-cap pipeline MLPs. For the small-cap pipeline MLP subsector, fee-based cash flow accounts for approximately 83% of total cash flow. Notably, large-cap pipeline MLPs and gathering and processing MLPs currently obtain 82% and 55%, respectively, of their cash flow from fee-based operations.

Long-term commercial agreements with TSO bolster stability of cash flow. TSO is the partnership's primary customer and accounted for 93% of TLLP's pro forma 2010 EBITDA. The company is expected to account for 97% of the partnership's revenue for the 12 months ending March 31, 2012, compared to 96% of pro forma 2010 revenue. Notably, TLLP's contracts with TSO are long-term in nature. For the High Plains System, TLLP entered into a ten-year crude oil gathering and transportation agreement and a two-year trucking transportation services agreement with TSO, which is the primary shipper on the system. In addition, TLLP secured a ten-year services agreement for all eight of its terminals and ten-year transportation and storage contracts for its assets in Salt Lake City. All ten-year agreements may be renewed for two additional five-year terms at TSO's option. The trucking contract will automatically be extended for successive two-year terms, up to a maximum of ten years. These long-term agreements should provide the partnership with a reliable stream of cash flow into the future, in our view.

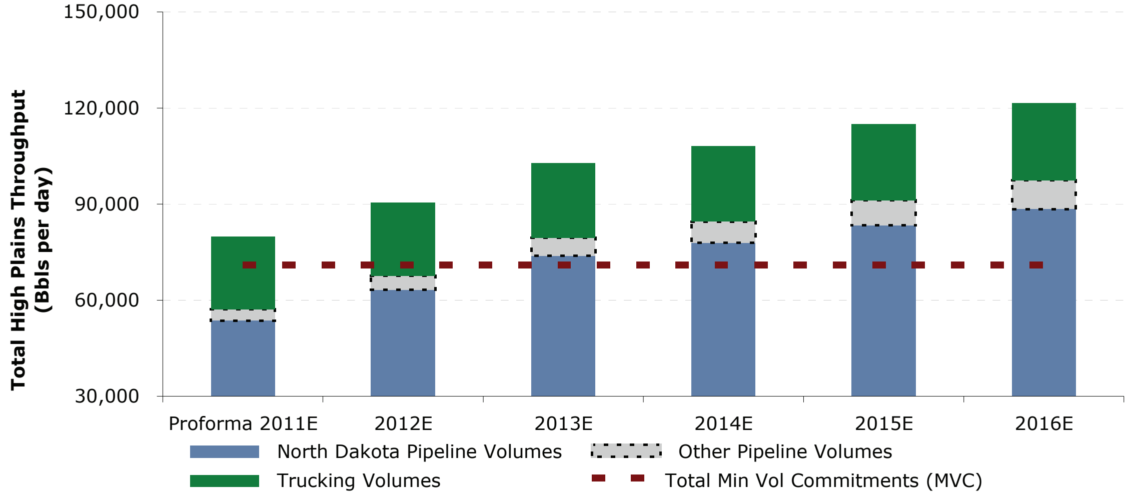
Ten-year minimum volume commitments also mitigate volatility of cash flow. Unlike for many other midstream operators, TLLP's volumetric risk is limited through a minimum volume commitment feature in all of its agreements with TSO. This feature should mitigate the sensitivity of the partnership's cash flow to variability in throughput volume for the first ten years of the partnership's existence. Notably, management estimates that 84% of TLLP's projected revenue for the 12 months ending March 31, 2012, is supported by its minimum volume commitments (i.e., \$81.7 million out of \$97.3 million). This implies that TLLP's distribution coverage ratio would approximate 0.73x (cash flow deficit of \$11.4 million) if the partnership realized only the minimum volume during that time frame and did not realize a commensurate decrease in operating expenses.

For the High Plains System, TSO has agreed to transport an average of at least 49,000 bbls per day of crude oil per month at the committed rate (i.e., \$1.11 per bbl) from North Dakota origin points to TSO's Mandan refinery for a period of ten years. If applicable, TSO agrees to pay TLLP a shortfall payment equal to the volume shortfall during a calendar month, multiplied by the weighted average committed tariff rate paid by TSO for that month. The shortfall payment is to be credited against amounts owed by TSO in excess of its minimum throughput commitment during any of the succeeding three months. Any remaining portion of the shortfall credit expires following the three-month period.

Notably, TLLP's North Dakota pipeline throughput averaged 46,004 bbls per day in 2010. According to the S-1 filing, management believes North Dakota pipeline volume will approximate 54,200 bbls per day for the 12 months ending March 31, 2012, which is above the minimum volume commitment. Based on our 2011-16 North Dakota pipeline throughput forecast, we believe that actual throughput will be above the minimum volume commitment each year. Consequently, our model does not reflect the impact of any shortfall payment adjustments.

TSO and TLLP's High Plains trucking transportation services agreement provides for a minimum volume commitment of 22,000 bbls per day per month and a transportation fee of $2.72 per bbl for two years. TLLP's trucking volume averaged 23,305 bbls per day in 2010. Management anticipates volume to approximate 22,900 bbls per day for the 12 months ending March 31, 2012, which is above the minimum volume commitment. We anticipate actual trucking volume in 2011-16 to exceed the minimum threshold.

Figure 8. High Plains Minimum Volume Commitments (Crude Oil Gathering Segment)



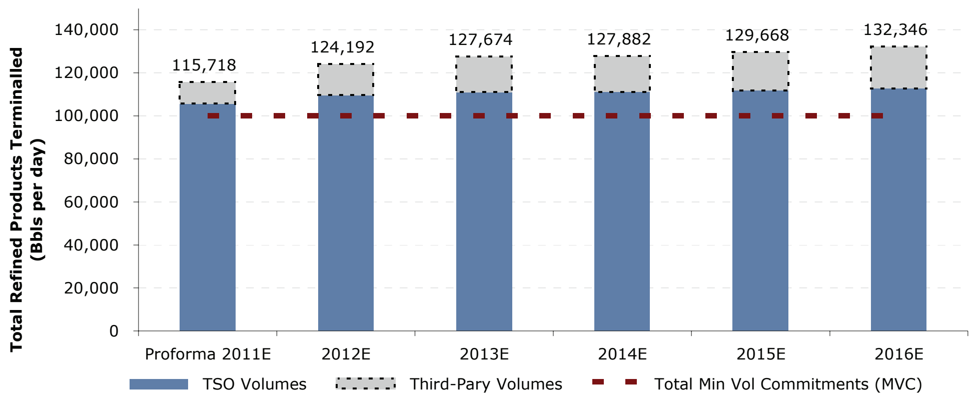
Barrels Per Day	**Proforma 2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
North Dakota Pipeline Volumes	53,680	63,317	73,839	77,938	83,363	88,432
Other Pipeline Volumes	3,457	4,228	5,644	6,576	7,808	8,960
Trucking Volumes	22,830	22,983	23,312	23,528	23,815	24,082
Total High Plains Throughput	**79,967**	**90,528**	**102,795**	**108,041**	**114,986**	**121,474**
North Dakota Pipeline MVC	49,000	49,000	49,000	49,000	49,000	49,000
Trucking MVC	22,000	22,000	22,000	22,000	22,000	22,000
Total Min Vol Commitments (MVC)	**71,000**	**71,000**	**71,000**	**71,000**	**71,000**	**71,000**

Note 1: Year-over-year projected North Dakota pipeline volume growth in 2012-16 reflects the anticipated benefit of assumed growth capex.
Source: Partnership reports and Wells Fargo Securities, LLC estimates

For TLLP's eight refined products terminals, TSO has agreed to an aggregate average throughput minimum of 100,000 bbls per day, per month at an average terminalling fee (i.e., $0.81 per bbl) for a period of ten years. If applicable, TSO agrees to pay TLLP a shortfall payment equal to the volume shortfall during a calendar month multiplied by the weighted average throughput fee incurred by TSO for that month. The shortfall payment is to be credited against amounts owed by TSO in excess of its minimum throughput commitment during any of the succeeding three months. Any remaining portion of the shortfall credit expires following the three-month period.

TLLP's 2010 refined products terminal throughput averaged 113,950 bbls per day. According to the S-1 filing, management believes terminal volume from TSO will approximate 105,800 bbls per day for the 12 months ending March 31, 2012, which is above the minimum volume commitment. Based on our 2011-16 total refined products terminal throughput forecast, we believe that actual throughput will be above the minimum volume commitment each year. Consequently, our model does not reflect the impact of any shortfall payment adjustments.

Figure 9. Terminalling Minimum Volume Commitments



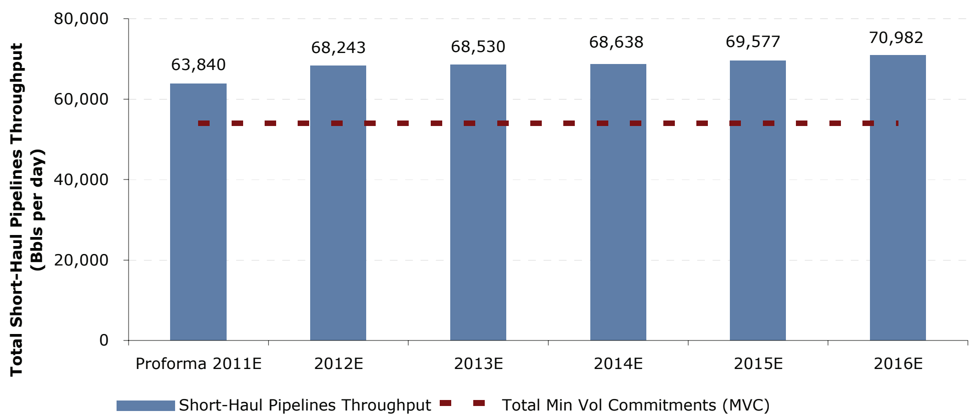
Barrels Per Day	**Proforma 2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
TSO Volumes	105,732	109,651	111,040	111,123	111,836	112,904
Third-Pary Volumes	9,987	14,541	16,634	16,759	17,832	19,442
Total Refined Products Terminalled	**115,718**	**124,192**	**127,674**	**127,882**	**129,668**	**132,346**
Total Min Vol Commitments (MVC)	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**

Source: Partnership reports and Wells Fargo Securities, LLC estimates

For TLLP's Salt Lake City assets, TSO has agreed to transport an average of at least 54,000 bbls per day, per month of crude oil and refined products on TLLP's five short-haul pipelines at the transportation rate of $0.25 per bbl for a ten-year period. If applicable, a volume shortfall payment or credit adjustment would also occur. In addition, TSO is committed to pay TLLP a $0.50 per bbl per month fee based on the partnership's Salt Lake City storage facility's shell capacity of 878,000 bbls in exchange for storage and transportation services provided between TLLP's storage facility and TSO's Salt Lake City refinery.

Notably, TLLP's 2010 Salt Lake City short-haul pipeline throughput averaged 60,666 bbls per day in 2010. According to the S-1 filing, management believes pipeline volume will approximate 65,800 bbls per day for the 12 months ending March 31, 2012, which is above the minimum volume commitment. Based on our 2011-16 Salt Lake City pipeline throughput forecast, we believe that actual throughput will be above the minimum volume commitment each year. Consequently, our model does not reflect the impact of any shortfall payment adjustments.

Figure 10. Salt Lake City Pipelines Minimum Volume Commitments



Barrels Per Day	**Proforma 2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
Short-Haul Pipelines Throughput	63,840	68,243	68,530	68,638	69,577	70,982
Total Min Vol Commitments (MVC)	**54,000**	**54,000**	**54,000**	**54,000**	**54,000**	**54,000**

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Annual fee escalators should offset potential inflationary cost pressures. The High Plains pipeline rate is subject to the Federal Energy Regulatory Commission (FERC) indexing methodology. Based on the formula of PPI plus 2.65%, TLLP should benefit from a 6.8% rate increase in July 2011. TLLP's terminalling fees and Salt Lake City transportation and storage fees are subject to automatic annual escalators. This should help mitigate the impact of potential increases in the partnership's cost structure in the future. The fees are adjusted annually by a percentage equal to the change in the consumer price index. Alternatively, if management is successful in keeping expenses level, the annual rate increases should result in modest margin growth, all else being equal.

Conservative Capital Structure Provides Flexibility To Pursue Growth Objectives

Strong balance sheet. With only $50 million of debt outstanding and a debt-to-EBITDA ratio of 1.0x, TLLP has the financial flexibility to pursue organic growth initiatives and acquisitions, in our view. The partnership has a $150 million revolving credit facility, which expires in April 2014, with a $150 million accordion feature. This provides TLLP the option to meaningfully increase its borrowing capacity in the future. TLLP's total liquidity of $100 million should be more than sufficient to finance its estimated 2011 growth capital expenditure of approximately $8 million.

We believe that TLLP will maintain a strong balance sheet and a relatively conservative capital structure of 50% debt and 50% equity over the long term. We forecast that the partnership could end 2011 and 2012 with a debt-to-EBITDA ratio of 1.1x and 2.6x, respectively. This compares favorably to the median ratio of 4.0x for other small-cap pipeline MLPs.

Figure 11. Overview Of 2011 Sources And Uses Of Cash

	($ in millions)	Q1'11A	Q2'11E	Q3'11E	Q4'11E	2011E
Uses Of Cash	**Growth Spending:**					
	Acquisition spending	-	-	-	-	-
	Growth capex spending	-	$3	$3	$3	$8
	Debt Maturities:					
	Long-term debt maturities	-	-	-	-	-
	Total spending	**$0**	**$3**	**$3**	**$3**	**$8**
Sources Of Cash	**Equity Funding:**					
	Secondary equity issuance	-	-	-	-	-
	Excess cash flow	$2	$0	$1	$1	$4
	Cash on hand and other	-	-	-	-	-
	Debt Funding:					
	Long-term debt issuance	-	-	-	-	-
	Credit facility	($2)	$2	$2	$2	$4
	Total financing	**$0**	**$3**	**$3**	**$3**	**$8**
	Credit Metrics:					
	Amount drawn on credit facility	$50	$52	$54	$56	$56
	Letters of credit outstanding	$0	$0	$0	$0	$0
	Utilization	33%	35%	36%	37%	37%
	Liquidity	$100	$98	$96	$94	$94
	Debt-to-EBITDA ratio				**1.1x**	**1.1x**

Source: Wells Fargo Securities, LLC estimates

For 2012, we forecast that TLLP will spend $25 million of growth capex. Our model also incorporates a $100 million acquisition assumption in Q1 financed with 100% debt, which we anticipate the partnership would term out in Q2. We forecast that the partnership could end 2012 with $76 million of liquidity and a debt-to-EBITDA ratio of 2.6x, which compares with the maximum permitted covenant threshold of 4.0x.

IDR reset option enables management to better control cost of capital. Like most other MLPs, TLLP's general partner has IDRs, which entitle it to receive an increasing percentage of the partnership's distributions as the distribution per unit surpasses certain tiers (see Figure 12). TLLP would have to increase its minimum quarter distribution (MQD) by 50% to reach the "high splits," or 50/50 tier.

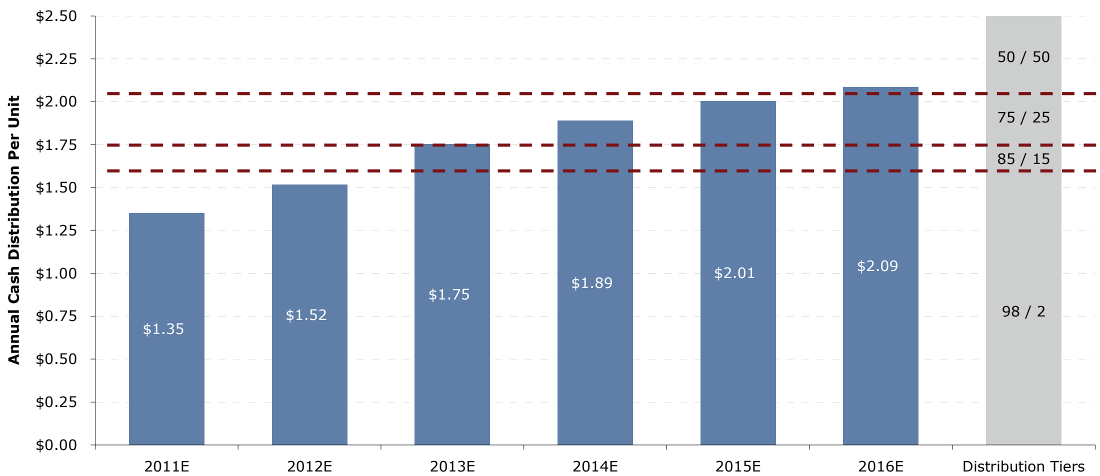
Figure 12. TLLP's Incentive Distribution Tiers

	Quarterly distribution per unit					Marginal % Interest In Cash Distributions: Unitholders	GP & IDRs
Minimum quarterly distribution (MQD)		$0.3375				98%	2%
First target distribution		up to $0.3881				98%	2%
Second target distribution	above	$0.3881	up to	$0.4219		85%	15%
Third target distribution	above	$0.4219	up to	$0.5063		75%	25%
Thereafter		above $0.5063				50%	50%

Source: Partnership reports

Similar to other MLPs, TLLP has an IDR "reset" option in its partnership agreement. The reset option gives management better control of the partnership's cost of capital over the long term and allows TLLP to better compete for acquisitions and/or invest in organic projects that would otherwise not be accretive to distributable cash flow when the partnership becomes "deep in the splits," in our view. As stipulated by the agreement, the general partner (TSO) holds the right to reset, at higher levels, the minimum quarterly distribution and incentive distribution levels. The cumulative cash flow accruing to the GP would not be altered, but instead, the future cash flow stream is affected.

Figure 13. TLLP Incentive Distribution Tiers And Our Distribution Forecast



Source: Partnership reports and Wells Fargo Securities, LLC estimates

Specifically, the GP would receive a lower percentage of incremental cash flow at the reset (higher) MQD than the 50% of incremental cash flow that it would receive under the initial distribution schedule. Hence, by resetting the incentive distribution tiers, the MLP's cost of equity is effectively reduced. On the basis of our distribution growth forecast, the partnership would reach the high-splits tier in Q4 2015. From this point forward, the GP would begin receiving 50% of the partnership's incremental cash flow.

TSO holds the right to reset the MQD and incentive distribution levels (without the approval of the common unit holders) under the following conditions:

- If there are no subordinated units outstanding, and
- If the general partner has received incentive distributions at the highest level, or 48%, for each of the prior four consecutive fiscal quarters.

The GP would receive a certain number of TLLP's common units and additional general partner units in exchange for "resetting" the incentive distribution levels. The number of common units received would be based on the amount of incentive cash distributions received for the two consecutive fiscal quarters prior to reset.

Overview Of TLLP's Assets

TLLP owns and operates crude oil and refined product logistics assets. Specifically, the partnership owns crude oil gathering pipelines and a truck-based crude oil gathering operation tied to production from the Bakken Shale/Williston Basin (i.e., the High Plains System). The system supplies crude oil to TSO's Mandan refinery in North Dakota. In addition, TLLP owns and operates eight refined product terminals with associated storage facilities located primarily in the Western United States, and five short-haul pipelines and storage assets in Salt Lake City, Utah. TLLP's terminalling assets are primarily tied to TSO's refinery operations and play an integral role in helping TSO distribute refined products to market.

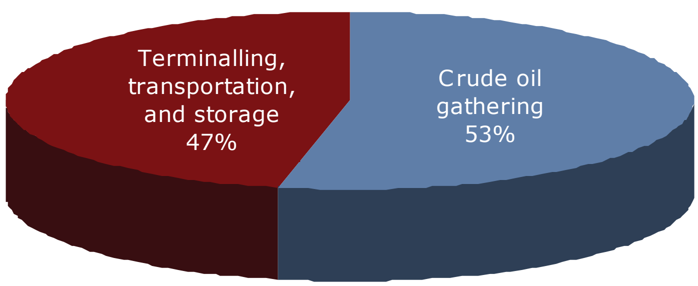
Figure 14. Overview Of TLLP Assets

(Barrels per day)	Location	2010 Throughput	Mgmt. Guidance TTM 3/31/12	Total Capacity
Crude Oil Gathering (i.e. High Plains)				
Pipelines	ND and MT	50,695	58,000	70,000
Truck-based crude oil gathering	ND and MT	23,305	22,900	-
Total Throughput		**74,000**	**80,900**	-
Terminalling, Transportation and Storage				
Eight refined products terminals		113,950	115,200	229,000
5 short-haul pipelines	Salt Lake City, UT	60,666	65,800	-
Storage facility	Salt Lake City, UT	-	-	878,000

Source: Partnership reports

We expect TLLP's Crude Oil Gathering Segment (the High Plains System) to account for a significant portion of the partnership's cash flow (i.e., 56% of our pro forma 2011 EBITDA forecast). For the 12 months ending March 31, 2012, management expects the segment to account for approximately 53% of TLLP's total revenue. TSO plans to expand the capacity at its Mandan refinery to 68,000 bbls per day from 58,000 bbls per day (i.e., a 17% increase in total refining capacity). Concurrently, TLLP plans to spend approximately $6-7 million of growth capex on its High Plains system to accommodate the expected capacity increase by Q2 2012. Excluding the impact of potential acquisitions, we believe that the partnership's gathering operations in the Bakken Shale will be the primary driver of growth in the near term (i.e., 58% of 2013 estimated EBITDA (excluding acquisitions), versus 56% of 2011E pro forma EBITDA).

