

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-35143

ANDEAVOR LOGISTICS LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)



27-4151603

(I.R.S. Employer
Identification No.)

19100 Ridgewood Pkwy, San Antonio, Texas 78259-1828

(Address of principal executive offices) (Zip Code)

210-626-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 108,002,273 common units and 2,202,880 general partner units of the registrant outstanding at August 4, 2017.

TABLE OF CONTENTS

ANDEAVOR LOGISTICS LP QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

PART I — FINANCIAL INFORMATION

- 3 ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**
 - 3 CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS - THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
 - 4 CONDENSED CONSOLIDATED BALANCE SHEETS - JUNE 30, 2017 AND DECEMBER 31, 2016
 - 5 CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS - SIX MONTHS ENDED JUNE 30, 2017 AND 2016
 - 6 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 - 6 NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION
 - 8 NOTE 2 - ACQUISITIONS AND DIVESTITURES
 - 9 NOTE 3 - RELATED-PARTY TRANSACTIONS
 - 10 NOTE 4 - PROPERTY, PLANT AND EQUIPMENT
 - 10 NOTE 5 - DEBT
 - 10 NOTE 6 - COMMITMENTS AND CONTINGENCIES
 - 11 NOTE 7 - EQUITY AND NET EARNINGS PER UNIT
 - 13 NOTE 8 - OPERATING SEGMENTS
- 15 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
 - 15 BUSINESS STRATEGY AND OVERVIEW
 - 17 RESULTS OF OPERATIONS
 - 22 GATHERING AND PROCESSING
 - 25 TERMINALLING AND TRANSPORTATION
 - 28 CAPITAL RESOURCES AND LIQUIDITY
 - 30 IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS
- 31 ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**
- 31 ITEM 4. CONTROLS AND PROCEDURES**

PART II — OTHER INFORMATION

- 32 ITEM 1. LEGAL PROCEEDINGS**
- 32 ITEM 1A. RISK FACTORS**
- 32 ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**
- 33 ITEM 6. EXHIBITS**
- 34 SIGNATURES**

This Quarterly Report on Form 10-Q (including documents incorporated by reference herein) contains statements with respect to our expectations or beliefs as to future events. These types of statements are “forward-looking” and subject to uncertainties. See “Important Information Regarding Forward-Looking Statements” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANDEAVOR LOGISTICS LP
CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016 (a)	2017	2016 (a)
(In millions, except per unit amounts)				
Revenues				
Affiliate	\$ 202	\$ 168	\$ 405	\$ 337
Third-party	211	125	428	256
Total Revenues	413	293	833	593
Costs and Expenses				
Cost of sales	55	1	114	1
Operating expenses	132	106	258	216
General and administrative expenses	25	22	52	46
Depreciation and amortization expenses	60	46	118	92
(Gain) loss on asset disposals and impairments	(25)	—	(25)	1
Operating Income	166	118	316	237
Interest and financing costs, net	(59)	(45)	(119)	(89)
Equity in earnings of equity method investments	3	3	5	7
Other income, net	—	—	—	6
Net Earnings	\$ 110	\$ 76	\$ 202	\$ 161
Loss attributable to Predecessors	\$ —	\$ 7	\$ —	\$ 14
Net Earnings Attributable to Partners	110	83	202	175
General partner's interest in net earnings, including incentive distribution rights	(40)	(36)	(77)	(68)
Limited Partners' Interest in Net Earnings	\$ 70	\$ 47	\$ 125	\$ 107
Net Earnings per Limited Partner Unit				
Common - basic	\$ 0.63	\$ 0.48	\$ 1.15	\$ 1.12
Common - diluted	\$ 0.63	\$ 0.48	\$ 1.15	\$ 1.12
Weighted Average Limited Partner Units Outstanding				
Common units - basic	108.0	95.2	106.4	94.4
Common units - diluted	108.1	95.2	106.5	94.4
Cash Distributions Paid Per Unit	\$ 0.94	\$ 0.81	\$ 1.85	\$ 1.59

(a) Adjusted to include the historical results of the Predecessors. See Note 1 for further discussion.

The accompanying notes are an integral part of these condensed consolidated financial statements.