Figure 15. TLLP Projected Revenue (1)



Note 1: Data for the trailing 12 months ending March 31, 2012.
Source: Partnership reports

TLLP's Assets In The Bakken Shale

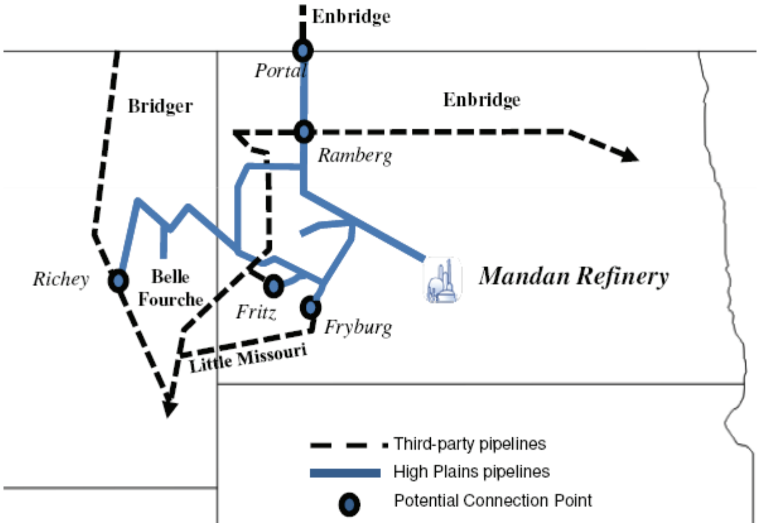
Pipeline operations. Currently, TLLP operates approximately 700 miles of gathering and trunk lines tied to the Bakken Shale/Williston Basin in North Dakota and Montana. The system also has access to Canadian crude oil through connections with third-party pipelines. The partnership gathers crude oil (up to 70,000 bbls per day) for shipment to TSO's Mandan refinery in central North Dakota. TLLP's crude gathering system includes the following:

- Approximately 143 miles of up to 6-inch injection lines in western North Dakota and eastern Montana,
- 474 miles of up to 12-inch gathering and trunk lines in Montana and North Dakota, which lead to TLLP's Dunn Center crude storage facility in North Dakota, and
- Approximately 88 miles of 16-inch trunk lines, which transport crude oil from the Dunn Center storage facility to TSO's Mandan refinery

As shown in Figure 16, the High Plains System can receive crude oil at connection points with the Bridger pipeline (at Richey, Montana), Enbridge's North Dakota System (at Ramburg, North Dakota), and Enbridge's pipeline on the Canadian border (at Portal, North Dakota).

TLLP's pipelines gathered an average of 50,695 bbls per day and 52,806 bbls per day, respectively, in 2010 and 2009. Management estimates average pipeline volume of approximately 58,000 bbls per day for the 12 months ending March 31, 2012.

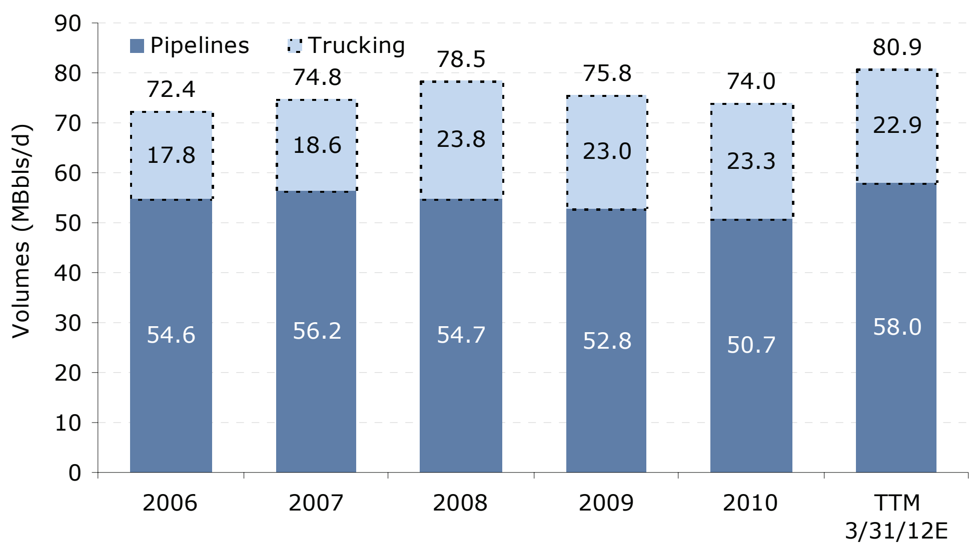
Figure 16. High Plains System



Source: Partnership reports

Trucking operations. TLLP also utilizes trucks to gather crude oil from wells that are not connected to gathering pipelines. Local producers contact TLLP when they have crude oil ready to be delivered onto TLLP's High Plains system. TLLP uses both proprietary and third-party trucks to gather crude oil from nearby wells or collection points and deliver onto TLLP's High Plains system through one of the partnership's 13 proprietary truck unloading facilities. TLLP's trucking operation gathered an average of 23,305 bbls per day and 22,963 bbls per day, respectively, in 2010 and 2009. Management estimates that these trucks will gather approximately 22,900 bbls per day of crude oil for the 12 months ending March 31, 2012.

Figure 17. TLLP Crude Oil Gathering Throughput [(1)]



Note: Management's guidance for the 12 months ending March 31, 2012
Source: Partnership reports

Overview of TSO's Mandan Refinery. The Mandan Refinery began operations in 1954 and is located on the Missouri River near Mandan, North Dakota on approximately 950 acres. It primarily receives sweet (low sulfur) domestic crude oil from the Bakken Shale/Williston Basin, which is transported via TLLP's High Plains System. On March 21, 2011, TSO announced a $38 million project to expand the capacity at its Mandan refinery to 68,000 bbls per day by Q2 2012 from 58,000 bbls per day. Management has indicated that a larger expansion of the refinery would require significant capital requirements for major upgrades and is therefore unlikely in the near term.

Over the past three years (i.e., 2008-10), the Mandan refinery's average total throughput was 52,000 bbls per day (utilization of approximately 90%). In 2010, the Mandan refinery processed approximately 50,800 bbls per day of crude oil and other feedstock. The refinery's yields include gasoline and gasoline blendstocks (e.g., approximately 60% of total volume), diesel fuel, and jet fuel, as well as heavy fuel oils and liquefied petroleum gas (LPG). Turnarounds at the Mandan refinery usually occur every six years and typically last one month. Mandan's last turnaround was completed in May 2010. To note, refineries perform turnarounds periodically to perform maintenance and overhaul operations. Turnarounds are also used to inspect and repair equipment.

The primary markets for refined products produced at TSO's Mandan refinery include Minneapolis and St. Paul, Minnesota. A majority of Mandan's refined products are transported east via NuStar's North Refined Products Pipelines System, which originates at the Mandan refinery and terminates in Minneapolis. As shown in Figure 18, NuStar's pipeline has multiple terminals in North Dakota and Minnesota. Only 19% of Mandan's refined products produced are distributed through TLLP's Mandan Terminal.

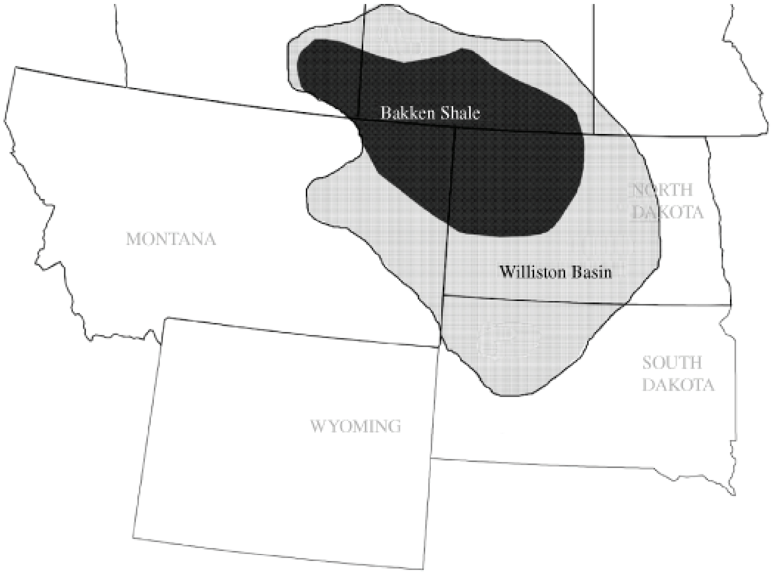
Figure 18. Map Of NuStar's Refined Product Pipeline From TSO's Mandan Refinery

Source: NuStar Energy, L.P. reports

Overview of the Bakken Shale. The Bakken and Three Forks are formations in the Williston Basin, which spans parts of Montana, North Dakota, South Dakota, southern Saskatchewan, and Manitoba, Canada. The Williston Basin's crude oil production in December 2010 averaged 408,125 bbls per day (or 10.6% of total domestic onshore production), according to the North Dakota Pipeline Authority (NDPA). As a reminder, TLLP's High Plains System can deliver up to 70,000 bbls per day to TSO's Mandan refinery. Development of the Bakken/Three Forks is primarily concentrated in the states of North Dakota and Montana.

The Bakken Shale is one of the most prolific unconventional oil plays in the United States. Favorable crude oil prices and advancements in horizontal drilling, fracturing, and completion technologies are prompting a reevaluation of earlier assessments of the play's technically recoverable reserve potential. For example, the United States Geological Survey (USGS) performed a study on the Bakken Shale in 1995 and estimated that only 151 million barrels of crude oil (the midpoint of the range) were technically recoverable. In 2008, the USGS updated its assessment of the Bakken Shale and increased its technically recoverable reserve estimate to 3.65 billion barrels (the midpoint of the range), which represents a nearly 25-fold increase from its previous forecast. Estimates of the play's recoverable reserves have been trending upward. The North Dakota Department of Mineral Resources provided a recoverable reserve estimate of 4.0-6.3 billion barrels for North Dakota's Bakken and Three Forks formations based on studies conducted in 2008 and 2010. Continental Resources, Inc.'s (the largest producer in the Bakken Shale, with 865,000 net acres as of February 2011) forecast is even higher (i.e., recoverable reserves of approximately 24 billion bbls based on today's drilling technologies). Notably, these figures compare to total U.S. estimated proven reserves of 19.1 billion barrels.

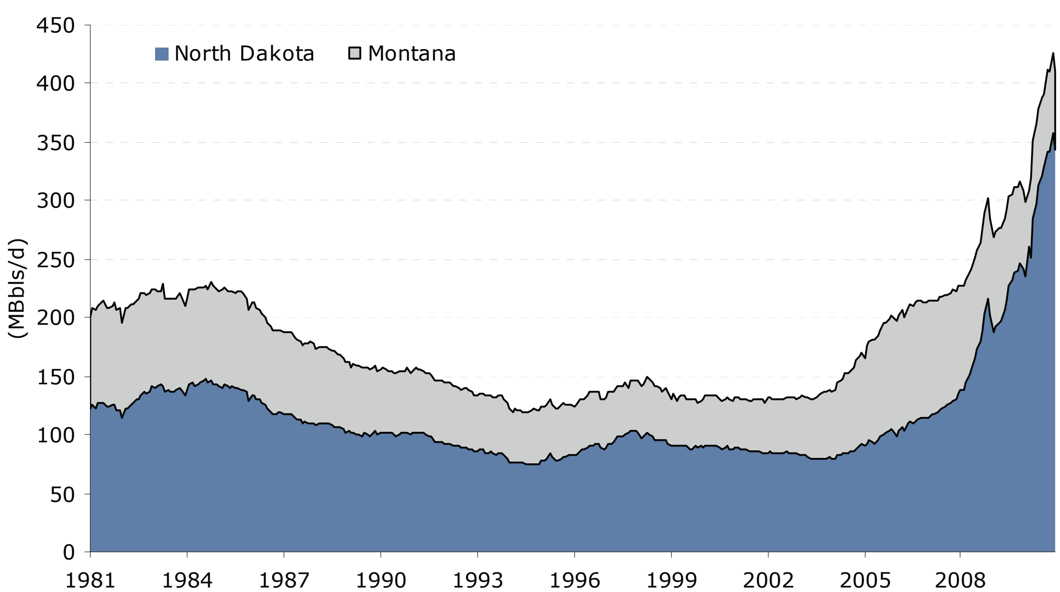
Figure 19. Map Of Bakken Shale



Source: Partnership reports

Since 2005, North Dakota crude oil production has increased at a five-year CAGR of 26%, to 306.6 Mbbls per day in 2010 from an average of 97.7 Mbbls per day, according to the U.S. Energy Information Administration (EIA). In December 2010 (latest EIA data), the state's crude oil production averaged 343.9 Mbbls per day, up 42% year over year from 242.1 Mbbls per day. North Dakota is now the fourth-largest crude oil producing state in the United States, up from being the ninth largest four years ago. Montana's average crude oil production in December 2010 of 67 Mbbls per day was essentially flat with year ago volume. The state's crude oil production, which includes volume from other resource plays, averaged 65 Mbbls per day in 2010, versus 90 Mbbls per day in 2005.

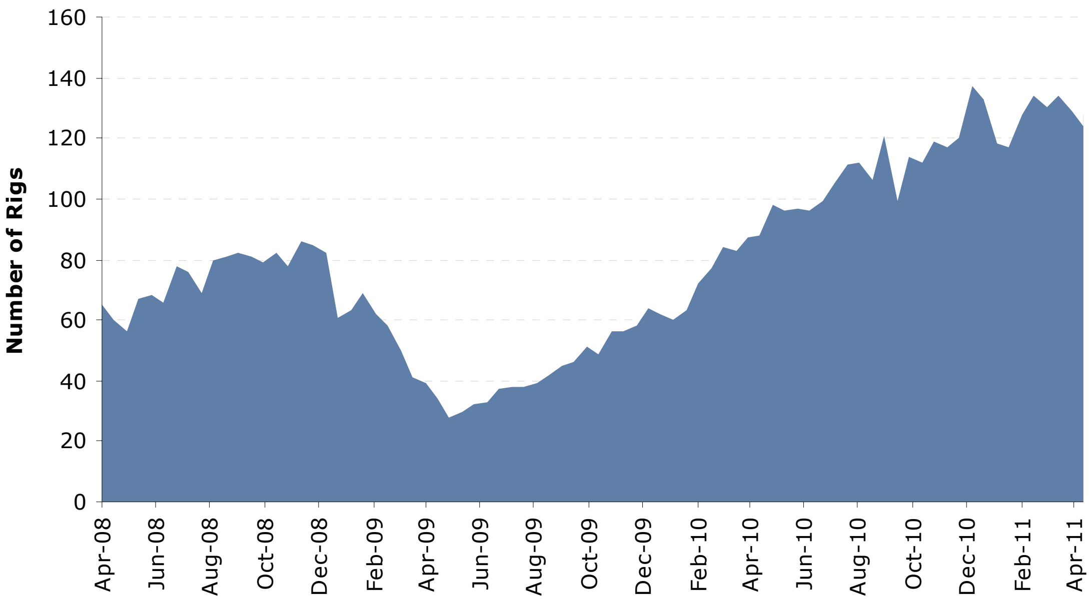
Figure 20. North Dakota And Montana Crude Oil Production



Source: U.S. Energy Information Administration

Due to favorable drilling economics, the Bakken Shale is one of the most actively drilled unconventional shale plays in the United States. According to the Land Rig Newsletter, the rig count tied to the Bakken Shale (in North Dakota) has increased 130% year over year, to 128 rigs (as of May 6, 2011) from 98 rigs in the comparable year ago period. Continental Resources estimates that approximately 3,600 horizontal wells have been completed in the Bakken Shale as of February 2011 and expects that the current rig count could add 2,000 horizontal wells annually. The company plans to spend $1.1 billion of growth capital in the Bakken Shale in 2011. As of May 12, 2011, the producers with the most rigs operating in the play included Continental Resources (i.e., 16 rigs), Hess Corp. (i.e., 16 rigs), Whiting Petroleum Corp. (i.e., 12 rigs), and Petro-Hunt (i.e., 6 rigs), according to the Land Rig Newsletter.

Figure 21. Rig Count In The Bakken Shale (North Dakota)



Source: Land Rig Newsletter and Wells Fargo Securities, LLC

The North Dakota Department of Mineral Resources forecasts that oil production in North Dakota could reach 450,000-700,000 bbls per day within the next 3-7 years. For the U.S. portion of the Williston Basin, crude oil production could ramp up to 550,000-800,000 bbls per day during the 2015-2020 time frame, according to the state agency. Continental Resources has a more robust outlook and projects that Bakken Shale production could reach 1 million bbls per day by 2015. Takeaway capacity out of the Williston Basin projected for 2011 (i.e., 653,000 bbls per day, including 418,000 bbls per day by pipelines and 235,000 bbls per day by rail) exceeds current production of 408,125 bbls per day. However, it appears that infrastructure bottlenecks could arise by 2015 if crude oil production increases to a level above the projected total takeaway capacity in the region (i.e., 1,070,000 bbls per day, including all potential pipeline and rail expansions).

Figure 22. Williston Basin Takeaway Capacity

(Barrels per day) Company	Type of Transport	Takeaway Capacity 2007A	2008A	2009A	2010A	2011E
Tesoro Corp.	Pipeline	58,000	58,000	58,000	58,000	58,000
Butte Pipeline (True Co.)	Pipeline	92,000	104,000	118,000	118,000	118,000
Enbridge North Dakota	Pipeline	80,000	110,000	110,000	161,500	161,500
Various Rail Sites	Rail	-	30,000	30,000	30,000	30,000
EOG Rail	Rail	-	-	65,000	65,000	65,000
Dakota Transport Solutions	Rail	-	-	-	20,000	40,000
Enbridge Bakken Exp. - Phase I	Pipeline	-	-	-	-	25,000
EDOG Logistics, LLC	Rail	-	-	-	-	100,000
Enbridge Sweet Only	Pipeline	-	-	-	-	23,500
Butte Pipeline Expansion	Pipeline	-	-	-	-	32,000
Total Takeaway Capacity		230,000	302,000	381,000	452,500	653,000
Williston Basin Oil Production		215,659	253,900	291,302	375,169	408,125
Excess Transportation Capacity		**14,341**	**48,100**	**89,698**	**77,331**	**244,875**

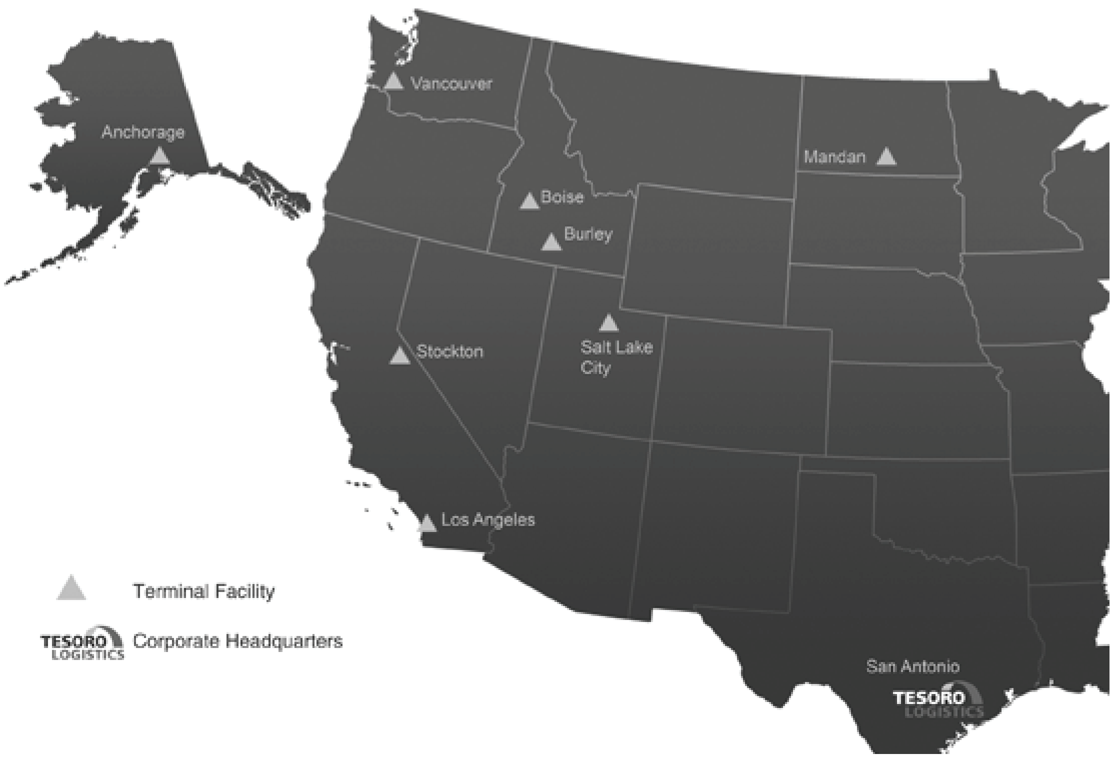
Note: 2011E Williston Basin production is the average volumes in December 2010 (latest data available)
Source: North Dakota Pipeline Authority, Company data, and Wells Fargo Securities, LLC estimates

TLLP's Terminalling, Transportation, And Storage Segment

TLLP also operates eight refined product terminals primarily located in the Western United States, with total terminalling capacity of 239,000 bbls per day and storage capacity of 1,627,000 bbls. The terminals are located in the states of California, Idaho, North Dakota, Utah, and Washington. In Salt Lake City, the partnership also owns 13 refined product and crude oil storage tanks with 878,000 bbls of capacity and five short-haul pipelines, which serve TSO's nearby refinery.

Terminals. TLLP's terminals provide distribution, truck loading, storage, inventory management, and blending services to its customers. The partnership's eight terminals primarily receive refined products from pipelines connected to TSO's Los Angeles, Martinez, Salt Lake City, Kenai, Mandan, and Anacortes refineries. Revenue is generated largely from throughput fees for delivering refined product from TLLP's terminals to trucks and barges. TLLP also generates revenue from providing ancillary services such as blending, jet fuel filtering, and additive injections at certain terminals.

Figure 23. Map Of TLLP's Refined Product Terminals



Source: Partnership reports

In 2010, the two terminals with the highest throughput were Los Angeles (i.e., 35,286 bbls per day) and Salt Lake City (i.e., 25,457 bbls per day), which in total represented approximately 53% of TLLP's total terminalling throughput. Notably, the aforementioned terminals receive refined products directly from TSO's Los Angeles (refining capacity of 97,000 bbls per day) and Salt Lake City (refining capacity of 58,000 bbls per day) refineries, respectively. TLLP's Anchorage terminal is the largest based on terminalling capacity (63,000 bbls per day or 26% of total), but its volume accounted for only 13% of TLLP's total in 2010 (utilization of 24%).

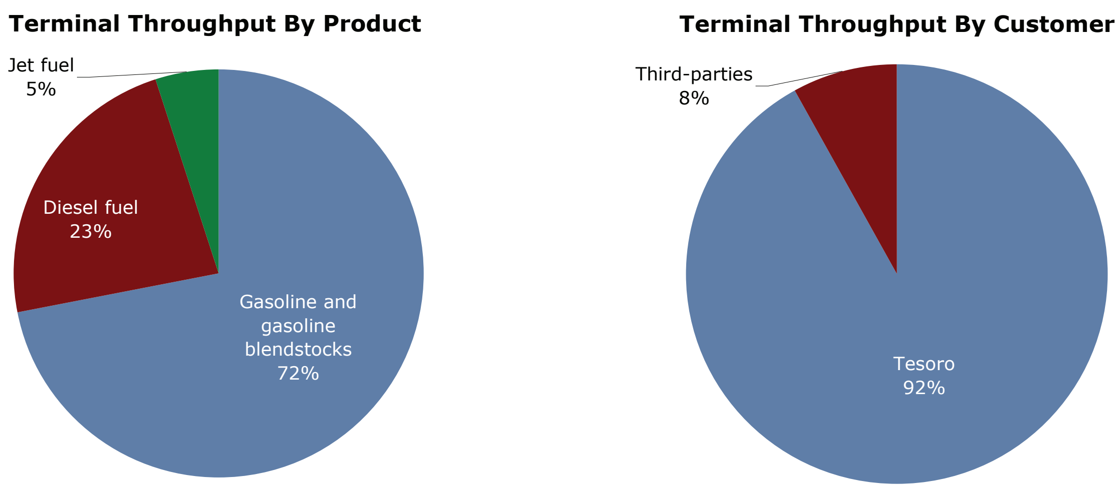
Figure 24. Overview Of TLLP's Refined Product Terminals

(In barrels/day) Terminal	Maximum Terminalling Capacity	2010 Avg. Throughput	Storage Capacity (Bbls)	Products Handled Gasoline	Diesel	Jet Fuel	Supply Source	Mode of Delivery
Los Angeles, CA	48,000	35,286	6,000	✓	✓		TSO Los Angeles Refinery	Truck
Stockton, CA	9,400	8,526	66,000	✓	✓		TSO Martinez Refinery	Truck
Salt Lake City, UT	42,000	25,457	18,000	✓	✓	✓	TSO Salt Lake City Refinery	Truck
Anchorage, AK	63,000	15,132	883,000	✓	✓	✓	Pipeline; Barge	Truck; Barge; Pipeline
Mandan, ND	22,500	9,963	-	✓	✓	✓	TSO Mandan Refinery	Truck
Vancouver, WA	19,600	8,432	298,000	✓	✓		Pipeline; Barge	Truck; Barge
Boise, ID	22,500	7,677	254,000	✓	✓	✓	Pipeline	Truck
Burley, ID	12,000	3,477	147,000	✓	✓		Pipeline	Truck
Total	**239,000**	**113,950**	**1,672,000**					

Note: Includes storage capacity for refined products and ethanol only; excludes storage for gasoline and diesel additives
Source: Partnership reports

TLLP's terminals handle gasoline and gasoline blendstocks, 72% of 2010 volume, diesel fuel, 23%, and jet fuel, 5%. As shown in Figure 25, TSO accounted for nearly all (i.e., 92%) of TLLP's terminal volume in 2010. TLLP expects this figure to decrease over time as a result of its efforts to secure additional third-party volume.

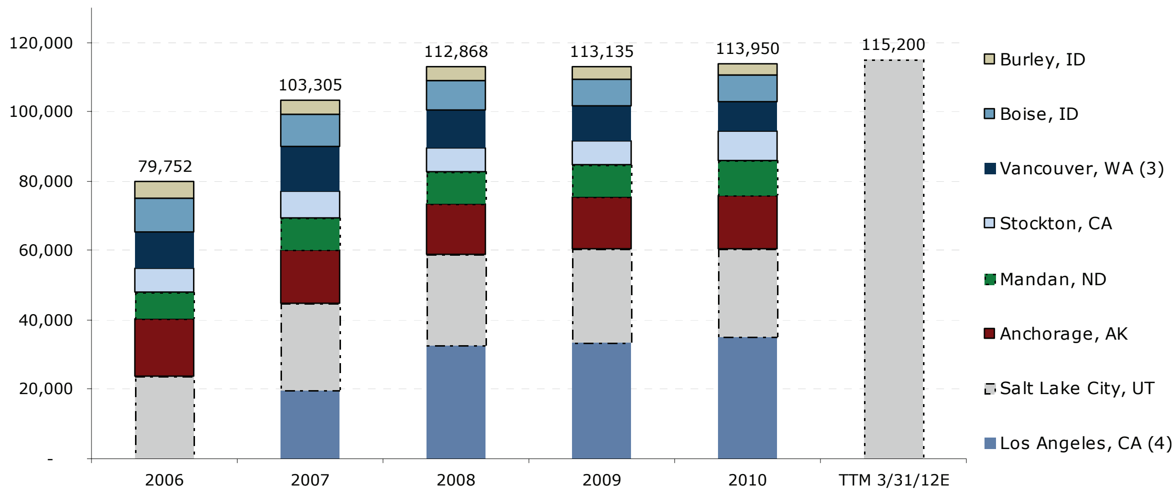
Figure 25. TLLP's 2010 Refined Product Throughput



Source: Partnership reports

In 2010, TLLP's terminals total throughput averaged 113,950 bbls per day, versus an average of 113,135 bbls per day in 2009, and the three-year average of 113,318 bbls per day. Management estimates an average throughput of 115,200 bbls per day for the 12 months ending March 31, 2012.

Figure 26. TLLP's Average Terminalling Throughput (1) (2)



Note 1: Does not include TLLP's Salt Lake City storage facility or interconnecting pipelines
Note 2: Includes management's guidance for the 12 months ending March 31, 2012
Note 3: 2010 results are lower than 2009 due to a fire at TSO's Anacortes refinery
Note 4: TSO purchased the Los Angeles refinery from BP in 2007
Source: Partnership reports

Los Angeles, California terminal (terminalling capacity of 48,000 bbls per day). The Los Angeles Terminal was purchased by TSO in May 2007 from Shell in connection with the acquisition of the Los Angeles refinery. The terminal receives gasoline and diesel from TSO's Los Angeles refinery via pipelines. Refined products are transported via trucks and sold to the Los Angeles market. While there is no refined product storage at this facility, the Los Angeles terminal does have 6,000 bbls of ethanol storage capacity and provides blending services.

Stockton, California terminal (9,400 bbls per day). TLLP's Stockton terminal is located northwest of San Francisco, California. The terminal receives gasoline and diesel from TSO's Golden Eagle refinery in Martinez, California via Kinder Morgan's SFPP Northern California pipeline. Through TLLP's two-bay truck loading rack, TSO distributes and sells refined products locally. The terminal has 20,000 bbls and 46,000 bbls of diesel and gasoline storage capacity, respectively. TLLP leases the Stockton terminal from the Port of Stockton under a five-year lease, which expires in 2014 and may be renewed for three additional five-year terms.

Salt Lake City terminal (42,000 bbls per day). In 2001, TSO purchased the Salt Lake City terminal in connection with the acquisition of the Salt Lake City refinery from BP. The terminal receives gasoline, diesel, and jet fuel through proprietary pipelines from TSO's Salt Lake City refinery. The facility has two gasoline storage tanks with total capacity of 17,900 bbls. Refined products are distributed locally and regionally by TSO and other third parties through the terminal's five-bay truck rack. Approximately 50% of products produced at TSO's Salt Lake Refinery are distributed through TLLP's terminal.

Anchorage, Alaska terminal (63,000 bbls per day). The facility is located at the Port of Anchorage. The Alaska terminal receives gasoline, diesel, and jet fuel from TSO's Kenai refinery via the Tesoro Alaska Pipeline (TAPL) and from marine vessels. The terminal has a rail rack, which has the capability to unload ten railcars and provides access to the Anchorage Fueling and Service Corporation (AFSC) jet fuel storage facility. The facility also has 883,000 bbls of storage capacity (251,500 bbls for gasoline, 99,000 bbls for diesel, 400,200 bbls for jet fuel, 118,300 bbls for AvGas, and 13,800 bbls for transmix). Refined products are distributed and sold locally by TSO and third parties through (1) TLLP's two truck racks, (2) third-party barges at the Port of Anchorage dock, and (3) TSO's pipeline connected to AFSC's jet fuel storage facility. Approximately 28% of TSO's Kenai refinery's refined products are distributed by TLLP's Anchorage terminal.

Mandan, North Dakota terminal (22,500 bbls per day). The Mandan terminal is located at TSO's 950-acre Mandan refinery and consists of a truck loading rack. TSO acquired the Mandan refinery and associated terminal from BP in 2001. The Mandan terminal handles only 19% of the refinery's total yield. The remaining product is distributed through NuStar's North Refined Products Pipeline System. The Mandan terminal does not have refined product storage.

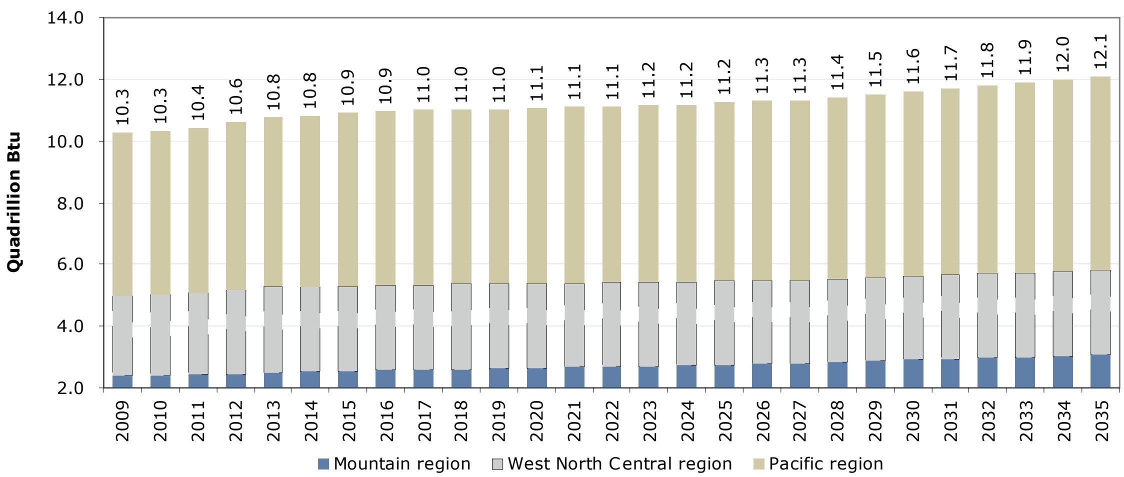
Vancouver, Washington terminal (19,600 bbls per day). The facility receives gasoline and distillates from TSO's Anacortes refinery primarily through the Olympic Pipeline, which is operated by BP. The Olympic Pipeline is connected to four refineries in Puget Sound and transports gasoline, diesel, and jet fuel to terminals in Seattle, Tacoma, Olympia, Vancouver, and Portland. The Vancouver terminal can also accept barge shipments from the Anacortes refinery and third parties. The facility has 298,000 bbls of storage capacity (160,000 bbls for diesel, 130,000 bbls for gasoline, and 7,400 bbls for ethanol). TSO leases the Vancouver terminal from the Port of Vancouver. The lease expires in 2016 and may be renewed for two additional ten-year periods.

Boise and Burley, Idaho terminals (34,500 bbls per day). TLLP owns two terminals in Boise and Burley, Idaho, which were purchased by TSO in connection with its Salt Lake City refinery acquisition from BP in 2001. The Boise terminal receives gasoline, diesel, and jet fuel from TSO's Salt Lake City refinery via Chevron's Northwest Pipeline, while the Burley terminal receives only gasoline and diesel. The Boise terminal also receives ethanol by truck. The Boise terminal includes eight storage tanks capable of holding 144,000 bbls of gasoline, 34,300 bbls of jet fuel, 54,000 bbls of diesel, 21,000 bbls of ethanol, and 1,000 bbls of transmix capacity. The Burley terminal also has five storage racks with 65,900 bbls and 81,000 bbls of diesel and gasoline storage capacity, respectively. Refined products are distributed from the terminals via trucks and sold locally by TSO. Approximately 41% of total refined product volume from TSO's Salt Lake City refinery are handled by TLLP's Boise and Burley terminals.

Demand Growth In Tesoro's Operating Footprint Is Expected To Outpace The U.S. Average

According to the EIA's Annual Energy Outlook (2011), U.S. demand for liquid products, i.e., liquefied petroleum gases (LPG), motor gasoline, jet fuel, kerosene, fuel oils, petrochemical feed stocks, and other, is expected to grow at an average annual rate of 0.5% through 2035 (i.e., based on 2009-2035). Notably, in two of the three U.S. regions served by TSO's refineries (terminals), the growth in regional demand is anticipated to exceed the average rate for the United States. The EIA estimates liquids products consumption in the Pacific and Mountain regions to grow at average annual rates of 0.7% and 1.0%, respectively, to 6.26 quadrillion British thermal units (Btu) and 3.07 quadrillion Btu by 2035 (from 5.28 quadrillion Btu and 2.38 quadrillion Btu, respectively, in 2009). Demand in the other U.S. region (i.e., the West North Central region, served by the company's Salt Lake City assets and terminals in Boise and Burley, Idaho) is expected to grow by 0.2%, to 2.76 quadrillion Btu from 2.63 quadrillion Btu. In aggregate, demand in the domestic regions served by TSO's refineries is estimated to growth at an average annual rate of 0.6%.

Figure 27. U.S. Pacific, Mountain, And West North Central Refined Product Consumption



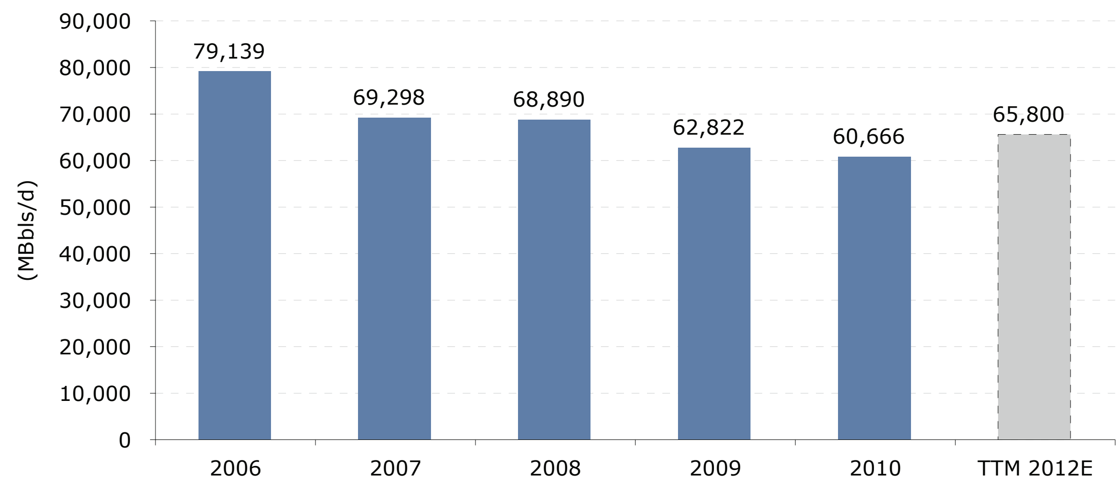
Note 1: Mountain region includes Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming
Note 2: Pacific region includes Alaska, California, Hawaii, Oregon, and Washington
Note 3: West North Central region includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota
Source: EIA Annual Energy Outlook – 2011

Salt Lake City storage facility and pipelines. TLLP owns crude oil and refined product pipelines and an 878,000 bbl storage facility, which exclusively support TSO's 58,000 bbls per day Salt Lake City refinery. These assets were purchased by TSO in 2001 in connection with the acquisition of the Salt Lake City refinery from BP. TLLP's logistics assets facilitate the movement of crude oil and refined products into and out of TSO's Salt Lake City refinery. Approximately 41% of the refinery's yield is distributed via a third-party pipeline to TLLP's Burley and Boise Terminals. Further details of TLLP's Salt Lake City assets follow:

- **Crude oil and refined product storage.** TLLP owns 13 crude oil and refined product storage tanks with total shell capacity of 878,000 bbls. The storage tanks are connected to TSO's Salt Lake City refinery though four proprietary pipelines. The crude oil storage tanks supply the Salt Lake City refinery, while the refined product storage tanks store the refinery's product yield including gasoline, diesel, and jet fuel.
- **Crude oil pipelines.** TLLP owns three crude oil pipelines (8, 10, and 16 inches), which are each approximately two miles long. These pipelines transport crude oil from a Chevron interstate pipeline and Plains All American's Pacific crude oil pipeline to TLLP's storage facility. Approximately 79% of the Salt Lake City refinery's crude oil feedstock is delivered by TLLP's short-haul crude oil pipelines.
- **Refined product pipelines.** TLLP also has two (6 and 8 inch) refined product pipelines, which transport gasoline and diesel three miles from TSO's refinery to Chevron's Northwest Pipeline.

In 2010, TLLP's Salt Lake City pipeline throughput averaged 60,666 bbls per day, versus an average of 62,822 bbls per day in 2009, and the three-year average of 64,126 bbls per day. Management estimates an average throughput of 65,800 bbls per day for the 12 months ending March 31, 2012.

Figure 28. TLLP's Average Short-Haul Pipeline Throughput (1)



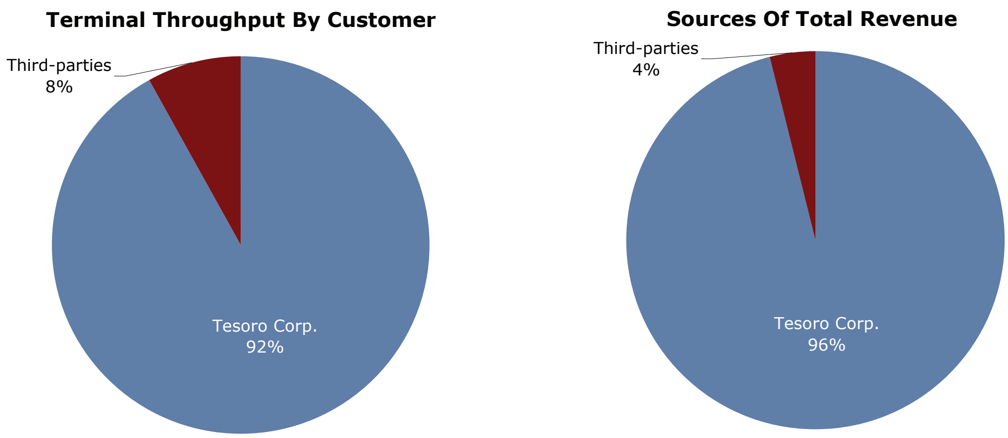
Note 1: Includes management's guidance for the 12 months ending March 31, 2012
Source: Partnership reports

Risks

Risks Specific To TLLP

Customer concentration. In 2010, TSO accounted for 96% of TLLP's total revenue and 92% of the partnership's terminalling throughput. Thus, a disruption to TSO's refinery operations and/or a change in TSO's financial position could negatively affect the partnership's cash flow and future growth.

Figure 29. TLLP's 2010 Customer Base



Source: Partnership reports

- **Slower-than-forecast drop-downs from TSO.** TLLP's distribution growth prospects are highly dependent on acquisitions from its GP sponsor, in our view. If there is a delay in the drop-down of assets to the partnership, TLLP's ability to grow could be slower than forecasted.

- **Geographic concentration in Bakken Shale.** Currently, a majority of TLLP's revenue is derived from its operations in the Bakken Shale region. For the 12 months ending March 31, 2012, TLLP's crude oil gathering system in the Bakken Shale is expected to account for 53% of total revenue. If TSO's Mandan refinery were to experience any disruptions for a prolonged period of time, this could have a negative impact on the partnership's primary source of revenue.