FINANCIAL STATEMENTS

ANDEAVOR LOGISTICS LP CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2017	December 31, 2016
	(In millions, except unit amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20	\$ 688
Receivables, net of allowance for doubtful accounts		
Trade	110	129
Affiliate	98	101
Other	10	—
Prepayments and other current assets	16	20
Total Current Assets	254	938
Property, Plant and Equipment, Net	4,011	3,444
Acquired Intangibles, Net	1,048	947
Equity Method Investments	327	337
Goodwill	127	117
Other Noncurrent Assets, Net	72	77
Total Assets	\$ 5,839	\$ 5,860
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable		
Trade	\$ 83	\$ 69
Affiliate	36	56
Accrued interest and financing costs	61	42
Other current liabilities	34	45
Total Current Liabilities	214	212
Debt, Net of Unamortized Issuance Costs	3,778	4,053
Other Noncurrent Liabilities	60	53
Total Liabilities	4,052	4,318
Commitments and Contingencies (Note 6)		
Equity		
Common unitholders; 108,002,273 units issued and outstanding (102,981,495 in 2016)	1,848	1,608
General partner; 2,202,880 units issued and outstanding (2,100,900 in 2016)	(61)	(66)
Total Equity	1,787	1,542
Total Liabilities and Equity	\$ 5,839	\$ 5,860

The accompanying notes are an integral part of these condensed consolidated financial statements.

ANDEAVOR LOGISTICS LP
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2017	2016 (a)
	(In millions)	
Cash Flows From (Used In) Operating Activities:		
Net earnings	\$ 202	\$ 161
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization expenses	118	92
(Gain) loss on asset disposals and impairments	(25)	1
Other operating activities	17	19
Changes in current assets and liabilities	18	(31)
Changes in noncurrent assets and liabilities	(6)	—
Net cash from operating activities	324	242
Cash Flows From (Used In) Investing Activities:		
Capital expenditures	(86)	(144)
Acquisitions	(673)	(34)
Proceeds from sale of assets	28	—
Net cash used in investing activities	(731)	(178)
Cash Flows From (Used In) Financing Activities:		
Borrowings under revolving credit agreements	189	600
Repayments under revolving credit agreements	(469)	(666)
Proceeds from debt offering	—	701
Repayment of term loan facility	—	(250)
Proceeds from issuance of common units, net of issuance costs	281	334
Proceeds from issuance of general partner units, net of issuance costs	6	—
Quarterly distributions to common unitholders	(195)	(149)
Quarterly distributions to general partner	(85)	(57)
Distributions in connection with acquisitions	(5)	—
Financing costs	—	(17)
Sponsor contributions of equity to the Predecessors	—	91
Capital contributions by affiliate	19	15
Other financing activities	(2)	—
Net cash from (used in) financing activities	(261)	602
Increase (Decrease) in Cash and Cash Equivalents	(668)	666
Cash and Cash Equivalents, Beginning of Period	688	16
Cash and Cash Equivalents, End of Period	\$ 20	\$ 682

(a) Adjusted to include the historical results of the Predecessors. See Note 1 for further discussion.

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION**ORGANIZATION**

Effective August 1, 2017, Tesoro Logistics LP changed its name to Andeavor Logistics LP (“Andeavor Logistics” or the “Partnership”). Andeavor Logistics is a fee-based, growth-oriented Delaware limited partnership formed in December 2010 by Andeavor (formerly Tesoro Corporation) and its wholly-owned subsidiary, Tesoro Logistics GP, LLC (“TLGP”), our general partner, to own, operate, develop and acquire logistics assets. Unless the context otherwise requires, references in this report to “we,” “us,” “our,” or “ours” refer to Andeavor Logistics LP, one or more of its consolidated subsidiaries, or all of them taken as a whole. Unless the context otherwise requires, references in this report to “Andeavor” or our “Sponsor” refer collectively to Andeavor and any of its subsidiaries, other than Andeavor Logistics, its subsidiaries and its general partner.

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

Acquired assets from Andeavor, and the associated liabilities and results of operations, are collectively referred to as the “Predecessors.” See Note 1 of our Annual Report on Form 10-K for the year ended December 31, 2016 for additional information regarding the acquired assets from Andeavor. The accompanying condensed consolidated financial statements and related notes present the financial position, combined results of operations and combined cash flows of our Predecessors at historical cost. The financial statements of our Predecessors have been prepared from the separate records maintained by Andeavor and may not necessarily be indicative of the conditions that would have existed or the results of operations if our Predecessors had been operated as an unaffiliated entity. Our Predecessors did not record revenue for transactions with Andeavor and the expenses recognized were not material in the Terminalling and Transportation segment. The Partnership’s net cash from operating activities and net cash used in investing activities in the six months ended June 30, 2016 include \$10 million and \$81 million, respectively, of cash used by our Predecessors, offset by sponsor contributions of equity to the Predecessors in net cash from financing activities.