- **Lower refining margin.** A decrease in TSO's refining margin could materially affect the amount of crude oil and refined products handled by TLLP. Margin could deteriorate if crude oil (feedstock) prices increase and/or refined product prices decrease due to lower demand (i.e., economic weakness, high unemployment, inventory levels, etc.). Weak refining margin could cause TSO to reduce refined product production at its refineries, which could result in lower throughput volume for the MLP's assets.

- **Declining production**. The partnership's crude oil gathering volume is dependent on the production profiles of the Bakken Shale. Lower-than-expected production volume, inability to secure incremental volume to offset declining wells, or a decline in drilling activity due to lower crude oil prices or rising costs could negatively affect future earnings and cash flow.

- **Lower commodity prices.** While TLLP currently has no direct commodity price risk, a majority of its revenue is tied to the exploration and production operations of producers in the Bakken Shale. Lower crude oil prices could have the potential to dramatically decrease producers' drilling activity and consequently, the partnership's throughput volume.

Risks Applicable To All Energy MLPs

- **Legislative risk.** The potential for U.S. tax reform, which could result in the corporate taxation of pass-through entities, is a risk for MLPs. Discussion around carried interest, derivative legislation, and cap and trade could also result in headline legislative risk.

- **Access to capital markets.** MLPs are dependent on debt and equity markets to finance growth projects and acquisitions. A dislocation in either of these markets could reduce a partnership's ability to increase distributions, as investments would become more expensive on the margin.

- **A severe economic downturn.** Energy demand is closely linked to overall economic growth. A severe economic downturn could reduce the demand for energy and commodity products, which could result in lower earnings and cash flow.

- **Interest rate risk.** As evidenced from the period 1998-99, MLPs have generally underperformed during periods of rapidly rising interest rates.

- **Regulatory risk.** MLPs are regulated across a number of industries. TLLP's crude gathering assets are subject to state and Federal Energy Regulatory Commission (FERC) regulations. Increased regulations and standards to address safety and environmental concerns could affect an MLP's ability to grow.

- **Environmental incidents and terrorism.** Many MLPs have assets that have been designated by the Department of Homeland Security as potential terrorist targets, such as pipelines and storage assets. A terrorist attack or environmental incident could disrupt the operations of an MLP, which could negatively affect cash flow and earnings in the near term.

Valuation

Valuation--$26-28 Per Unit

Our valuation range is based on a blend of (1) our three-stage distribution discount model, which assumes an 8.5% required rate of return and a long-term growth rate of 1.25%, and (2) a price-to-distributable cash flow multiple of about 15x our 2012 estimate.

Discounted Distribution Model (DDM) Model

Our primary valuation tool is a three-stage distribution discount model. Our model assumes a required rate of return of 8.5%. For our growth estimates, we have assumed a five-year distribution CAGR of 9.1%, a second-stage growth rate of 2.5%, and a perpetual growth rate of 1.25%. The reduction between our second and perpetual growth rate assumptions reflect the fact that eventually 50% of incremental cash flow at TLLP will accrue to the general partner.

Figure 30. Sensitivity Of DDM Model To Valuation Assumptions

	Long-Term Growth Rate Scenarios		
Required Rate Of Return	0.75%	1.25%	1.75%
7.0%	$35	$35	$37
7.5%	$31	$32	$34
8.0%	$29	$30	$31
8.5%	$27	**$28**	$29
9.0%	$25	$26	$27
9.5%	$23	$24	$25
10.0%	$22	$23	$23

Source: Wells Fargo Securities, LLC estimates

Price-To-Distributable Cash Flow (DCF)

We arrived at $26 per unit for the low end of our valuation range by applying a distributable cash flow multiple of about 15x to our 2012 distributable cash flow estimate. TLLP currently trades a price-to-2012E DCF multiple of 14.3x, versus 10.4x for small-cap pipeline MLPs. Distributable cash flow is defined as the cash available to be distributed to limited unit holders after payments are made for maintenance capital expenditure and cash distributions to the general partner.

TLLP Versus The Small-Cap Pipeline MLP Peer Group

TLLP trades at a yield of 5.5%, an enterprise value (EV)-to-adjusted EBITDA (2012E) multiple of 13.3x, and a price-to-DCF (2012E) multiple of 14.3x. In comparison, small-cap pipeline MLPs trade at a median yield of 6.8%, an EV-to-adjusted EBITDA (2012E) multiple of 10.4x, and a price-to-DCF (2012E) multiple of 10.4x. Notably, on a price-to-DCF-to-growth basis (which is akin to a PEG ratio), TLLP trades at 1.2x, versus 2.1x for the peer group.

The "drop-down" model has proven to be a successful strategy, as evidenced by the premium valuations afforded in the market for MLPs with this business model. Investors seem willing to pay a premium for the visibility of future growth, in our view. MLPs that have drop-down opportunities are not reliant on third-party acquisitions or on finding internal organic projects to fuel growth. While the timing of drop-down acquisitions is not always certain, the market is clearly ascribing a certain value to the growth visibility afforded by having a parent company with significant "MLP-able" assets, in our view. In addition, we believe there is less integration risk with drop-down assets than with third-party acquisitions.

Holly Energy Partners, L.P. (HEP) is a good comparable for TLLP, in our view, given its (1) strategic relationship with its GP sponsor Holly Corporation (HOC), which is an independent petroleum refiner and marketer (similar to TSO), (2) dependence on HOC for throughput, (3) similar asset base (e.g., pipelines and terminals), (4) access to a midstream portfolio of drop-down assets, and (5) largely fee-based cash flow.

Figure 31. TLLP Versus Small-Cap Pipeline MLP Peer Group

		Price		EV / Adj. EBITDA		Price/DCF		Distr. growth ests.			P/DCF-to-
	Ticker	5/27/11	Yield	2011E	2012E	2011E	2012E	1-year	3-year	5-year	growth
Genesis Energy L.P.	GEL	$27.00	6.0%	14.4x	13.4x	13.7x	12.7x	10.5%	9.6%	8.8%	1.3x
Holly Energy Partners L.P.	HEP	$55.00	6.2%	14.4x	14.2x	15.1x	13.3x	5.3%	6.4%	6.3%	2.1x
Martin Midstream Partners L.P.	MMLP	$38.75	7.9%	9.8x	10.0x	11.4x	9.8x	2.3%	4.1%	3.7%	2.4x
TC PipeLines L.P.	TCLP	$46.15	6.5%	12.6x	12.5x	10.6x	10.4x	5.9%	7.1%	6.5%	1.5x
Tesoro Logistics L.P.	**TLLP**	**$24.49**	**5.5%**	**15.2x**	**13.3x**	**16.7x**	**14.3x**	**12.2%**	**11.9%**	**9.1%**	**1.2x**
Transmontaigne Partners L.P.	TLP	$34.76	7.0%	11.5x	11.4x	9.4x	9.7x	3.7%	4.6%	4.6%	2.1x
Small Cap Pipeline MLPs Median			**6.8%**	**10.9x**	**10.4x**	**11.4x**	**10.4x**	**4.3%**	**5.4%**	**5.4%**	**2.1x**

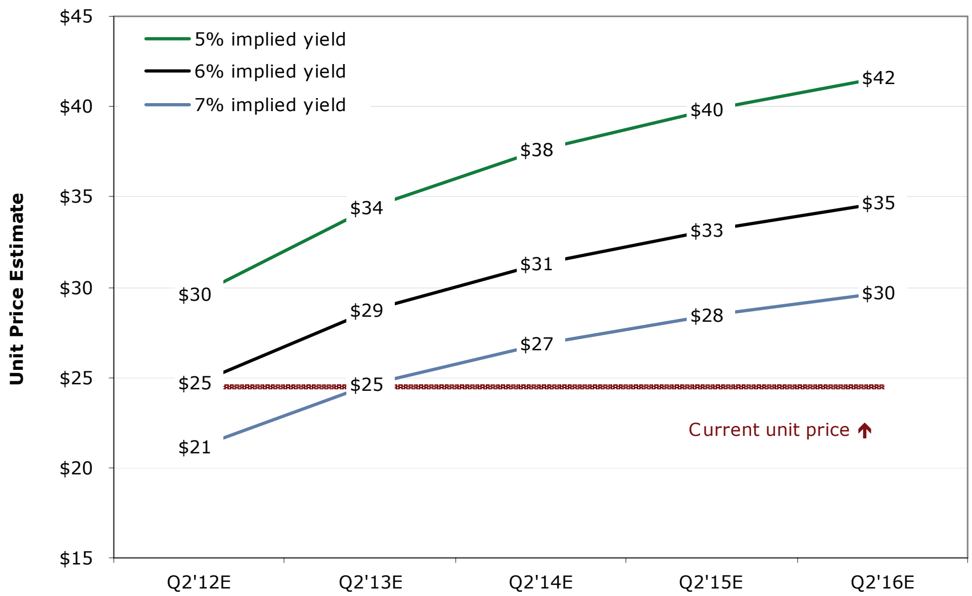
Source: Partnership reports, FactSet, and Wells Fargo Securities, LLC estimates

EV-to-EBITDA definition. When comparing TLLP's value on a basis of its EV-to-EBITDA multiple, we use an adjusted EBITDA. EBITDA generated by the partnership is used to support the cash distributions to both the limited and general partners. However, enterprise value reflects only the interest of the limited partners. Therefore, in order to produce an "apples-to-apples" comparison, we deduct the cash flow accruing to the general partners from EBITDA. For example, if a partnership is generating EBITDA of $100 million and $10 million is accruing to the general partner, we deduct $10 million from EBITDA in calculating our EV-to-EBITDA multiple. We believe this is the most appropriate way to adjust EBITDA when comparing it to enterprise value.

Projected Yield As A Check

While we rely on a dividend discount model and cash flow multiples as our primary valuation tools, we also look at yield as a "gut check" to our other valuation estimates. In general, we tend to examine our distribution forecast several years out and evaluate whether, based on our valuation range, the projected yield could be reasonable.

Figure 32. TLLP Implied Price Based On Our Distribution Estimates And Varying Yields



Source: FactSet and Wells Fargo Securities, LLC estimates

Looking out one year and assuming that TLLP's yield was in a range of 5-7%, TLLP units could be worth $21-30 per unit, with 14% downside risk to 21% upside potential from the current market price. The potential flaw in this analysis is that our distribution estimates could be inaccurate (both to the upside potential and the downside risk), as the timing and magnitude of potential acquisitions is unknown.

Financial Overview And Model Assumptions

Overview Of 2011 Estimates

For 2011, we have forecasted pro forma EBITDA and DCF per unit of $52.0 million and $1.46, respectively. Based on our distribution estimate of $1.35 per unit, we forecast a coverage ratio of 1.08x in 2011E (or excess cash flow of $3.4 million).

Our 2011 estimates are based on the following:

- Total capex spending of $12.4 million, which consists of the following:
  - Maintenance capex of $4.6 million (9% of EBITDA);
  - Growth capex of $7.8 million;
- Average High Plains System (crude oil gathering) throughput of 79,967 bbls per day
  - Pipeline throughput of 51,137 bbls per day;
  - Trucking volume of 22,830 bbls per day:
- Average refined products terminalled of 115,718 bbls per day
- Average Salt Lake City short-haul pipelines throughput of 63,840 bbls per day
- Salt Lake City storage capacity reserved of 878,000 bbls

TLLP provided Q1 2012 trailing-12-months (TTM) guidance in its prospectus. The company forecasts EBITDA of $52.9 million, which is in line with our forecast of $52.7 million (excluding assumed acquisitions). Figure 33 compares our Q1 2012 TTM estimates to TLLP's guidance.

Figure 33. TLLP Q1 2012 TTM Guidance Versus Our Estimates (Excluding Acquisitions)

	Q1 2012 (TTM)		Variance	
$ in millions, except throughput data	Guidance	Our Est.	($MM)	(%)
Crude oil gathering	51.8	51.8	(0.0)	0.0%
Terminalling, transportation, and storage	45.5	45.2	(0.3)	-0.6%
Other revenues	0.0	0.0	0.0	-
Total Revenues:	**97.3**	**97.0**	**(0.3)**	**-0.3%**
Costs And Expenses:				
Operating and maintenance expenses	37.7	37.7	(0.1)	-0.2%
Depreciation expense	9.2	9.2	0.1	0.7%
General and administrative	6.7	6.7	0.0	0.2%
Other expenses	0.0	0.0	0.0	-
Total operating expenses	**53.6**	**53.6**	**(0.0)**	**0.0%**
Operating Profit	**43.7**	**43.4**	**(0.3)**	**-0.6%**
Other Income (Expense)				
Interest expense	2.4	2.7	0.3	10.5%
Other income	0.0	0.0	0.0	-
Net Income	**41.3**	**40.8**	**(0.5)**	**-1.3%**
EBITDA	**52.9**	**52.7**	**(0.2)**	**-0.4%**
Maintenance capital expenditure	4.6	4.6	(0.0)	-0.7%
Crude Oil Gathering				
Total pipeline throughput (Bbls/d)	58,000	58,009	9	0.0%
Trucking volume (Bbls/d)	22,900	22,899	(1)	0.0%
High Plains System throughput (Bbls/d)	80,900	80,908	8	0.0%
Terminalling, Transportation and Storage				
Refined products terminalled (Bbls/d)	115,200	115,212	12	0.0%
Short-haul pipelines throughput (Bbls/d)	65,800	65,800	(0)	0.0%
Storage capacity reserved (Bbls)	878,000	878,000	0	0.0%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Overview Of 2012 Estimates

We have assumed TLLP completes a $100 million acquisition at an EBITDA multiple of 10x in Q1 2012E and invests $25 million in growth capex. We have forecasted EBITDA and DCF per unit of $68.1 million and $1.71, respectively. Based on our distribution estimate of $1.52 per unit, we forecast a coverage ratio of 1.13x in 2012E (or excess cash flow of $6.1 million). Our 2012 distribution forecast represents a 12.2% increase over our 2011 distribution estimate. Excluding our $100 million acquisition assumptions, we estimate that TLLP will generate $58.1 million of EBITDA and DCF per unit of $1.60.

Our 2012 estimates are based on the following:

- Total capex spending of $131 million, which consists of the following:
  - Maintenance capex of $6.0 million (9% of EBITDA);
  - Growth capex of $25.0 million;
  - Assumed acquisition capex of $100 million;
- Average High Plains System (crude oil gathering) throughput of 90,528 bbls per day
  - Pipeline throughput of 67,545 bbls per day – the projected 18% year-over-year increase reflects the anticipated benefit of 2011-12 growth capex and assumes no material change in pipeline rates;
  - Trucking volumes of 22,983 bbls per day:
- Average refined products terminalled of 124,192 bbls per day
- Average Salt Lake City short-haul pipelines throughput of 68,243 bbls per day
- Salt Lake City storage capacity reserved of 878,000 bbls

Figure 34. Summary Estimates Including And Excluding Acquisition Assumptions

Estimates Assuming $100 Million Of Annual Acquisition Activity						
$ in millions, except per unit data	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
Estimated acquisition spending	**$0.0**	**$100.0**	**$100.0**	**$100.0**	**$100.0**	**$100.0**
Assumed equity financing		**0%**	**50%**	**50%**	**50%**	**50%**
Assumed EBITDA multiple	10.0x	10.0x	10.0x	10.0x	10.0x	10.0x
Total EBITDA	$52.0	$68.1	$84.9	$100.0	$115.2	$130.5
Cash interest expense	$2.0	$8.9	$15.5	$20.2	$24.7	$29.3
Maintenance capex	$4.6	$6.0	$7.4	$8.7	$10.1	$11.4
Other, net	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cash paid to GP	$0.8	$1.0	$2.4	$4.0	$5.6	$8.0
Distributable cash flow	$44.6	$52.3	$59.6	$67.0	$74.8	$81.7
DCF per unit	**$1.46**	**$1.71**	**$1.94**	**$2.10**	**$2.23**	**$2.33**
Cash distribution declared per unit	$1.35	$1.52	$1.75	$1.89	$2.01	$2.09
Yr/yr distribution growth	NA	12.2%	15.7%	7.8%	6.1%	4.0%
Distribution coverage ratio	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
Excess cash flow	$3.4	$6.1	$5.4	$6.2	$7.0	$8.1

Estimates Assuming NO Acquisitions						
$ in millions, except per unit data	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
Estimated acquisition spending	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Assumed equity financing	**-**	**-**	**-**	**-**	**-**	**-**
Assumed EBITDA multiple	-	-	-	-	-	-
Total EBITDA	$52.0	$58.1	$64.9	$70.0	$75.2	$80.5
Cash interest expense	$2.0	$3.4	$5.3	$7.3	$8.9	$9.9
Maintenance capex	$4.6	$5.1	$5.6	$6.0	$6.5	$6.9
Other, net	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cash paid to GP	$0.8	$0.9	$1.1	$1.4	$2.0	$2.9
Distributable cash flow	$44.6	$48.7	$52.9	$55.2	$57.8	$60.7
DCF per unit	**$1.46**	**$1.60**	**$1.73**	**$1.81**	**$1.89**	**$1.99**
Cash distribution declared per unit	$1.35	$1.46	$1.58	$1.64	$1.72	$1.81
Yr/yr distribution growth	NA	7.8%	8.4%	4.0%	5.0%	4.9%
Distribution coverage ratio	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
Excess cash flow	$3.4	$4.3	$4.8	$5.1	$5.2	$5.6

Source: Wells Fargo Securities, LLC estimates

Financial Models

Figure 35. TLLP Income Statement

($ in millions except for per unit data)	FY 2011E Proforma 3/31/11E	6/30/11E	9/30/11E	12/31/11E	Proforma 2011E	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E
Crude oil gathering	12.0	12.4	13.0	13.3	50.8	56.5	64.3	68.9	74.8	80.6
Terminalling, transportation, and storage	11.2	11.3	11.4	11.4	45.2	49.0	51.7	53.2	54.9	57.1
Other revenues	0.0	0.0	0.0	0.0	0.0	10.0	20.0	30.0	40.0	50.0
Total Revenues:	**23.2**	**23.7**	**24.4**	**24.7**	**96.0**	**115.5**	**136.0**	**152.0**	**169.7**	**187.7**
Costs And Expenses:										
Operating and maintenance expenses	9.1	9.2	9.4	9.6	37.3	40.6	44.2	45.0	47.3	49.9
Depreciation expense	2.0	2.1	2.2	2.3	8.7	14.1	18.0	21.6	25.2	28.8
General and administrative	1.7	1.7	1.7	1.7	6.6	6.8	6.9	7.1	7.2	7.3
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	**12.7**	**13.0**	**13.3**	**13.6**	**52.6**	**61.5**	**69.1**	**73.6**	**79.7**	**86.0**
Operating Profit	**10.5**	**10.7**	**11.0**	**11.2**	**43.3**	**54.0**	**66.9**	**78.4**	**90.0**	**101.6**
Other Income (Expense)	**0.0**	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	0.6	0.6	0.6	0.6	2.4	9.3	15.9	20.3	24.7	29.3
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurring net income	**9.9**	**10.1**	**10.4**	**10.5**	**41.0**	**44.8**	**51.1**	**58.0**	**65.2**	**72.3**
Net income per unit (EPU)	**$0.32**	**$0.32**	**$0.33**	**$0.34**	**$1.32**	**$1.44**	**$1.59**	**$1.70**	**$1.78**	**$1.84**
Weighted average L.P. units (diluted)	**30.5**	**30.5**	**30.5**	**30.5**	30.5	30.5	30.7	32.0	33.6	35.1
EBITDA Calculation										
Net Income	9.9	10.1	10.4	10.5	41.0	44.8	51.1	58.0	65.2	72.3
(+) Depreciation & Amortization	2.0	2.1	2.2	2.3	8.7	14.1	18.0	21.6	25.2	28.8
(+) Interest Expense	0.6	0.6	0.6	0.6	2.4	9.3	15.9	20.3	24.7	29.3
(+) Income tax expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(+) Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**12.5**	**12.8**	**13.2**	**13.5**	**52.0**	**68.1**	**84.9**	**100.0**	**115.2**	**130.5**
Distributable cash flow										
Adjusted EBITDA	12.5	12.8	13.2	13.5	52.0	68.1	84.9	100.0	115.2	130.5
(-) Interest expense	0.5	0.5	0.5	0.5	2.0	8.9	15.5	20.2	24.7	29.3
(-) Maintenance capital expenditure	1.1	1.1	1.2	1.2	4.6	6.0	7.4	8.7	10.1	11.4
(-) Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Minimum volume adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available cash flow	**10.9**	**11.2**	**11.6**	**11.8**	**45.5**	**53.3**	**62.0**	**71.0**	**80.4**	**89.7**
Cash paid to general partner	0.2	0.2	0.2	0.2	0.8	1.0	2.4	4.0	5.6	8.0
Distributable cash flow	**10.7**	**11.0**	**11.4**	**11.6**	**44.6**	**52.3**	**59.6**	**67.0**	**74.8**	**81.7**
DCF per unit	**$0.35**	**$0.36**	**$0.37**	**$0.38**	**$1.46**	**$1.71**	**$1.94**	**$2.10**	**$2.23**	**$2.33**
Cash distribution declared per unit	**$0.34**	**$0.34**	**$0.34**	**$0.34**	**$1.35**	**$1.52**	**$1.75**	**$1.89**	**$2.01**	**$2.09**
Year-Over-Year Change						12.2%	15.7%	7.8%	6.1%	4.0%
Distribution coverage ratio	1.04x	1.06x	1.10x	1.12x	1.08x	1.13x	1.10x	1.10x	1.10x	1.10x
Excess cash flow (deficit)	0.4	0.7	1.1	1.3	3.4	6.1	5.4	6.2	7.0	8.1
Growth capex	0.0	2.6	2.6	2.6	7.8	25.0	25.0	25.0	25.0	25.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	100.0	100.0
Maintenance capex	1.1	1.1	1.2	1.2	4.6	6.0	7.4	8.7	10.1	11.4
CAPEX	**1.1**	**3.7**	**3.8**	**3.8**	**12.4**	**131.0**	**132.4**	**133.7**	**135.1**	**136.4**

Source: Wells Fargo Securities, LLC estimates

Figure 36. TLLP Balance Sheet

($ in millions except for per unit data)	FY2011E	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E
Assets						
Current assets						
Cash and cash equivalents	3.9	5.3	6.9	8.9	11.5	13.8
Accounts & notes receivable	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets, net	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	3.9	5.3	6.9	8.9	11.5	13.8
Property and equipment, net	135.3	252.2	366.6	478.8	588.7	696.2
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other intangibles, net	0.0	0.0	0.0	0.0	0.0	0.0
Other assets, net	2.0	2.0	2.0	2.0	2.0	2.0
Total assets	**141.2**	**259.5**	**375.6**	**489.7**	**602.2**	**712.0**
Liabilities						
Current liabilities						
Accounts payable	0.0	0.0	0.0	0.0	0.0	0.0
Current portion of LT debt	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities, net	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	55.6	174.2	243.7	313.0	381.1	448.5
Other liabilities, net	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	**55.6**	**174.2**	**243.7**	**313.0**	**381.1**	**448.5**
Members' Equity						
Common and subordinate unitholders	84.7	85.3	133.8	182.4	231.8	281.7
General partner	1.7	1.8	3.2	4.3	5.7	7.1
Total equity	86.4	87.0	136.9	186.7	237.5	288.8
Other comprehensive income/(loss)	(0.8)	(1.8)	(5.1)	(9.9)	(16.4)	(25.3)
Total equity	**85.5**	**85.2**	**131.8**	**176.8**	**221.1**	**263.5**

Source: Wells Fargo Securities, LLC estimates

Figure 37. TLLP Cash Flow Statement

($ in millions except for per unit data)	FY2011E	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E
Operating Activities						
Net Income	41.0	44.8	51.1	58.0	65.2	72.3
Depreciation expense	8.7	14.1	18.0	21.6	25.2	28.8
Other	0.0	0.0	0.0	0.0	0.0	0.0
Changes in assets						
Accounts & notes receivable	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets, net	0.0	0.0	0.0	0.0	0.0	0.0
Changes in liabilities						
Accounts payable	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities, net	0.0	0.0	0.0	0.0	0.0	0.0
Other, net	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by operating activities	**49.6**	**58.9**	**69.0**	**79.6**	**90.4**	**101.1**
Investing Activities						
Capital expenditures	(12.4)	(31.0)	(32.4)	(33.7)	(35.1)	(36.4)
Acquisitions, net	0.0	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Other, net	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities	**(12.4)**	**(131.0)**	**(132.4)**	**(133.7)**	**(135.1)**	**(136.4)**
Financing Activities						
Proceeds/(repayment) of debt	5.6	118.6	69.5	69.2	68.1	67.5
Proceeds/(repurchase) of equity	0.0	0.0	50.0	50.0	50.0	50.0
Distributions to partners	(42.0)	(45.1)	(54.5)	(63.1)	(70.9)	(79.9)
Other, net	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities	**(36.4)**	**73.5**	**65.0**	**56.1**	**47.2**	**37.6**
Change in cash and cash equivalents	0.9	1.5	1.6	2.0	2.6	2.3
Cash and equivalents at beginning of year	3.0	3.9	5.3	6.9	8.9	11.5
Cash and equivalents at end of year	**3.9**	**5.3**	**6.9**	**8.9**	**11.5**	**13.8**

Source: Wells Fargo Securities, LLC estimates

Figure 38. TLLP Operational Summary

TESORO LOGISTICS, L.P. (TLLP) - OPERATIONAL SUMMARY

Year ended December 31
($ in millions, except for per unit data)

	Q1'11A	Q2'11E	Q3'11E	Q4'11E	PF2011E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E
Crude oil pipeline throughput (Bbls/d)	55,500	56,487	57,625	58,936	57,137	58,986	68,096	71,092	72,006	67,545	79,483	84,513	91,172	97,392
Yr/Yr % Change						*6.3%*	*20.6%*	*23.4%*	*22.2%*	*18.2%*	*17.7%*	*6.3%*	*7.9%*	*6.8%*
Trucking volume (Bbls/d)	22,700	22,781	22,870	22,970	22,830	22,975	22,980	22,985	22,990	22,983	23,312	23,528	23,815	24,082
Yr/Yr % Change						*1.2%*	*0.9%*	*0.5%*	*0.1%*	*0.7%*	*1.4%*	*0.9%*	*1.2%*	*1.1%*
Terminal throughput (Bbls/d)	116,800	116,036	115,337	114,700	115,718	114,774	127,331	127,331	127,331	124,192	127,674	127,882	129,668	132,346
Yr/Yr % Change						*-1.7%*	*9.7%*	*10.4%*	*11.0%*	*7.3%*	*2.8%*	*0.2%*	*1.4%*	*2.1%*
Short-haul pipeline throughput (Bbls/d)	60,300	62,234	64,762	68,066	63,840	68,136	68,207	68,278	68,349	68,243	68,530	68,638	69,577	70,982
Yr/Yr % Change						*13.0%*	*9.6%*	*5.4%*	*0.4%*	*6.9%*	*0.4%*	*0.2%*	*1.4%*	*2.0%*
Storage capacity reserved (Bbls)	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000
Yr/Yr % Change						*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA By Segment														
Crude oil gathering	6.9	7.1	7.5	7.7	29.2	7.5	8.1	8.6	8.6	32.8	37.7	41.3	45.2	49.0
% of Total	*55.2%*	*55.7%*	*56.5%*	*57.1%*	*56.1%*	*48.0%*	*48.0%*	*48.3%*	*48.5%*	*48.2%*	*44.5%*	*41.3%*	*39.2%*	*37.5%*
Terminalling, transportation, and storage	6.4	6.5	6.6	6.6	26.0	6.4	7.1	7.5	7.5	28.5	30.4	31.9	33.2	34.7
% of Total	*51.2%*	*50.5%*	*49.5%*	*48.9%*	*50.0%*	*41.2%*	*41.9%*	*42.1%*	*42.0%*	*41.8%*	*35.8%*	*31.9%*	*28.8%*	*26.6%*
Other	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Assumed Drop-Downs	-	-	-	-	-	2.5	2.5	2.5	2.5	10.0	20.0	30.0	40.0	50.0
% of Total	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*16.0%*	*14.8%*	*14.1%*	*14.0%*	*14.7%*	*23.6%*	*30.0%*	*34.7%*	*38.3%*
Total EBITDA	**12.5**	**12.8**	**13.2**	**13.5**	**52.0**	**15.7**	**16.9**	**17.8**	**17.8**	**68.1**	**84.9**	**100.0**	**115.2**	**130.5**
EPU	**$0.32**	**$0.32**	**$0.33**	**$0.34**	**$1.32**	**$0.35**	**$0.35**	**$0.37**	**$0.36**	**$1.44**	**$1.59**	**$1.70**	**$1.78**	**$1.84**
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.7	32.0	33.6	35.1
Distributable Cash Flow (DCF)														
Adjusted EBITDA	12.5	12.8	13.2	13.5	52.0	15.7	16.9	17.8	17.8	68.1	84.9	100.0	115.2	130.5
(-) Interest expense	0.5	0.5	0.5	0.5	2.0	1.3	2.3	2.6	2.6	8.9	15.5	20.2	24.7	29.3
(-) Maintenance capital expenditure	1.1	1.1	1.2	1.2	4.6	1.4	1.5	1.6	1.6	6.0	7.4	8.7	10.1	11.4
(-) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available cash flow	10.9	11.2	11.6	11.8	45.5	13.0	13.1	13.6	13.6	53.3	62.0	71.0	80.4	89.7
General Partner's Interest	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.3	1.0	2.4	4.0	5.6	8.0
Distributable Cash Flow	10.7	11.0	11.4	11.6	44.6	12.8	12.8	13.4	13.3	52.3	59.6	67.0	74.8	81.7
DCF Per Unit	**$0.35**	**$0.36**	**$0.37**	**$0.38**	**$1.46**	**$0.42**	**$0.42**	**$0.44**	**$0.44**	**$1.71**	**$1.94**	**$2.10**	**$2.23**	**$2.33**
Distribution Declared Per Unit	**$0.34**	**$0.34**	**$0.34**	**$0.34**	**$1.35**	**$0.35**	**$0.37**	**$0.39**	**$0.41**	**$1.52**	**$1.75**	**$1.89**	**$2.01**	**$2.09**
Yr/Yr % Change						*4.4%*	*9.6%*	*14.8%*	*20.0%*	*12.2%*	*15.7%*	*7.8%*	*6.1%*	*4.0%*
Distribution Coverage	1.04x	1.06x	1.10x	1.12x	1.08x	1.18x	1.13x	1.13x	1.07x	1.13x	1.10x	1.10x	1.10x	1.10x
Excess Cash Flow (Deficit)	0.4	0.7	1.1	1.3	3.4	2.0	1.6	1.5	0.9	6.1	5.4	6.2	7.0	8.1
% of Total Cash Distribution														
General Partner	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.6%	2.2%	4.2%	6.1%	7.6%	9.9%
Limited Partners	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	97.4%	97.8%	95.8%	93.9%	92.4%	90.1%
Capital Expenditures														
Acquisition Capex	-	-	-	-	-	100.0	-	-	-	100.0	100.0	100.0	100.0	100.0
Growth Capex	-	2.6	2.6	2.6	7.8	6.9	9.4	4.3	4.3	25.0	25.0	25.0	25.0	25.0
Maintenance Capex	1.1	1.1	1.2	1.2	4.6	1.4	1.5	1.6	1.6	6.0	7.4	8.7	10.1	11.4
Total Capex	**1.1**	**3.7**	**3.8**	**3.8**	**12.4**	**108.3**	**10.9**	**5.9**	**5.9**	**131.0**	**132.4**	**133.7**	**135.1**	**136.4**
Credit Metrics														
Equity Issuances	-	-	-	-	-	-	-	-	-	-	50	50	50	50
Total Debt	50	52	54	56	56	161	169	171	174	174	244	313	381	449
TTM EBITDA				52	52	55	59	64	68	68	85	100	115	130
Debt/EBITDA (TTM)				1.1x	1.1x	2.9x	2.8x	2.7x	2.6x	2.6x	2.9x	3.1x	3.3x	3.4x
Debt/ annualized EBITDA	1.0x	1.0x	1.0x	1.0x	-	2.6x	2.5x	2.4x	2.4x	-	-	-	-	-
EBITDA/Interest Expense (TTM)				26.4x	26.4x	19.8x	12.8x	9.5x	7.7x	7.7x	5.5x	4.9x	4.7x	4.4x
EBITDA/Interest Expense	26.3x	26.6x	26.6x	26.1x	26.4x	12.2x	7.3x	6.8x	6.7x	7.7x	5.5x	4.9x	4.7x	4.4x
Maintenance capex as % of EBITDA	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%

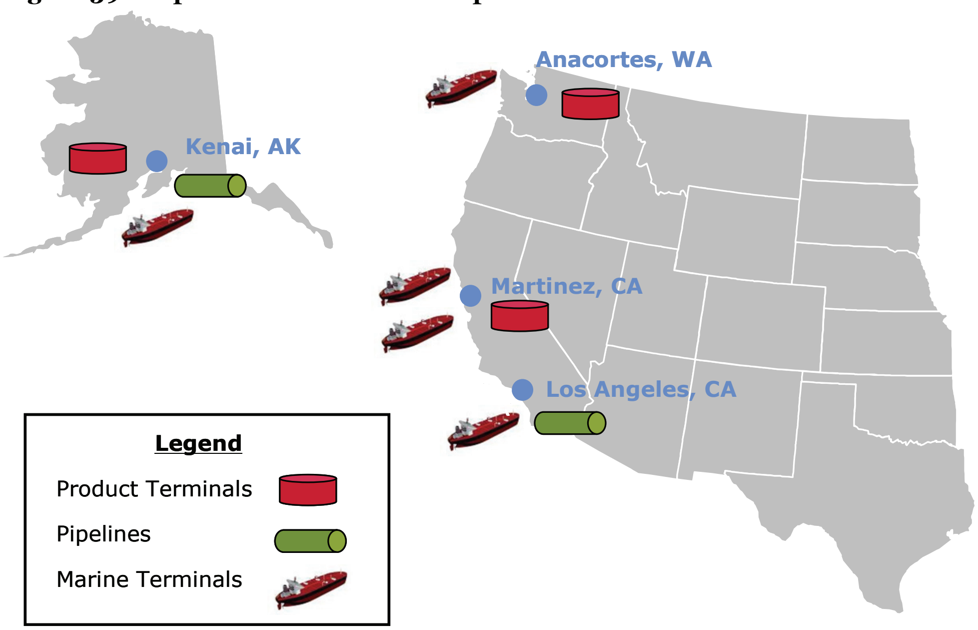
Note: Q1 2011 are pro forma figures
Source: Wells Fargo Securities, LLC estimates

Appendix

Overview Of TSO's Portfolio Of Potential Drop-Downs

Following the close of TLLP's initial public offering, TSO still holds a portfolio of logistics assets that it could potentially sell to the partnership over time. Approximately 45% of TSO's logistics assets (based on book value as of December 31, 2010) were contributed in the formation of the partnership. TSO's remaining logistics assets, i.e., TLLP has a right of first offer (ROFO) to acquire, include three product terminals, two pipeline systems, and five marine terminals. Similar to TLLP's current asset base, these assets are tied to TSO's refining operations (i.e., Anacortes, Kenai, Los Angeles, and Martinez refineries). Notably, TSO's Rocky Mountain trucking operation and Hawaii logistics assets (i.e., mooring facility, pipeline, and neighboring refined product facilities) are not included in the partnership's ROFO agreement. This is largely due to the less stable cash flow profile of the assets.

Figure 39. Map Of TSO's Potential Drop-Down Assets



Source: Wells Fargo Securities, LLC

We anticipate that the initial drop-down could include a TSO refined products terminal or a pipeline given the similarity of these facilities to TLLP's existing asset base. Notably, management has indicated that some potential drop-down assets could have meaningful additional capex requirements, which would likely preclude the MLP from a near-term drop-down. For example, management believes the Golden Eagle Wharf will require a significant amount of capex to maintain compliance with numerous government mandates. Management estimates that initial capex investments could exceed $100 million. Thus, we believe that TSO would refrain from initially dropping-down the Golden Eagle Wharf and other similar assets that require a significant amount of capital investments. We expect TSO to hold and develop these assets until they become MLP-suitable (i.e., stable, fee-based cash flow). Figure 40 provides an overview of assets which could be sold to the partnership over time.

Figure 40. TSO's Potential Drop-Down Portfolio

(Barrels per day unless noted otherwise) TSO ROFO Assets	2009 Throughput	2010 Throughput	2010 Total Capacity Throughput	Storage (Bbls)	Commodities Handled
Alaska					
Nikiski Dock and Storage Facility	74,000	82,300	-	930,000	Crude Oil; Refined Product
Nikiski Refined Products Terminal	2,600	2,600	-	211,000	Refined Product
Tesoro Alaska Pipeline	31,000	36,000	48,000	-	Refined Product
Washington					
Anacortes Refined Products Terminal	1,700	1,700	-	-	Refined Product
Anacortes Marine Terminal and Storage Facility	54,000	30,800	-	1,400,000	Crude Oil; Refined Product
Northern California					
Golden Eagle Refined Products Terminal	15,100	14,100	38,000	-	Refined Product
Golden Eagle Marine Terminal	61,000	49,800	145,000	425,000	Crude Oil
Golden Eagle Wharf Facility	28,500	29,900	50,000	-	Refined Product
Southern California					
Los Angeles Pipeline System	45,200	42,200	-	-	Crude Oil; Refined Product
Long Beach Marine Terminal	104,200	98,800	-	-	Crude Oil; Refined Product

Source: Partnership reports

Alaska

- **Nikiski Dock and Storage Facility.** The facility is located at TSO's Kenai refinery and includes a single-berth dock and five crude oil storage tanks with total capacity of 930,000 bbls. The facility receives crude oil from marine vessels, pipelines, and trucks for delivery to TSO's refinery. In addition, the refinery transports refined products from the refinery to marine vessels for distribution. For the year ended December 31, 2010, the Nikiski Dock and Storage Facility had total crude oil and refined product throughput of 61,600 bbls per day and 20,700 bbls per day, respectively.

- **Nikiski refined products terminal.** The refined products terminal is also located at the Kenai refinery. It consists of a truck loading rack and six refined product storage tanks with total capacity of 211,000 bbls. The truck rack's two loading bays are supplied by pipeline from the refinery and affiliated storage facilities. Total refined product throughput in 2010 was 2,600 bbls per day.

- **Tesoro Alaska Pipeline.** TAPL is a 69 mile, 10-inch, state-regulated pipeline with 48,000 bbls per day of capacity. It delivers refined products from TSO's Kenai refinery to the Anchorage International Airport and a receiving station at the Port of Anchorage. Once at the receiving station, refined products can be transported to TLLP's Anchorage terminal and other third-party terminals. Total refined product throughput in 2010 was 36,000 bbls per day.

Washington

- **Anacortes refined products terminal.** The facility is located at TSO's Anacortes refinery and has a truck-loading rack with two loading bays. The truck rack receives and distributes diesel fuel from storage tanks at TSO's Anacortes refinery. The terminal handled 1,700 bbls per day of diesel fuel in 2010.

- **Anacortes Marine Terminal and Storage Facility.** Located at TSO's Anacortes refinery, the facility receives crude oil and other feedstocks from marine vessels and third-party pipelines for delivery to TSO's refinery. It has four storage tanks with 1,400,000 bbls of storage capacity for crude oil and other heavy products. The terminal also distributes refined products from the refinery to marine vessels. The Anacortes Marine Terminal and Storage Facility's 2010 average refined product and crude oil throughput was 30,800 bbls per day.

Northern California

- **Golden Eagle refined products terminal.** The terminal is located at TSO's Golden Eagle (Martinez) refinery and has throughput capacity of 38,000 bbls per day. The terminal's three truck racks receive refined products from TSO's refinery via pipelines. The terminal's 2010 average throughput was 14,100 bbls per day.

- **Golden Eagle Marine Terminal.** The Golden Eagle Marine Terminal is located on the Sacramento River near the Golden Eagle Refinery and has access to the San Francisco Bay. It includes a dock, five crude oil storage tanks with 425,000 bbls of capacity, and related pipelines. It supplies TSO's Golden Eagle refinery and Martinez Terminal with crude oil from marine vessels. Current throughput capacity is estimated to be 145,000 bbls per day. The terminal's average crude oil throughput was 49,800 bbls per day in 2010.

- **Golden Eagle Wharf facility.** The facility, which is on the Sacramento River, includes a dock and related refined product pipelines. The facility primarily receives refined products from TSO's Golden Eagle refinery for delivery to marine vessels. In addition, the wharf accepts refined products and other feedstock from marine vessels for delivery to the Martinez refinery. The wharf has an estimated total throughput capacity of 50,000 bbls per day. The Golden Eagle Wharf's average refined product throughput was 29,900 bbls per day in 2010.

Southern California

- **Los Angeles pipeline network.** TSO's Los Angeles pipeline system consists of 17 miles of crude oil and refined product pipelines (9 in total). The system transports crude, refined product, and feedstock between TSO's Los Angeles refinery, Long Beach terminal, and various third-party terminals. In 2010, the system's crude oil and refined product throughput was 33,100 and 9,100 bbls per day, respectively.
- **Long Beach Marine Terminal.** The terminal facilitates the delivery of crude oil and other feedstocks from marine vessels to TSO's Los Angeles refinery and other third-party terminals and refineries. The Long Beach Marine terminal also distributes refined products from TSO's Los Angeles refinery to marine vessels. The marine terminal had total throughput of 98,800 bbls per day as of December 31, 2010.

TSO's Refining Operations

Tesoro Corporation is the second-largest independent refiner and marketer in the United States and employs approximately 5,300 full-time employees. TSO owns seven refineries primarily in the Western United States, with total refining capacity of 664,500 bbls per day. In 2010, TSO's total refining yield was approximately 509,000 bbls per day and consisted of gasoline and gasoline blendstocks, 46%, heavy oils and residual products, 21%, diesel fuel, 20%, and jet fuel, 13%.

TLLP's logistics assets play an integral role in TSO's refinery operations. TLLP's assets supply the refineries with feedstock and distribute TSO's refined products to other third parties and end users. As shown in Figure 41, TLLP transports 79% and 100% of refinery feedstock to TSO's Salt Lake City and Mandan refineries, respectively. TLLP's terminal assets store or distribute refined products for six of TSO's seven refineries. Currently, TLLP does not handle any crude oil or refined product volume for TSO's refinery in Hawaii.