The interim condensed consolidated financial statements and notes thereto have been prepared by management without audit according to the rules and regulations of the Securities and Exchange Commission (“SEC”) and reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of results for the periods presented. Such adjustments are of a normal recurring nature, unless otherwise disclosed.

We prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). However, certain information and notes normally included in financial statements prepared under U.S. GAAP have been condensed or omitted pursuant to the SEC’s rules and regulations. Management believes that the disclosures presented herein are adequate to present the information fairly. The accompanying interim condensed consolidated financial statements and notes should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016.

We are required under U.S. GAAP to make estimates and assumptions that affect the amounts of assets and liabilities and revenues and expenses reported as of and during the periods presented. We review our estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The results of operations of the Partnership, or our Predecessors, for any interim period are not necessarily indicative of results for the full year. Certain reclassifications have been made to prior period presentations to conform to the current year. See Note 8 for further discussion of reclassifications.

FINANCIAL INSTRUMENTS

Financial instruments including cash and cash equivalents, receivables, accounts payable and accrued liabilities are recorded at their carrying value. We believe the carrying value of these financial instruments approximates fair value. Our fair value assessment incorporates a variety of considerations, including:

- the short term duration of the instruments (less than one percent for our third-party receivables and approximately three percent of our trade payables have been outstanding for greater than 90 days); and
- the expected future insignificance of bad debt expense, which includes an evaluation of counterparty credit risk.

The fair value of our senior notes is based on prices from recent trade activity and is categorized in level 2 of the fair value hierarchy. The borrowings under our amended secured revolving credit facility (the “Revolving Credit Facility”) and our secured dropdown credit facility (“Dropdown Credit Facility”), which include a variable interest rate, approximate fair value. The carrying value and fair value of our debt were approximately \$3.8 billion and \$4.0 billion as of June 30, 2017, respectively, and were approximately \$4.1 billion and \$4.3 billion at December 31, 2016, respectively. These carrying and fair values of our debt do not consider the unamortized issuance costs, which are netted against our total debt.

NEW ACCOUNTING STANDARDS AND DISCLOSURES

REVENUE RECOGNITION. In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”), and has since amended the standard with ASU 2015-14, “Revenue From Contracts with Customers: Deferral of the Effective Date,” ASU 2016-08, “Revenue From Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” ASU 2016-10, “Revenue From Contracts with Customers: Identifying Performance Obligations and Licensing,” and ASU 2016-12, “Revenue From Contracts with Customers: Narrow-Scope Improvements and Practical Expedients.” These standards replace existing revenue recognition rules with a single comprehensive model to use in accounting for revenue arising from contracts with customers. We are required to adopt ASU 2014-09 on January 1, 2018. We expect to transition to the new standard under the modified retrospective transition method, whereby a cumulative effect adjustment will be recognized upon adoption and the guidance will be applied prospectively.

We are progressing through our implementation plan and continue to evaluate the impact of the standard’s revenue recognition model on our contracts with customers in the gathering and processing and terminalling and transportation segments along with our business processes, accounting systems, controls and financial statement disclosures. While we have made substantial progress in our review and documentation of the impact of the standard on our revenue agreements, we continue to assess the impact in certain other areas where industry consensus continues to be formed such as agreements with terms that include non-cash consideration, contributions in aid of construction, tiered pricing structures and other unique considerations. At this time, we are unable to estimate the full impact of the standard until the industry reaches a consensus on certain industry specific issues. However, we do expect some impact on presentation and disclosures in our financial statements relating to contracts that include minimum volume commitments with claw back provisions, or where revenue is based on a percentage of gross proceeds.

LEASES. In February 2016, the FASB issued ASU 2016-02, “Leases” (“ASU 2016-02”), which amends existing accounting standards for lease accounting and adds additional disclosures about leasing arrangements. Under the new guidance, lessees are required to recognize right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either a finance lease or operating lease with the classification affecting the pattern of expense recognition in the income statement and presentation of cash flows in the statement of cash flows. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within those annual reporting periods. Early adoption is permitted and modified retrospective application is required, however, we do not intend to early adopt the standard. While it is early in our assessment of the impacts from this standard, we expect the recognition of right-of-use assets and lease liabilities not currently reflected in our balance sheet could have a material impact on total assets and liabilities. Additionally, we expect the presentation changes required for amounts currently reflected in our statement of operations to impact certain financial statement line items. We cannot estimate the impact on our business processes, accounting systems, controls and financial statement disclosures due to the implementation of this standard given the preliminary stage of our assessment.