Figure 41. TSO's Refineries

(Barrels per day) TSO Refinery	Refining Capacity	% of Crude Oil and Feedstocks Handled by TLLP	% of Refined Products Handled by TLLP	Crude Oil Transportation Method
Los Angeles, California	97,000	-	33%	TSO Marine Terminal; Third-Party Pipelines
Martinez, California	166,000	-	6%	TSO & Third-Party Marine Terminals; Third-Party Pipelines
Salt Lake City, Utah	58,000	79%	91%	Third-Party Pipelines; TSO Trucking Operation
Kenai, Alaska	72,000	-	28%	TSO Marine Terminal; TSO & Third-Party Pipelines
Mandan, North Dakota	58,000	100%	19%	TLLP Pipeline
Anacortes, Washington	120,000	-	21%	TSO Marine Terminal; Third-Party Pipeline
Total (Refineries TLLP Services)	**571,000**			
Kapolei, Hawaii	93,500	-	-	TSO Mooring Point (i.e. Marine)
Total (All Refineries)	**664,500**			

Note: Data as of December 31, 2010
Source: Company and partnership reports

Overview of Tesoro's Refineries

Los Angeles, California refinery. TSO's Los Angeles refinery is located on 300 acres approximately 20 miles south of Los Angeles. It currently has a crude oil capacity of 97,000 bbls per day and processed an average of 98,800 bbls per day of crude oil and other feedstocks in 2010. TSO's Los Angeles refinery primarily produces California Air Resources Board (CARB) gasoline, CARB diesel fuel, conventional gasoline, diesel fuel, and jet fuel. The refinery also has the capability to produce heavy fuel oils, liquefied petroleum gas (LPG), and petroleum coke.

The Los Angeles refinery receives crude oil from (1) TSO's leased marine terminal at the Port of Long Beach and (2) third-party pipelines, which transport domestic crude from the San Joaquin Valley and Los Angeles Basin. Approximately 33% of total refined products produced from the refinery are distributed via TLLP's Los Angeles terminal. The remainder is transported through third-party refined product pipelines and terminals to end users in Southern California, Arizona, and Nevada. Notably, a small amount of refined products produced from the refinery is shipped to international markets from TSO's Long Beach marine dock.

Martinez, California (Golden Eagle) refinery. The refinery is located approximately 30 miles northeast of San Francisco on 2,200 acres in Martinez, California. It is TSO's largest refinery, with 166,000 bbls per day of refining capacity. In 2010, the Martinez refinery processed an average of 124,000 bbls per day of crude oil and other feedstock. It produces transportation fuels including CARB gasoline, CARB diesel fuel, conventional gasoline, diesel fuel, heavy fuel oils, LPG, and petroleum coke.

The Martinez refinery receives crude oil from numerous proprietary and third-party assets. It receives foreign, Alaskan, and California crude oil through its two marine terminals, which have access to the San Francisco Bay, and third-party pipelines. Martinez's refined products are distributed through TSO's two marine and refined products terminals, TLLP's Stockton terminal, and third-party terminals. Notably, only 6% of the Martinez refinery's refined products are distributed through TLLP's Stockton terminal.

Salt Lake City, Utah refinery. TSO's 150-acre Salt Lake City refinery has a refining capacity of 58,000 bbls per day. In 2010, the refinery processed an average of 50,100 bbls per day of crude oil and other feedstock. The refinery produces transportation fuels (i.e., gasoline, diesel, and jet fuel), heavy fuel oils, and LPG.

The refinery's feedstock includes crude oil produced in Utah, Colorado, Wyoming, and Canada. Crude is transported to TSO's refinery through Plains All American's Pacific and Chevron's interstate pipelines. Notably, these are the only two crude oil pipelines that serve Salt Lake City, which has five refineries with approximately 190,000 bbls per day of refining capacity. In addition to third-party pipelines, the refinery receives crude oil through a proprietary Rocky Mountain crude oil trucking business. TSO distributes the refinery's product to Utah, Idaho, and eastern Washington through TLLP-owned and third-party terminals. Notably, TLLP's Boise and Burley terminals receive their refined product volume primarily from TSO's Salt Lake City refinery via Chevron's Northwest Refined Product Pipeline. In addition, TLLP owns 878,000 bbls of storage capacity and five short-haul pipelines adjacent to TSO's Salt Lake City refinery that transport crude oil and refined products to and from the refinery.

Kenai, Alaska refinery. The Kenai Refinery is located 60 miles southwest of Anchorage in Kenai, Alaska. The Kenai refinery has a current capacity of 72,000 bbls per day and processed 53,400 bbls per day of crude oil and other feedstock in 2010. The refinery primarily sources its crude oil from Alaska, but also uses foreign crude as feedstock. The Kenai refinery primarily produces gasoline, gasoline blendstocks, jet fuel, diesel fuel, heating oil, heavy fuel oils, LPG, and asphalt.

Located on the Cook Inlet, TSO's Kenai refinery receives crude oil from TSO's proprietary marine terminal, a third-party pipeline, trucks, and TSO's 24-mile pipeline, which is connected to the Cook Inlet oil field. Refined products are transported through TSO's TAPL pipeline to TLLP's Anchorage terminal and the Anchorage International Airport. Refined products are also distributed through TSO's Kenai marine terminal and the Port of Anchorage. Approximately 28% of Kenai's refined products are delivered to TLLP's Anchorage Terminal.

Mandan, North Dakota refinery. *For details on TSO's Mandan Refinery, please refer to page 20.*

Anacortes, Washington refinery. The Anacortes refinery is located on the Puget Sound, 70 miles north of Seattle, Washington. The refinery has total processing capacity of 120,000 bbls per day. Notably, the Anacortes refinery's naphtha hydrotreater was involved in a fire on April 2, 2010. The refinery was temporarily shut down to repair the unit. In November 2010, TSO's Anacortes refinery resumed operations at planned rates. As a result of the fire and subsequent down-time, the Anacortes refinery processed an average of 39,300 bbls per day in 2010. The refinery produces gasoline (including CARB gasoline), diesel fuel, jet fuel, heavy fuel oils, LPG, and asphalt.

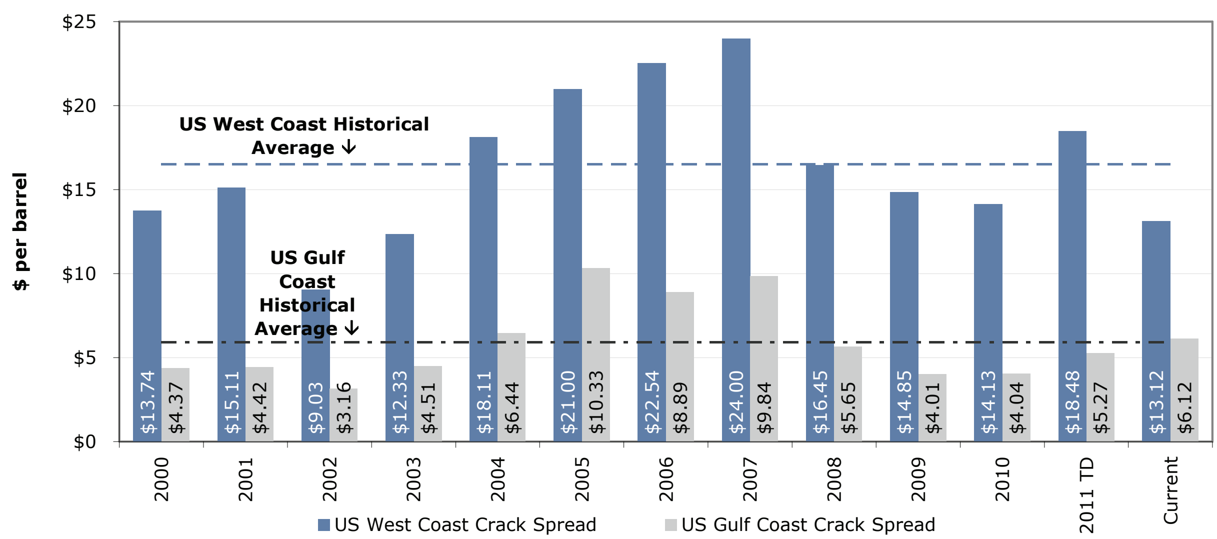
The Anacortes refinery receives most of its crude oil from Kinder Morgan's Trans Mountain Pipeline (i.e., Canadian crude) and TSO's marine terminal located at the refinery. Kinder Morgan's Trans Mountain is a 715-mile pipeline, which imports crude oil and refined products from Edmonton to Puget Sound. The pipeline services numerous refineries in the area and has an operating capacity of 300 Mbbls per day. The Anacortes refinery distributes refined product via (1) a third-party refined product pipeline, (2) TLLP's Vancouver terminal, and (3) TSO's marine terminal to markets in Washington, Portland, the West Coast, and Pacific Rim. Approximately 21% of the refinery's refined products are distributed through TLLP's Vancouver Terminal.

West Coast Crack Spreads Have Historically Been At A Premium To The Gulf Coast Spread

Since 2000, the West Coast crack spread (based on Bloomberg's Alaskan North Slope (ANS) Crude Oil 3-2-1 Crack Spread/U.S. West Coast) has averaged $16.51 per bbl. The spread has averaged $18.48 per bbl year to date and is currently at $13.12 per bbl. Typically, crack spreads widen into the summer driving season due to increased demand.

Notably, the historical West Coast crack spread represents a 117% premium to the average Gulf Coast spread of $7.59 per bbl (as measured by Bloomberg's WTI Cushing Crude Oil 3-2-1 Crack Spread/U.S. Gulf Coast). The variance is even greater when comparing the West Coast crack spread with the Gulf Coast assuming Louisiana light sweet (LLS) crude oil as the feedstock for the latter (i.e., 179% higher than the historical average of $5.93 per bbl). The current and average year-to-date West Coast crack spreads of $13.12 per bbl and $18.48 per bbl, respectively, are significantly above the comparable Gulf Coast-LLS crack spreads of $6.12 per bbl and $5.27 per bbl.

Figure 42. West Coast Versus U.S. Gulf Coast Crack Spreads



Source: Bloomberg

MLP Glossary Of Terms

Available Cash Flow: Available cash flow is the cash flow available to the common unit holders and the general partner.

Backwardation: A market condition in which future commodity prices are lower than spot prices. A backwardated market usually occurs when demand exceeds supply.

Contango: A market condition in which future commodity prices are greater than spot prices. The higher future price is often due to the cost associated with storing and insuring the underlying commodity.

British Thermal Unit (Btu): A unit of measurement for energy representing the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit.

Current Yield: The current yield is calculated by taking the current declared quarterly distribution annualized and dividing it by current stock price.

Dekatherm: A dekatherm is a measurement of energy content. One dekatherm is the approximate energy content of 1,000 cubic feet of natural gas (or 1 Mcf).

Distributable Cash Flow (DCF): DCF is the cash flow available to be paid to common unit holders after payments to the general partner.

Distribution (Dividend) Discount Model (DDM): DDM is an equity valuation tool used to estimate the present value of a stock based on the expected distributions (or dividends/future cash flow) received from the company.

Distribution: In a typical partnership agreement, the MLP is required to distribute all of its "available cash." MLPs typically distribute all available cash flow (i.e. cash flow from operations less maintenance CAPEX) to unit holders in the form of distributions (similar to dividends). However, management typically has some discretion in how much cash flow they choose to pay out.

Distribution Coverage Ratio: The coverage ratio indicates the cash available for distribution for every dollar to be distributed. The ratio is calculated by dividing available cash flow by distributions paid. Investors typically associate as the "cushion" a partnership has in paying its cash distribution. In this context, the higher the ratio, the greater the safety of the distribution.

Dropdown: A dropdown is the sale of an asset from the parent company (or sponsor company) to the underlying partnership. Dropdowns can also be defined as a transaction between two affiliated companies.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): EBITDA is a non-GAAP measure used to provide an approximation of a company's profitability. This measure excludes the potential distortion that accounting and financing rules may have on a company's earnings; therefore, EBITDA is a useful tool when comparing companies that incur large amounts of depreciation expense because it excludes these non-cash items which could understate the company's true performance.

Earnings Per Unit (EPU): An MLPs' EPU is synonymous with a C corp.'s earnings per share (EPS). EPU is calculated by dividing net income allocated to the limited partners divided by the weighted average units outstanding at the end of the period.

EBITDA Multiple: An EBITDA multiple is the expected return an acquisition or organic growth project is estimated to generate. For example, a $100 million investment at an 8x EBITDA multiple, would be expected to generate approximately $12.5 million of EBITDA on an annual basis (or a 12.5% return).

Excess Cash Flow: Excess cash flow is the cash flow that remains after distributions have been paid to common and subordinated unit holders and general partner.

Fractionation: Fractionation is the process that involves the separation of the NGLs into discrete NGL purity products (i.e. ethane, propane, normal butane, iso-butane, and natural gasoline).

Frac Spread (also known as "Processing Margin"): The processing margin is the difference between the price of natural gas and a composite price for NGLs on a BTU-equivalent basis.

General Partner (GP): The GP (1) manages the day-to-day operations of the partnership, (2) generally has a 2% ownership stake in the partnership, and (3) is eligible to receive an incentive distribution (through the ownership of the MLPs' incentive distribution rights).

Incentive Distribution Rights (IDRs): IDRs allow the holder (typically the general partner) to receive an increasing percentage of quarterly distributions after the MQD and target distribution thresholds have been achieved. In most partnerships, IDRs can reach a tier wherein the GP is receiving 50% of every incremental dollar paid to the LP unit holders. This is known as the 50/50 or "high splits" tier.

Limited Partner (LP): The LP (1) provides capital, (2) has no role in the MLPs' operations or management, and (3) receives cash distributions.

Liquid Petroleum Gases (LPGs): LPGs are created (as a byproduct) during the refining of crude oil or from natural gas production. LPGs are typically a mixed form of propane and butane.

Maintenance Capital Expenditures (CAPEX): Maintenance CAPEX is the investment required to maintain the partnership's existing asset.

Natural Gas Liquids (NGLs): NGLs are extracted from the raw natural gas stream into a liquid mix (consisting of ethane, propane, butane, iso-butane, and natural gasoline). The NGLs are then typically transported via pipelines to fractionation facilities.

Organic Growth Capital Expenditures (CAPEX): Organic CAPEX is investments used to expand a company's operating capacity or operating income over the long-term.

Processing: Natural gas processing involves the separation of raw natural gas into "pipeline quality" gas and natural gas liquids.

Tax Deferral Rate: A percentage of the cash distribution to the unit holder that is tax deferred until the security is sold. The tax deferral rate on distributions ranges from 40-90%. The tax deferral rate is an approximation provided by the partnership and is only effective for a certain period of time.

Energy Industry Abbreviations

bbls: Barrels

Bcf/d: One billion cubic feet per day

But: One thousand Btus.

Mcf: One thousand cubic feet of natural gas.

Mbbls: One thousand barrels.

Mbbls per day: One thousand barrels per day.

MM: In millions.

MMbbls: One million barrels.

MMbbls per day: One million barrels per day.

MMBtu: One million Btus.

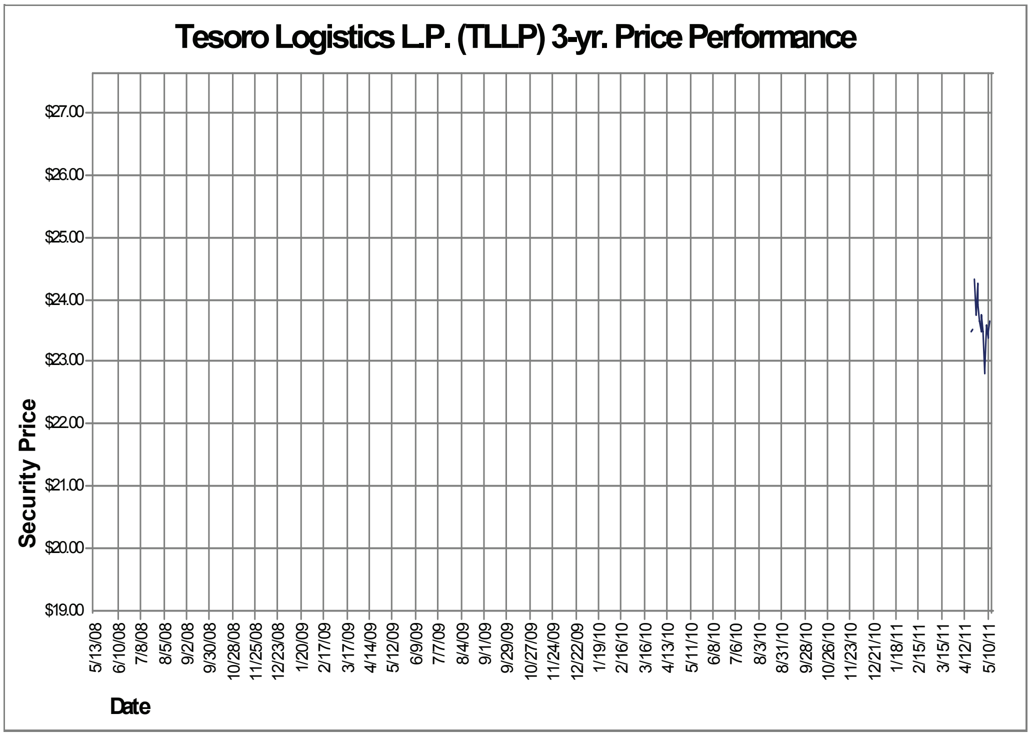
MMBtu/d: One million Btus per day.

MMcf: One million cubic feet of natural gas.

MMcf/d: One million cubic feet of natural gas per day.

Tcf: One trillion cubic feet of gas.

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)

Source: Wells Fargo Securities, LLC estimates and Reuters data

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

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

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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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INITIATION OF COVERAGE

May 10, 2011

ENERGY/MASTER LIMITED PARTNERSHIPS

Tesoro Logistics Partners

Initiating Coverage on MLP Top Pick: Bakken Exposure Drives Robust Growth

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$30.00
TLLP - NASDAQ	$23.58
3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$25.09-$21.00
Shares Outstanding	15.3M
Float	12.8M
Market Capitalization	$719.4M
Avg. Daily Trading Volume	NA
Dividend/Div Yield	$1.35/5.73%
Fiscal Year Ends	Dec
Book Value	$4.22
2011E ROE	NA
LT Debt	$50.0M
Preferred	NA
Common Equity	$86M
Convertible Available	No

DCFPU	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	0.33	0.37	0.37	1.07	22.0x
2012E	0.37	0.39	0.42	0.44	1.70	13.9x
2013E	--	--	--	--	1.86	12.7x

EBITDA	Q1	Q2	Q3	Q4	Year	Mult.
2011E	--	12	13	14	39	NM
2012E	14	14	15	16	58	NM
2013E	--	--	--	--	64	NM

Distribution	Q1	Q2	Q3	Q4	Year	Yield
2011E	--	0.266	0.338	0.345	0.949	4.0%
2012E	0.355	0.365	0.375	0.385	1.480	6.3%
2013E	--	--	--	--	1.640	7.0%

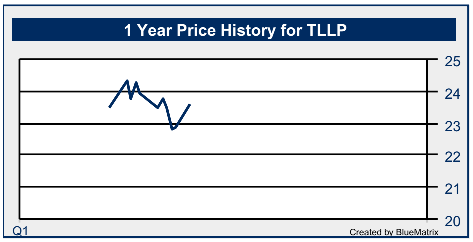
SUMMARY

We initiate coverage of TLLP with an Outperform rating and $30 PT. It is currently our MLP top pick. We believe TLLP represents the first opportunity in years to own a 100% fee-based (low-risk) pipeline MLP with significant dropdown and organic growth potential early in its life cycle. We forecast double-digit distribution growth CAGR for the next several years as TLLP expands organically and completes acquisitions. Assets include a large crude oil gathering system in North Dakota and Montana that provides exposure to Bakken formation growth. We believe the Bakken is in the nascent stages of development and that TLLP provides one of the most concentrated ways to invest in Bakken development.

KEY POINTS

- **Attractive asset base focused on the Bakken.** Roughly 55% of 2011E cash flow is generated by assets in the Williston Basin. The Bakken is economic with oil prices as low as $50/bbl and is in the early stages of development. We believe TLLP is one of the most concentrated ways to gain Bakken exposure.
- **Promising organic growth prospects.** $17.2M of near-term organic growth projects are expected to contribute over $10M of incremental EBITDA. Longer term, we expect TLLP to have ample opportunity to expand its Bakken infrastructure as drilling accelerates in the formation.
- **Dropdown acquisition growth from TSO.** TSO has an est. $600-800M worth of terminal and pipeline (fee-based) assets on which TLLP has rights of first refusal. We calculate that each $100M of acquisitions will be ~6% accretive to DCFPU. We would want to own the units ahead of any dropdowns.
- **Low financial leverage.** With a debt/EBITDA ratio in the mid-1s, TLLP should have plenty of dry powder to complete accretive acquisitions without issuing additional equity. This creates opportunity for especially attractive accretion from the first dropdown acquisitions completed by the company, without an equity issuance overhang.
- **Attractive total return prospects make TLLP our top MLP pick.** We est. ~30% 12-18 month total return potential to our $30 PT, which makes TLLP our top pick. We believe that TLLP provides investors a low-risk, high-return investment. We recommend purchase while it is still early in its life cycle.

Stock Price Performance



Company Description

TLLP is a fee-based, growth-oriented MLP formed by Tesoro to own, operate, develop and acquire crude oil and refined products logistics assets. Assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin, eight refined products terminals in the Midwest and West, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

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Investment Considerations

Exposure to Highly Desirable Bakken Infrastructure. TLLP's High Plains system connects the Bakken/Williston oil-producing area to Tesoro's Mandan refinery—the closest refinery to the Bakken oil fields. We believe that Mandan is one of the lowest-cost options for Williston basin producers to get crude oil to market. While High Plains has historically delivered volumes exclusively to the refinery, the intention now is to open it up to third parties via connections to five different transportation pipelines. This should result in higher utilization of the gathering system and allow for increased gathering activity as drilling grows. We believe TLLP (through the High Plains system) provides unitholders with the opportunity to invest in a scalable, profitable crude gathering system in one of the fastest growing oil plays in the US.

Attractive Organic Growth Prospects. The purpose of separating TLLP from TSO was to create an independent entity that exists to maximize the value of TSO's midstream assets. The asset base was historically utilized exclusively by its parent company. We believe there is ample opportunity to increase utilization by allowing third parties access to the assets. In addition, the company has already announced several small, highly accretive growth projects designed to provide incremental services to the expanded customer base. We anticipate these accretive projects to continue as TLLP establishes itself as a new, independent entity.

Ample Dropdown Growth Available from Tesoro. TLLP's relationship with Tesoro Corp. (TSO) should provide opportunities for dropdown asset acquisitions. TLLP has rights of first refusal on ten TSO assets should the parent decide to sell, transfer or dispose of the assets. We estimate the potential dollar amount of growth projects from TSO to be approximately $600-800M. We believe dropdowns from the parent will provide the opportunity to grow TLLP substantially over time. We estimate that each $100M of acquisitions completed by TLLP will result in approximately 6% DCFPU accretion (assuming a 10x EBITDA multiple). As a result of the ownership of the general partner, TSO has the incentive to promote growth at TLLP. TSO will receive an increasing percentage of incremental distributions paid by TLLP as the MLP grows. Therefore, we feel TLLP will benefit greatly from dropdown growth.

Low Financial Leverage Provides Flexibility to Acquire. TLLP has relatively low financial leverage with an estimated debt/EBITDA ratio of 1.3x. Total debt outstanding post-IPO is $50M and is being carried on the company's $150M revolving credit facility. This financial flexibility offers TLLP the opportunity to acquire assets and grow distributable cash flow. We estimate that the first $200M of acquisitions can be completed without issuing additional equity. That would leave the debt/EBITDA ratio at approximately 3.5x.

100% Fee-Based Cash Flows Backed by Long-Term Contracts. TLLP generates 100% fee-based cash flows. The majority are backed by 10-year contracts with minimum volume commitments. These contracts effectively remove cyclicality of the refining business from TLLP's cash flows. We believe that the long-term fee-based nature of TLLP's business model provides the stability and transparency necessary to pay consistent distributions.

Tariff Escalation: Interstate crude oil pipelines that are not located near competing pipelines receive a FERC-regulated "indexed" tariff to mitigate market power. That tariff increases or decreases based on the Producer Price Index (PPI; finished goods) plus an escalator derived by the FERC (Federal Energy Regulatory Commission). For the five years ended June 30, 2011, the escalator is +1.3%. For example, in 2010, the projected PPI is 4.28%. Add the 1.3% escalator and we get 5.58%. Indexed tariffs increase by 5.58% starting July 1, 2010. In addition, the FERC has recently finished its new five-year review of the escalator and will implement PPI + 2.65% for the five years ended June 30,

2016. Even in an environment of slow economic growth and inflation (assume the PPI increases 2% in 2011), we will have mid-single-digit annual tariff increases on the High Plains system.

Downside Protection from Unit Subordination: TLLP's subordination structure provides some downside protection to common unitholders in the event that the company is unable to pay its minimum quarterly distribution (MQD). It also provides management an incentive to achieve stated financial goals. Approximately 49% of TLLP's total units outstanding are subordinated. The 15.3M subordinated units are owned by TSO. In the case that TLLP is unable to pay the MQD of $0.3375 per quarter on all outstanding units, common units have the right to receive distributions of $0.3375 plus any arrearages before any payments may be made on the subordinated units. In addition, the subordination period will end (and the subordinated units will convert to common units), when a certain set of financial goals is achieved related to distribution payment and growth.

Investment Risks

Tesoro Credit and Concentration Risk. TLLP's current business model is heavily tied to Tesoro. Historically, TSO has been the only customer for TLLP's assets and it will continue to contribute the majority of its cash flows into the future. We are confident that TLLP will expand its customer base to include third parties over time, but TSO will always play an important role in TLLP's success. TLLP enjoys minimum volume commitments on the 10-year contracts it has with TSO which insulate it from the ups and downs of the refining business cycle. However, if TSO becomes insolvent for any reason, TLLP will be exposed.

Refined Product Demand. The recent rise in crude oil prices has resulted in high profit margins for producers in the Williston basin. However, it has also resulted in higher gasoline and other refined product prices. Should crude oil and refined product prices continue to rise, this may lead to a demand response. In other words, it may erode refined product demand. TLLP's infrastructure was built to support Tesoro's refineries. Should demand for refined products decline, utilization of TLLP's assets may fall. TLLP's long-term contracts with Tesoro serve to insulate the MLP's cash flow from the refining cycle, but are contingent upon TSO refineries not being shuttered for 12 consecutive months.

FERC Regulatory Risk: A large portion of TLLP's cash flow is regulated by the FERC. For the most part, the FERC is a benign regulator that allows an attractive return, in our view. However, there is always the risk that comes along with a powerful regulatory body being responsible for ensuring "just and reasonable" rates.

Interest Rates: The entire MLP group is vulnerable to potential increases in interest rates in two ways. First, MLPs rely on being able to secure capital at attractive rates in order to grow. Since MLPs typically pay out the vast majority of their cash flow, every new large organic growth project or acquisition requires capital raising in the form of both debt and equity to maintain target leverage ratios. Therefore, if interest rates rise, an MLP's cost of debt rises, decreasing cash flow. Second, as interest rates rise, competing yield-based investments (such as municipal bonds) may depreciate in value causing yields to rise. This may make alternatives to MLPs relatively more attractive and result in lower valuations for MLPs.

Financial Overview

Financial Outlook

Exhibit 1. After-tax Yield Comparison

	2011Q2E	2011Q3E	2011Q4E	2011YE	2012YE	2013YE
DCF / LP unit	**$0.33**	**$0.37**	**$0.37**	**$1.07**	**$1.70**	**$1.86**
Annual DCF/LP growth					*58.4%*	*9.8%*
LP distribution / Unit	**$0.2663**	**$0.3375**	**$0.3450**	**$0.9488**	**$1.4800**	**$1.6400**
Annual Distribution Growth				*N/A*	*56.0%*	*10.8%*
Coverage	**1.2x**	**1.1x**	**1.1x**	**1.1x**	**1.1x**	**1.1x**

Source: Company reports, Oppenheimer & Co. Inc.

Our distributable cash flow per unit estimates for FY11-FY13 are $1.07, $1.70 and $1.86, which represents significant growth above the IPO-shortened 2011. We estimate the distribution per unit will be $0.95, $1.48 and $1.64 over the same time period. We anticipate the distribution growth to accelerate into 2013 as TLLP is able to complete its growth projects. These numbers combine for annual coverage ratios ranging from 1.1-1.2x. In our view, this coverage provides enough cushion to absorb any unforeseen bumps in the road given TLLP's low-risk business model.

Growth Drivers

Bakken Production Growth

Bakken oil production growth leads to increasing transportation volumes on the High Plains system. We believe Bakken production will increase dramatically over the next five years (the PIRA Energy group forecasts nearly 40% crude production from 2012 to 2014). Enbridge Energy Partners (EEP) forecasts production for 600,000 bpd in 2014, above the current 350,000 bpd. There are currently 180 rigs drilling in the Bakken/Williston (as of March 2011).

Accretive Organic Growth

TLLP has announced organic growth projects on the High Plains system in conjunction with Tesoro's Mandan refinery expansion that we anticipate to become accretive to earnings beginning in 2Q12 and will boost High Plains volumes by nearly 10,000bpd. TLLP has also announced organic growth capital spending of approximately $6.8M relating to the expansion of services and capacity in the Terminalling, Transportation and Storage segment that we estimate will come online later in 2011.

We anticipate TLLP's early growth projects to be highly accretive. Management forecasts these announced growth projects to have EBITDA multiples of 1.0-2.0x, which we believe will significantly add to DCFPU. We also believe there are numerous existing bolt-on expansion projects available (such as increasing capacity on the High Plains system to interconnect with other pipelines) that will be highly accretive.

Anticipated Dropdown Acquisitions from TSO

Tesoro has granted TLLP the right of first refusal for 10 assets that we believe will eventually be sold to the partnership. We currently forecast a $100M dropdown acquisition in both 2012 and 2013 and believe the acquisitions will provide an accretive avenue for growth for years to come. We project that each $100M acquisition will generate approximately 6% accretion to DCFPU assuming the deals are done at 10x EBITDA, with potential upside if TLLP were able to increase the total percentage of capacity utilized. We currently estimate the total amount of assets available to be $600-800M, and believe that TLLP will utilize this strategy to achieve outsized distribution growth.

Exhibit 2. Right of First Refusal Asset List

Asset	Location	Capacity	2010 Throughput
Golden Eagle Refined Products Terminal	Martinez, CA	38,000 BPD	14,100 BPD
Golden Eagle Marine Terminal	Martinez, CA	145,000 BPD	49,800 BPD
Golden Eagle Wharf Facility	Martinez, CA	50,000 BPD	29,900 BPD
Tesoro Alaska Pipeline	Nikiski, AK	48,000 BPD	36,000 BPD
Nikiski Dock and Storage Facility	Nikiski, AK	930,000 Bbls	82,300 BPD
Nikiski Refined Products Terminal	Nikiski, AK	211,000 Bbls	2,600 BPD
Los Angeles Crude Oil and Refined Products Pipeline System	Los Angeles, CA		42,200 BPD
Anacortes Refined Products Terminal	Anacortes, WA		1,700 BPD
Anacortes Marine Terminal and Storage Facility	Anacortes, WA	1,400,000 Bbls	30,800 BPD
Long Beach Marine Terminal	Long Beach, CA		98,800 BPD

Source: Company reports, Oppenheimer & Co. Inc.

Balance Sheet, Leverage and Liquidity: Poised for Growth

TLLP has a solid balance sheet with a low level of financial leverage, and plenty of liquidity. Total debt as of the IPO was $50M and is carried on the revolving credit facility. Should interest rates rise, TLLP's longer-term funding may be impacted as they have not locked into fixed rate, long-term debt. Management has suggested that as growth continues, long-term debt will be used to maintain flexibility in the credit facility.

Debt/EBITDA (total debt as of the IPO divided by 2011 expected EBITDA) stands at 1.3x, with EBITDA/interest expense (2011 expected EBITDA/2011 expected interest expense) at 18.5x. Both metrics are substantially stronger than most MLP peers under Oppenheimer & Co. Inc. coverage.

TLLP has approximately $100M available under its $150M credit facility. The relatively clean start should provide TLLP plenty of flexibility to operate its business comfortably. The credit facility contains a debt/EBITDA covenant of 4.50x, and an EBITDA/interest expense covenant of 3.0x leaving the company plenty of margin of error given the low risk profile of the underlying business. The credit facility also includes an accordion feature that allows expansion up to an aggregate of $300M, subject to receiving increased commitments from the lenders.

Valuation

Our price target of $30 per unit is derived using our distribution discount model (DDM). The assumptions underlying this price target are stage one (years 1 & 2) growth of 10%, stage two (years 3- 5) growth of 8%, a terminal growth rate of 2% and a discount rate of 8.0%. The terminal distribution is projected to be $2.06 and is achieved in 2015. The price target implies a total return of 30% over the next 12-18 months (including the anticipated 2011-2012 distribution yield). (Note that our return calculations exclude applicable costs, including commission and interest.)

Furthermore, we believe that the current after-tax yield (using an annualized minimum quarterly distribution) compares favorably to other yield-based alternatives as seen in the chart below.

Exhibit 3. After-tax Yield Comparison

	Tesoro Logistics Partners, L.P. (TLLP)	Bloomberg Active HY US Corp. Bond Index	iShares S&P National AMTFr Muni Bond Fund ETF (MUB)	Bloomberg Active Inv. Grade U.S. Corp. Bond Index (YTM)	SNL Gas Utility Index	SNL US REIT Index
Pre-Tax Yield	5.92%	7.77%	3.58%	4.62%	2.80%	3.53%
Return of Capital (not taxable) *	4.74%	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Return on Capital (taxable) *	1.18%	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Qualified Dividend Tax	*N/A*	*N/A*	*N/A*	*N/A*	*15.0%*	*N/A*
Dividend Tax	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*28.0%*
Income Tax	*28.0%*	*28.0%*	*N/A*	*28.0%*	*N/A*	*N/A*
After-Tax Yield	**5.59%**	**5.59%**	**3.58%**	**3.33%**	**2.38%**	**2.54%**

* Assumes 80% of net income for tax purposes is offset by distributions paid.

Taxes are deferred until sale. They are not avoided all together. Please see our August 24, 2010 Industry Initiation Report for more information on tax issues.

Yield data priced as of May 05, 2011 and uses an annualized distribution based on the most recent announcement.

Source: SNL; Bloomberg; Oppenheimer & Co, Inc.

We also believe that the MLP business model offers some hedge towards rising interest rates unlike the fixed income comparisons in Exhibit 3. While rising rates do pose a risk to valuation on income producing securities, we feel that these fears are overstated. We believe that normally, rising interest rates signal economic strength or rising inflation. In a strengthening economy, there is a greater demand for the energy products that MLPs handle. This in turn boosts throughput volumes and thus, MLP revenue. During periods of inflation, crude oil and natural gas prices tend to rise. We feel that this would lead to more drilling, production and need for the infrastructure that MLPs provide. Additionally, some MLP business activities contain inflation-linked escalators. In our opinion, such gains would help boost the distributions. See the MLP Industry report released on August 24, 2010 for more information.

Company Overview

Business Description

Tesoro Logistics is a fee-based, growth-oriented Delaware limited partnership recently formed by Tesoro to own, operate, develop and acquire crude oil and refined products logistics assets. TLLP's logistics assets are integral to the success of Tesoro's refining and marketing operations and are used to gather, transport and store crude oil and to distribute, transport and store refined products. The initial assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area of North Dakota and Montana, eight refined products terminals in the Midwestern and Western United States and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

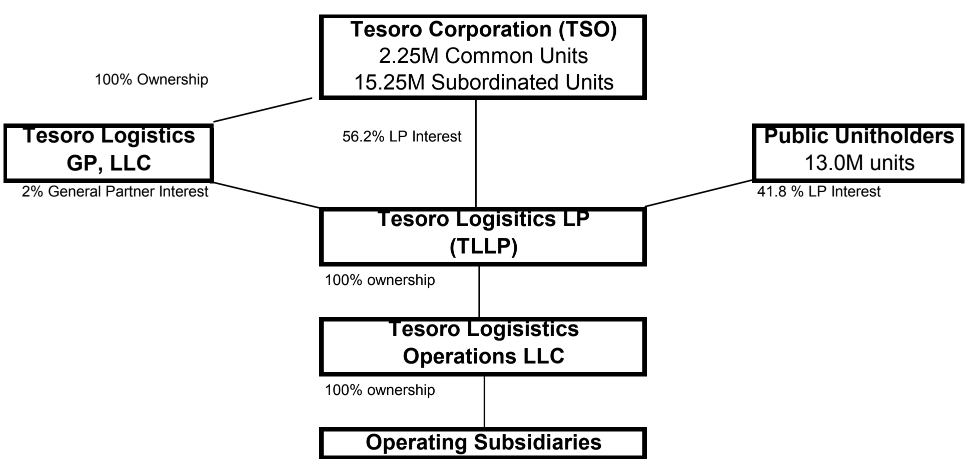
Exhibit 4. TLLP Asset Map

Source: Tesoro Logistics company filings.

Ownership, Corporate Structure and IDRs

TLLP is 58% owned by TSO and 42% by the public. The 56% LP interest combined with the 2% GP interest (which gives TSO the incentive distribution rights (IDRs)) helps to align the interests of TSO and TLLP. TSO has a strong incentive to grow TLLP's distribution to achieve the "high splits." The high splits are a GP's "happy place" where the general partner receives 50% of all incremental distributions paid. TLLP has an advantage vs. other MLPs without a strong, well-aligned parent company.

Exhibit 5. TLLP Corporate Structure



Source: Tesoro Logistics company fiings.

Exhibit 6. IDRs

	Quarterly Distribution	Annual Distribution	GP %	LP %
MQD	$0.3375	$1.35	2%	98%
1st Target Distribution	$0.3881	$1.55	2%	98%
2nd Target Distribution	$0.4219	$1.69	15%	85%
3rd Target Distribution	$0.5063	$2.03	25%	75%
Thereafter	$0.5063	$2.03	50%	50%

Source: Tesoro Logistics company filings.

Contracts: Fee-based and Long-Term

Overall, TLLP has a low-risk profile from a contract standpoint. In 2010, 100% of TLLP's operating margin was from fee-based businesses. Currently, these businesses are generally backed by 10-year long-term contracts with minimum volume commitments, meaning TLLP will get paid whether the assets are fully utilized or not. Should Tesoro's refineries be down for 12 consecutives months, TSO is granted the option to exit these contracts. We don't believe that to be a significant risk because Tesoro's Mandan refineries is one of the more profitable refineries in the nation (given its location) and the Mandan Bakkan/Williston region generates more than 50% of the revenues.

The following chart displays the average volume commitments.

Exhibit 7. TLLP Contract Structure

	Forecasted 12 Months Ending 03/31/201	Contracted Minimum	Contracted Minimum as a % of Forecast	Contract Length (years)
Crude oil pipeline throughput (bpd)	58,000	49,000	84%	10
Trucking volume (bpd)	22,900	22,000	96%	2
Terminal throughput (bpd)	115,200	100,000	87%	10
Short-haul pipeline throughput (bpd)	65,800	54,000	82%	10
Storage capacity reserved (barrels)	878,000	878,000	100%	10

Source: Tesoro Logistics company fiings.

Segment Fundamentals

TLLP operates in two business segments: Crude Oil Gathering and Terminalling, Transportation and Storage.

Crude Oil Gathering

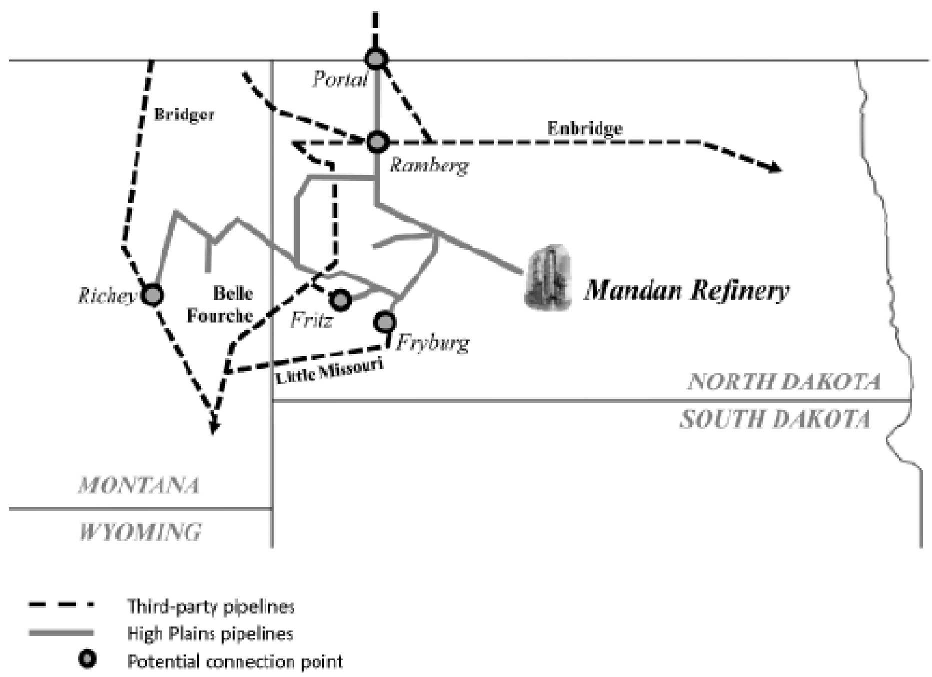
The Crude Oil Gathering segment, which consists of the High Plains system, is located in the Williston Basin, one of the most prolific onshore crude oil basins in the US and includes production from the more commonly known Bakken shale formation.

The High Plains system services a significant portion of the Bakken/Williston formation through its approximately 700 miles of pipeline and storage system and expansive truck fleet. The pipeline has current capacity to transport 70,000 bpd, while the truck fleet can deliver an additional 23,000 bpd. The High Plains system utilizes 24 crude oil storage and breakout tanks with a total combined capacity of 482,000 barrels, 13 proprietary and six third-party truck receipt locations, 44 proprietary and eight third-party pipeline gathering receipt stations (collection points) and 11 relay stations to deliver crude oil to Tesoro's Mandan refinery.

Historically, the Mandan refinery was the only destination for the High Plains system. However, the existing system has five pipeline interconnects. This is where we believe TLLP can unlock further value. TLLP is currently testing High Plains to increase the overall capacity above 70,000 bpd, as the bulk of the system is large enough to handle more capacity (the spur to Mandan is the main bottleneck at 70,000bpd). As production in the Bakken continues to increase, we believe that TLLP will be able to increase overall capacity on the system and serve more clients than just Tesoro's Mandan refinery. Exhibit 8 displays the current interconnect potential for the High Plains pipelines.