CREDIT LOSSES. In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which amends guidance on the impairment of financial instruments. The ASU requires the estimation of credit losses based on expected losses and provides for a simplified accounting model for purchased financial assets with credit deterioration. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those annual reporting periods. Early adoption is permitted for annual reporting periods beginning after December 15, 2018. While we are still evaluating the impact of ASU 2016-13, we do not expect the adoption of this standard to have a material impact on our financial statements.

DEFINITION OF A BUSINESS. In January 2017, the FASB issued ASU 2017-01, “Clarifying the Definition of a Business” (“ASU 2017-01”), which revises the definition of a business and assists in the evaluation of when a set of transferred assets and activities is a business. ASU 2017-01 is effective for interim and annual reporting periods beginning after December 15, 2017, and should be applied prospectively on or after the effective date. Early adoption is permitted under certain circumstances. At this time, we are evaluating the potential impact of this standard on our financial statements and whether we will early adopt this standard in 2017.

GOODWILL. In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”), which eliminates the second step from the goodwill impairment test that required goodwill impairments to be measured as the amount that a reporting unit’s carrying amount of goodwill exceeded its implied fair value of goodwill. Instead, an entity can perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount with any impairment being limited to the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for interim and annual reporting periods beginning after December 15, 2019 and should be applied on a prospective basis. As permitted under ASU 2017-04, we have elected to early adopt this standard for our 2017 goodwill impairment tests to be performed as of November 1, 2017. The adoption of this standard is not expected to have a material impact on our financial statements.

PENSION AND POSTRETIREMENT COSTS. In March 2017, the FASB issued ASU 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (“ASU 2017-07”), which requires the current service-cost component of net benefit costs to be presented similarly with other current compensation costs for related employees on the condensed statement of consolidated operations and stipulates that only the service cost component of net benefit cost is eligible for capitalization. Additionally, the Partnership will present other components of net benefit costs elsewhere on the condensed statement of consolidated operations since these costs are allocated to the Partnership’s financial statements by Andeavor. ASU

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2017-07 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted in the first quarter of 2017 only. The amendments to the presentation of the condensed statement of consolidated operations in this update should be applied retrospectively while the change in capitalized benefit cost is to be applied prospectively. We have evaluated the impact of this standard on our financial statements and determined there will be no impact to net earnings, but it is expected to have an immaterial impact on other line items such as operating income. We have elected not to early adopt and will implement when the standard becomes effective.

NOTE 2 – ACQUISITIONS AND DIVESTITURES

NORTH DAKOTA GATHERING AND PROCESSING ASSETS

On January 1, 2017, the Partnership acquired crude oil, natural gas and produced water gathering systems and two natural gas processing facilities from Whiting Oil and Gas Corporation, GBK Investments, LLC and WBI Energy Midstream, LLC (“North Dakota Gathering and Processing Assets”) for total consideration of approximately \$705 million, including payments for working capital amounts, funded with cash on-hand, which included borrowings under our Revolving Credit Facility. The North Dakota Gathering and Processing Assets include crude oil, natural gas, and produced water gathering pipelines, natural gas processing and fractionation capacity in the Sanish and Pronghorn fields of the Williston Basin in North Dakota. With this acquisition, we expanded the assets in our Gathering and Processing segment located in the Williston Basin area of North Dakota to further grow our integrated, full-service logistics capabilities in support of third-party demand for crude oil, natural gas and water gathering services as well as natural gas processing services. In addition, this increases our capacity and capabilities while extending our crude oil, natural gas and water gathering and associated gas processing footprint to enhance overall basin logistics efficiencies.

We accounted for the North Dakota Gathering and Processing Assets acquisition using the acquisition method of accounting, which requires, among other things, that assets acquired at their fair values and liabilities assumed be recognized on the balance sheet as of the acquisition date. The purchase price allocation for the North Dakota Gathering and Processing Assets acquisition is preliminary and has been allocated based on estimated fair values of the assets acquired and liabilities assumed at the acquisition date, pending the completion of an independent valuation and other information as it becomes available to us. The purchase price allocation adjustments can be made through the end of Andeavor Logistics’ measurement period, which is not to exceed one year from the acquisition date. During the three months ended June 30, 2017, we recorded adjustments to our preliminary allocation to increase property, plant and equipment and goodwill by \$31 million and \$4 million, respectively, and to reduce intangibles and inventory by \$32 million and \$3 million, respectively.

PRELIMINARY ACQUISITION DATE PURCHASE PRICE ALLOCATION (in millions)

Inventory	\$	2
Property, plant and equipment		571
Intangibles (a)		122
Goodwill (b)		10
Total purchase price	\$	705

- (a) The intangibles consist of customer contracts with a weighted average amortization period of 10.6 years. Amortization of intangible assets for the three and six months ended June 30, 2017 was \$3 million and \$7 million, respectively.
- (b) We evaluated several factors that contributed to the amount of goodwill presented above. These factors include the geographic proximity of the acquired assets to existing assets owned by the Partnership along with the improved overall basin logistics efficiencies we can leverage.

For the three and six months ended June 30, 2017, we recognized \$97 million and \$196 million in revenues, respectively, and \$13 million and \$26 million of net earnings, respectively, related to the assets acquired. If the North Dakota Gathering and Processing Assets acquisition had been completed on January 1, 2016, our pro forma consolidated revenues and consolidated net earnings would have been \$348 million and \$90 million, respectively, for the three months ended June 30, 2016 and \$692 million and \$177 million, respectively, for the six months ended June 30, 2016.

DIVESTITURES

On June 2, 2017, due to Andeavor’s consent decree with the state of Alaska associated with our 2016 acquisition of certain terminalling and storage assets owned by Andeavor (the “Alaska Storage and Terminalling Assets”), Andeavor Logistics sold one of its existing Alaska products terminals (“Alaska Terminal”) for \$28 million. The sale resulted in a \$25 million gain on sale in our condensed statements of consolidated operations for both the three and six months ended June 30, 2017. The Alaska Terminal divestiture did not have an impact on our operations.

NOTE 3 – RELATED-PARTY TRANSACTIONS

AFFILIATE AGREEMENTS

The Partnership has various long-term, fee-based commercial agreements with Andeavor, under which we provide pipeline transportation, trucking, terminal distribution and storage services to Andeavor. Andeavor typically commits to provide us with minimum monthly throughput volumes of crude oil and refined products. For the natural gas liquids that we handle under keep-whole agreements, the Partnership has a fee-based processing agreement with Andeavor which minimizes the impact of commodity price movements during the annual period subsequent to renegotiation of terms and pricing each year.

In addition, we have agreements for the provision of various general and administrative services by Andeavor. Under our partnership agreement, we are required to reimburse TLGP and its affiliates for all costs and expenses that they incur on our behalf for managing and controlling our business and operations. Except to the extent specified under our amended omnibus agreement (the “Amended Omnibus Agreement”) or our amended secondment agreement (the “Amended Secondment Agreement”), TLGP determines the amount of these expenses. The Amended Omnibus Agreement and the Amended Secondment Agreement were amended and restated in connection with the Alaska Storage and Terminalling Assets purchase. Under the terms of the Amended Omnibus Agreement as of June 30, 2017, we are required to pay Andeavor an annual corporate services fee of \$11 million for the provision of various centralized corporate services, including executive management, legal, accounting, treasury, human resources, health, safety and environmental, information technology, certain insurance coverage, administration and other corporate services. Andeavor charged the Partnership \$5 million and \$1 million pursuant to the Amended Secondment Agreement for the three months ended June 30, 2017 and 2016, respectively, and \$10 million and \$6 million for the six months ended June 30, 2017 and 2016, respectively. Additionally, pursuant to the Amended Omnibus Agreement and Amended Secondment Agreement, we reimburse Andeavor for any direct costs actually incurred by Andeavor in providing other operational services with respect to certain of our other assets and operations.

SUMMARY OF AFFILIATE TRANSACTIONS

SUMMARY OF REVENUE AND EXPENSE TRANSACTIONS WITH ANDEAVOR, INCLUDING PREDECESSORS (in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues (a)	\$ 202	\$ 168	\$ 405	\$ 337
Operating expenses (b)	38	34	77	69
General and administrative expenses	18	16	38	33

- (a) Andeavor accounted for 49% of our total revenues for both the three and six months ended June 30, 2017 and 57% for both the three and six months ended June 30, 2016.
- (b) Includes imbalance settlement gains of \$2 million for both the three months ended June 30, 2017 and 2016, respectively, and \$5 million and \$3 million for the six months ended June 30, 2017 and 2016, respectively. Also includes reimbursements from Andeavor pursuant to the Amended Omnibus Agreement, the Carson Assets Indemnity Agreement and other affiliate agreements of \$3 million for both the three months ended June 30, 2017 and 2016, respectively, and \$5 million and \$9 million for the six months ended June 30, 2017 and 2016, respectively.