We believe the High Plains system is strategically placed and offers a low cost advantage to peers. The location of Tesoro's refinery creates an opportunity for Bakken producers to transport oil to market more quickly than other transportation options. We believe that such an advantage puts the High Plain system in position to grow volumes and creates an opportunity for highly accretive bolt-on growth projects.

Exhibit 8. Pipeline Map and Interconnects



Source: Tesoro Logistics company fiings.

Terminalling, Transportation and Storage

The Terminalling, Transportation and Storage segment consists of eight refined products terminals located in California, Utah, Alaska, Washington and North Dakota, a crude oil storage facility, three short-haul crude supply pipelines and two short-haul refined product delivery pipelines. The terminals have an aggregate truck and barge delivery capacity of approximately 229,000 bpd while the crude storage facilities hold a total shell capacity of approximately 878,000 barrels with plans to expand storage capacity in 2011 (see the growth drivers section above).

We believe the Terminalling, Transportation and Storage segment offers safe, fee-based cash flows that are protected by long-term contracts with Tesoro. Currently, TLLP has contractual minimums on 100% of the storage capacity, 82% of the short-haul pipeline throughput and 87% of the terminal throughput (see contracts). We believe that as TLLP opens the assets to third parties, the excess capacity may be absorbed.

Management and Board Profile

Tesoro Logistics Partners, L.P. – Management Profile

Key Officer	Age	Major Experience
Gregory J Goff	54	Chairman of Board and CEO
G. Scott Spendlove	47	VP, CFO and Director
Phillip M. Anderson	45	President and Director

Sources: Company financial statements; Oppenheimer & Co. Inc.

Tesoro Logistics LP; (TLLP) OUTPERFORM												**Bernie Colson (816) 932-8022**
Summary Financial Statements												**Shawn Radtke (720) 554-1101**
Millions of Dollars Except for Per Unit Amounts												
Fiscal Year Ending December 31,												
Summary Income Statement	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Crude Oil Gathering	50		9.8	13.0	13.2	36.0	12.9	13.7	14.5	15.1	56.3	62.0
Terminalling, transportation and storage	44		8.8	11.6	11.8	32.2	11.9	12.3	12.8	13.3	50.3	55.1
Total Revenues	93		18.6	24.5	25.1	68.2	24.8	26.0	27.4	28.4	106.6	117.1
Operating expenses												
Operating and maintenance expense	37		5.6	9.5	9.7	24.9	9.7	10.1	10.7	11.1	41.6	45.7
Depreciation expense	8		1.4	2.4	2.4	6.2	2.4	2.5	2.7	2.8	10.4	11.4
General and administrative expense	3		1.0	1.7	1.7	4.4	1.6	1.7	1.8	1.8	6.9	7.3
Total operating expenses	48		8.0	13.6	13.9	35.5	13.7	14.4	15.1	15.7	58.9	64.4
Operating income	45		10.5	10.9	11.2	32.7	11.1	11.6	12.2	12.7	47.7	52.7
Interest Expense	2		0.5	0.7	0.7	2.0	0.8	0.9	2.3	2.3	6.3	14.0
Income before income taxes	42		10.0	10.2	10.4	30.7	10.3	10.8	10.0	10.4	41.4	38.7
Interest Expense	2		0.5	0.7	0.7	2.0	0.8	0.9	2.3	2.3	6.3	14.0
Net income	42		10.0	10.2	10.4	30.7	10.3	10.8	10.0	10.4	41.4	38.7
Less: Allocations to GP	1		0.2	0.2	0.2	0.6	0.2	0.2	0.2	0.2	0.9	0.9
Net Income allocable to LP	42		9.8	10.0	10.2	30.1	10.0	10.5	9.7	10.2	40.5	37.7
Earnings Per LP Unit	1.34		0.32	0.32	0.33	0.97	0.32	0.34	0.31	0.33	1.30	1.21
Distributable Cash Flow Calculation	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Net Income	42		10.0	10.2	10.4	30.7	10.3	10.8	10.0	10.4	41.4	38.7
Depreciation Expense	8		1.4	2.4	2.4	6.2	2.4	2.5	2.7	2.8	10.4	11.4
Interest Expense	2		0.5	0.7	0.7	2.0	0.8	0.9	2.3	2.3	6.3	14.0
EBITDA	53		12.0	13.3	13.6	38.9	13.5	14.2	14.9	15.5	58.1	64.1
Dropdown Addition to EBITDA	0		0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.5	5.0	17.5
Adjusted EBITDA (Reported)	**53**		**12.0**	**13.3**	**13.6**	**38.9**	**13.5**	**14.2**	**17.4**	**18.0**	**63.1**	**81.6**
Cash Interest	2		0.5	0.5	0.6	1.6	0.6	0.6	2.5	2.5	6.3	15.3
Cash Taxes	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Capex	2		1.0	1.2	1.2	3.4	1.2	1.3	1.5	1.6	5.6	7.3
Other	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributable Cash Flow	**49**		**10.4**	**11.6**	**11.9**	**33.9**	**11.7**	**12.3**	**13.4**	**13.8**	**51.2**	**59.0**
Total DCF / Unit	**1.57**		**0.33**	**0.37**	**0.38**	**1.09**	**0.38**	**0.39**	**0.43**	**0.44**	**1.64**	**1.89**
GP distribution	0.00		0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	(0.05)	0.03
DCF / LP unit	**1.57**		**0.33**	**0.37**	**0.37**	**1.07**	**0.37**	**0.39**	**0.42**	**0.44**	**1.70**	**1.86**
LP distribution / Unit			**0.26625**	**0.3375**	**0.3450**	**0.9488**	**0.3550**	**0.3650**	**0.3750**	**0.3850**	**1.4800**	**1.6400**
LP distribution / Growth								37%	11%	12%	**56%**	**11%**
Coverage			1.2x	1.1x	1.1x	**1.1x**	1.0x	1.1x	1.1x	1.1x	**1.1x**	**1.1x**
Summary Statement of Cash Flow	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Cash Flow From Operations	0		11.5	12.8	13.1	37.3	12.9	13.5	12.4	13.0	51.8	48.8
Capital Expenditures	0		(5.5)	(5.7)	(5.7)	(16.9)	(3.2)	(3.3)	(3.5)	(3.6)	(13.6)	(15.3)
Sales (Purchases) of Assets	0		0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	0.0	(100.0)	(100.0)
Cash Flow From Investing	0		(5.5)	(5.7)	(5.7)	(16.9)	(3.2)	(3.3)	(103.5)	(3.6)	(113.6)	(115.3)
Distributions	0		(8.5)	(10.7)	(11.0)	(30.1)	(11.3)	(11.6)	(11.9)	(12.2)	(35.7)	(50.6)
Net Equity Issuance	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt Issuance	0		2.5	3.6	3.6	9.7	1.6	1.3	103.0	2.9	97.6	117.1
Cash Flow From Financing	0		(5.9)	(7.1)	(7.4)	(20.4)	(9.7)	(10.3)	91.1	(9.3)	61.8	66.5
Summary Balance Sheet	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Cash	3		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Current Assets	3		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Net PP&E	132		137.2	142.8	148.5	148.5	151.7	154.9	258.5	262.1	262.1	377.5
Total Assets	137		142.2	147.8	153.5	153.5	156.7	159.9	263.5	267.1	267.1	382.5
Short-Term Debt	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	50		52.5	56.1	59.7	59.7	61.3	62.6	165.6	168.5	168.5	285.6
Total Liabilities	50		52.5	56.1	59.7	59.7	61.3	62.6	165.6	168.5	168.5	285.6
Total Equity	87		89.6	91.7	93.8	93.8	95.4	97.3	97.9	98.6	98.6	96.9
Total Liabilities & Equity	137		142.2	147.8	153.5	153.5	156.7	159.9	263.5	267.1	267.1	382.5
Operating Data	**2010A**	2011Q1E	2011Q2E	2011Q3E	2011Q4E	**2011E**	2012Q1E	2012Q2E	2012Q3E	2012Q4E	**2012E**	**2013E**
Crude Gathering												
Pipeline Throughput (bpd)	50,695		55,096	57,437	59,878	56,315	59,878	62,273	64,764	66,707	63,406	67,209
Trucking Volume (bpd)	23,305		23,073	22,957	22,842	23,015	22,614	23,745	24,932	26,178	24,367	26,507
Terminalling, Transportation and Storage												
Terminal Throughput (bpd)	113,950		114,863	115,323	115,784	115,094	116,363	116,945	117,530	118,117	117,239	119,601
Short Haul Pipeline Volume (bpd)	60,666		64,361	66,935	69,612	65,848	72,049	74,571	77,180	79,882	75,920	87,120
Storage capacity reserved	878,000		878,000	878,000	878,000	878,000	878,000	886,000	886,000	886,000	884,000	886,000

Source: Company reports; Oppenheimer & Co. estimates; SNL. Please refer to Opco reports for more details 5/10/11

Investment Thesis

We initiate coverage of TLLP with an Outperform rating and $30 price target. It is currently our top pick among our MLP coverage. We believe TLLP represents the first opportunity since WES went public in May 2008 to own a 100% fee-based (low-risk) MLP with significant dropdown and organic growth potential early in its life cycle. We forecast double-digit distribution growth CAGR for the next several years as TLLP expands organically and completes acquisitions. Assets include a large crude oil gathering system in North Dakota and Montana that provides exposure to Bakken formation growth. We believe the Bakken is in the very early stages of development and that TLLP provides one of the most concentrated ways to invest in Bakken production.

Price Target Calculation

Our price target of $30 per unit is derived using our distribution discount model (DDM). The assumptions underlying this price target are stage one (years 1 & 2) growth of 10%, stage two (years 3- 5) growth of 8%, a terminal growth rate of 2% and a discount rate of 8.0%. The terminal distribution is projected to be $2.06 and is achieved in 2015.

Key Risks to Price Target

- Weak refined product demand
- Potential to overpay for acquisitions
- Acquisition integration
- Rising interest rates
- Economic weakness
- Capital markets access
- Major change in MLP tax code
- FERC regulatory risk
- Conflicts of interest between LPs and GPs
- Counterparty credit risk
- Energy infrastructure overbuild
- Extreme weather
- A unitholder whose units are loaned to a short seller to cover a short sale of units may be viewed as having sold the units. Unitholders who want to be assured of keeping their status as partners and avoid the risk of gain recognition from a loan to a short seller should consider modifying any brokerage account agreements to prohibit their brokers from borrowing their units. Because of the nature of the MLP structure, all investors should consult a qualified tax counsel before making an investment in the sector.

Important Disclosures and Certifications

Analyst Certification - The author certifies that this research report accurately states his/her personal views about the subject securities, which are reflected in the ratings as well as in the substance of this report.The author certifies that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

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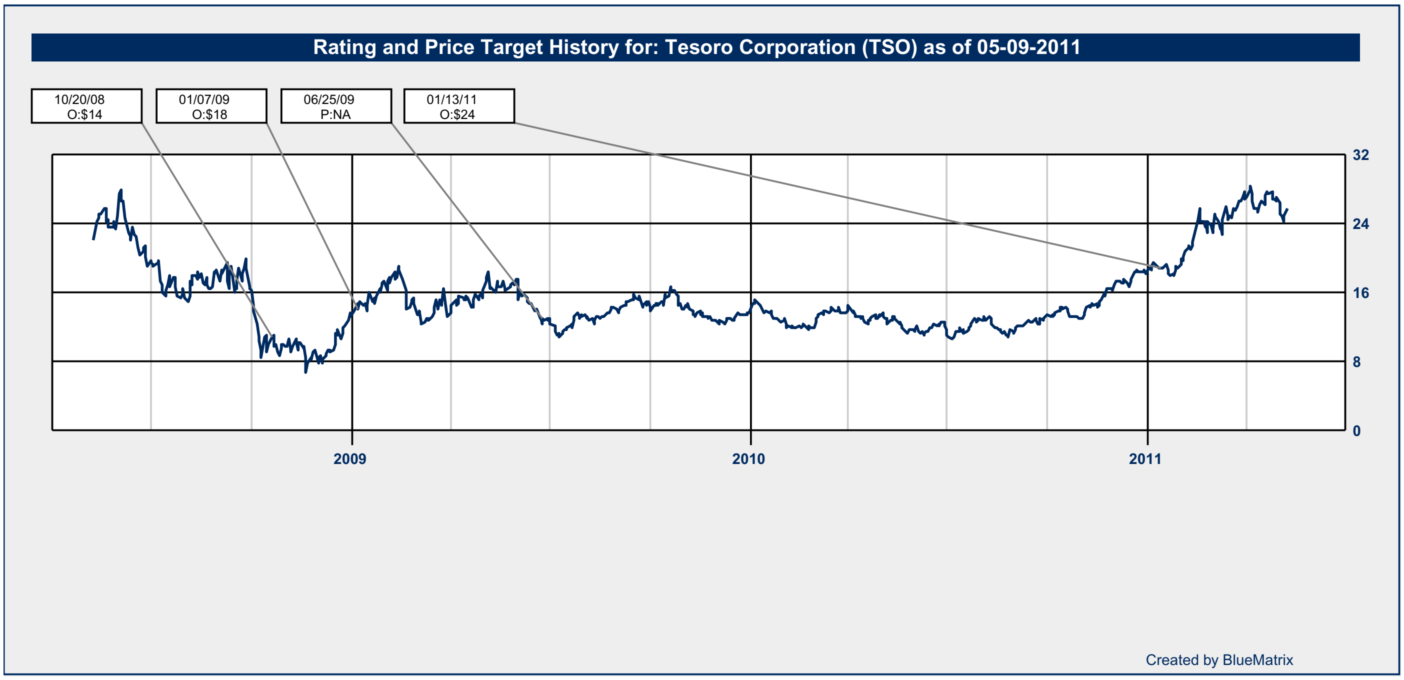
Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by

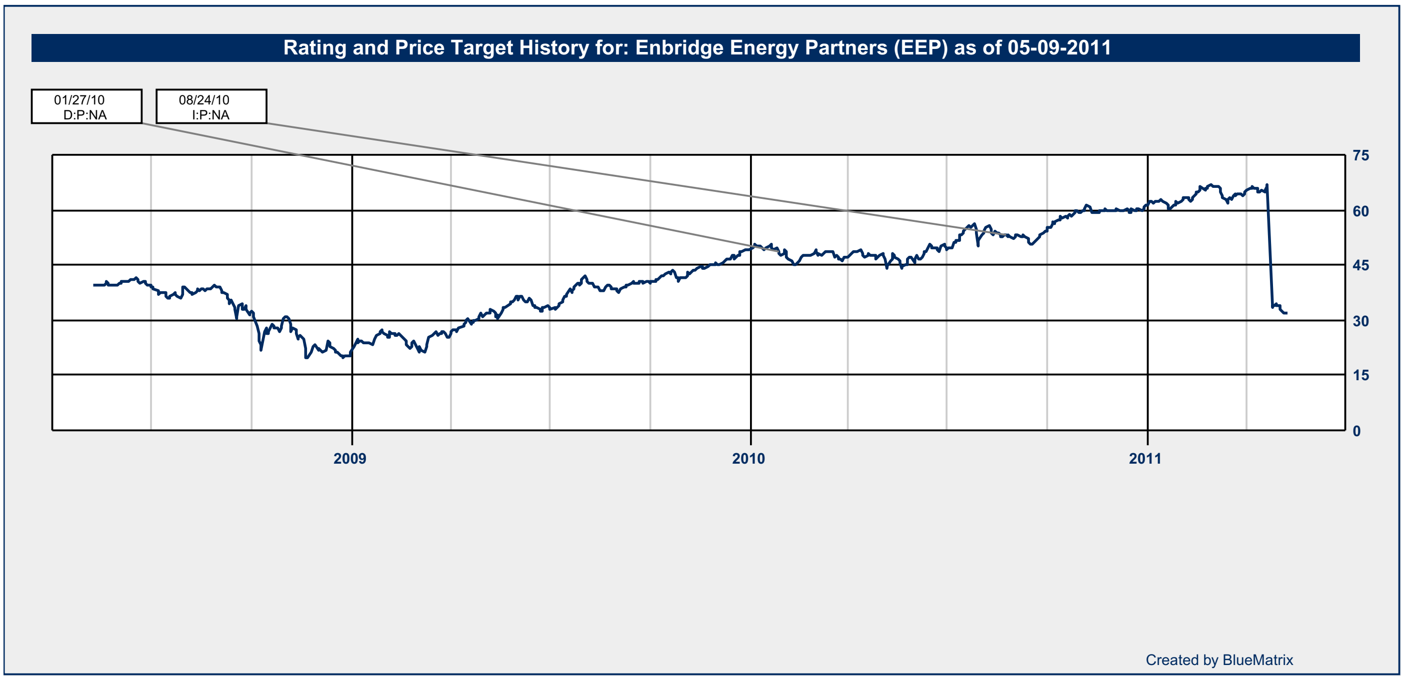
Oppenheimer & Co. Inc:

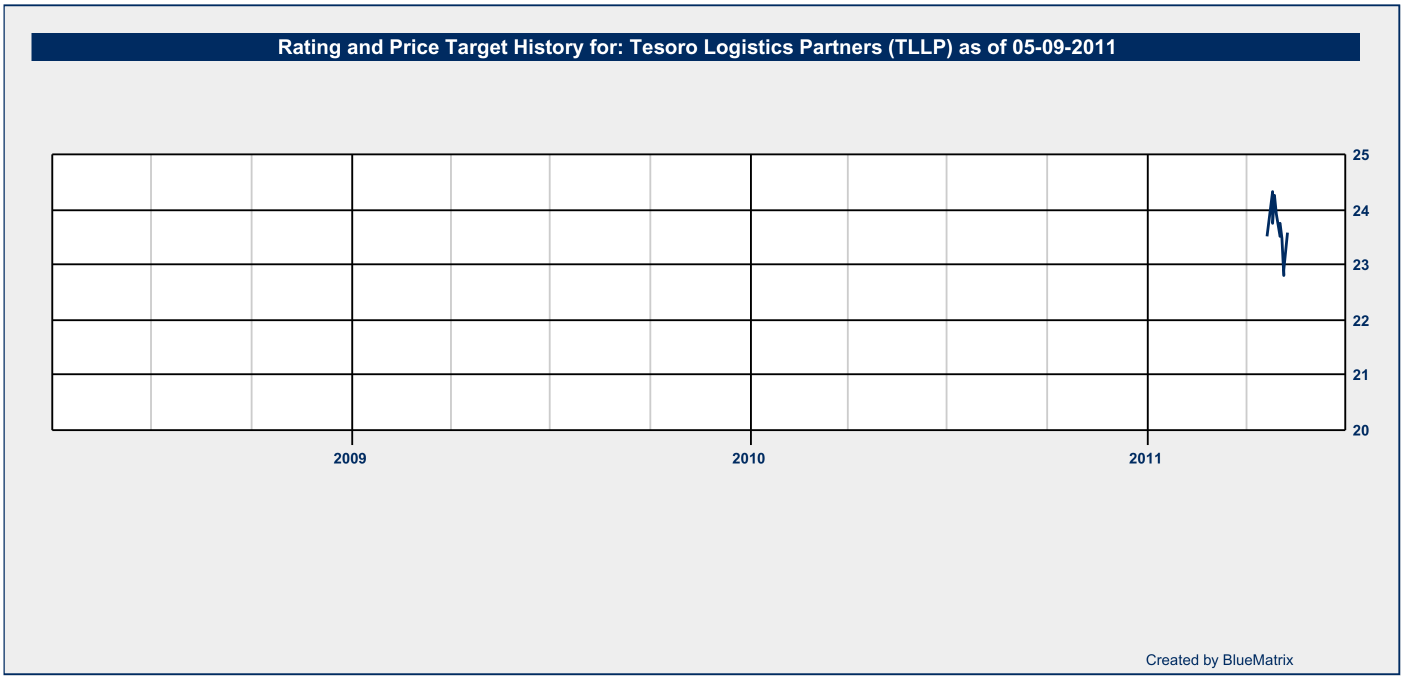
Stock Prices as of May 10, 2011

Tesoro Corporation (TSO - NYSE, 25.79, OUTPERFORM)

Enbridge Energy Partners (EEP - NYSE, 32.07, PERFORM)







All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

Oppenheimer & Co. Inc. Rating System as of January 14th, 2008:

Outperform(O) - Stock expected to outperform the S&P 500 within the next 12-18 months.

Perform (P) - Stock expected to perform in line with the S&P 500 within the next 12-18 months.

Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

Not Rated (NR) - Oppenheimer & Co. Inc. does not maintain coverage of the stock or is restricted from doing so due to a potential conflict of interest.

Oppenheimer & Co. Inc. Rating System prior to January 14th, 2008:

Buy - anticipates appreciation of 10% or more within the next 12 months, and/or a total return of 10% including dividend payments, and/or the ability of the shares to perform better than the leading stock market averages or stocks within its particular industry sector.

Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide

			IB Serv/Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
OUTPERFORM [O]	302	54.40	133	44.04
PERFORM [P]	244	44.00	78	31.97
UNDERPERFORM [U]	9	1.60	1	11.11

Although the investment recommendations within the three-tiered, relative stock rating system utilized by Oppenheimer & Co. Inc. do not correlate to buy, hold and sell recommendations, for the purposes of complying with FINRA rules, Oppenheimer & Co. Inc. has assigned buy ratings to securities rated Outperform, hold ratings to securities rated Perform, and sell ratings to securities rated Underperform.

Company Specific Disclosures

Oppenheimer & Co. Inc. expects to receive or intends to seek compensation for investment banking services in the next 3 months from EEP.

Additional Information Available

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