PREDECESSOR TRANSACTIONS. Related-party transactions of our Predecessors were settled through equity. Our Predecessors did not record revenue for transactions with Andeavor in the Terminalling and Transportation segment.

DISTRIBUTIONS. In accordance with our partnership agreement, the unitholders of our common and general partner interests are entitled to receive quarterly distributions of available cash. During the six months ended June 30, 2017, we paid quarterly cash distributions of \$148 million to Andeavor and TLGP, including incentive distribution rights (“IDRs”). On July 19, 2017, we declared a quarterly cash distribution of \$0.971 per unit, which will be paid on August 14, 2017. The distribution will include payments of \$75 million to Andeavor and TLGP, including IDRs. In connection with the North Dakota Gathering and Processing Assets acquisition, our general partner agreed to reduce its quarterly distributions with respect to incentive distribution rights by \$12.5 million for each quarter in 2017 and 2018, including the three months ended June 30, 2017.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT BY SEGMENT (in millions)

	June 30, 2017	December 31, 2016
Gathering and Processing	\$ 2,593	\$ 1,983
Terminalling and Transportation	2,120	2,076
Property, Plant and Equipment, at Cost	4,713	4,059
Accumulated depreciation	(702)	(615)
Property, Plant and Equipment, Net	\$ 4,011	\$ 3,444

NOTE 5 – DEBT

DEBT BALANCE, NET OF UNAMORTIZED ISSUANCE COSTS (in millions)

	June 30, 2017	December 31, 2016
Total debt	\$ 3,829	\$ 4,109
Unamortized issuance costs	(50)	(55)
Current maturities	(1)	(1)
Debt, Net of Current Maturities and Unamortized Issuance Costs	\$ 3,778	\$ 4,053

AVAILABLE CAPACITY UNDER CREDIT FACILITIES (in millions)

	Total Capacity	Amount Borrowed as of June 30, 2017	Outstanding Letters of Credit	Available Capacity	Expiration
Andeavor Logistics Revolving Credit Facility (a)	\$ 600	\$ 50	\$ —	\$ 550	January 29, 2021
Andeavor Logistics Dropdown Credit Facility	1,000	—	—	1,000	January 29, 2021
Total Credit Facilities (b)	\$ 1,600	\$ 50	\$ —	\$ 1,550	

(a) The weighted average interest rate for borrowings under our Revolving Credit Facility was 3.31% at June 30, 2017.

(b) We are allowed to request that the loan availability be increased up to an aggregate of \$2.1 billion, subject to receiving increased commitments from the lenders.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

In the ordinary course of business, we may become party to lawsuits, administrative proceedings and governmental investigations, including environmental, regulatory and other matters. The outcome of these matters cannot always be predicted accurately, but we will accrue liabilities for these matters if the amount is probable and can be reasonably estimated. Other than as described below, in Part II, Item 1 of this Report, in our Annual Report on Form 10-K for the year ended December 31, 2016 or in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, we do not have any other material outstanding lawsuits, administrative proceedings or governmental investigations.

XTO ENERGY INC. V. QEP FIELD SERVICES COMPANY. XTO Energy Inc. (“XTO”) was seeking monetary damages related to our allocation of charges related to XTO’s share of natural gas liquid transportation, fractionation and marketing costs associated with shortfalls in contractual firm processing volumes. In May 2017, we agreed to a settlement with XTO regarding the disputed receivables, which resulted in a write-off of \$5 million of accounts receivable and reversal of previously recognized revenue during the three months ended June 30, 2017 related to the dispute. No disputed receivables related to XTO remain after the settlement.

NOTE 7 – EQUITY AND NET EARNINGS PER UNIT

We had 73,947,231 of publicly held outstanding common units as of June 30, 2017. Additionally, Andeavor owned 34,055,042 of our common units and 2,202,880 of our general partner units (the 2% general partner interest) as of June 30, 2017, which together constitutes a 33% ownership interest in us.

UNIT ISSUANCE. We closed a registered public offering of 5,000,000 common units representing limited partner interests at a public offering price of \$56.19 per unit on February 27, 2017. The net proceeds of \$281 million were used to repay borrowings outstanding under our Revolving Credit Facility and for general partnership purposes. Also, general partner units of 101,980 were issued for proceeds of \$6 million.

CHANGE IN THE CARRYING AMOUNT OF OUR EQUITY (in millions)

	Partnership		Total
	Common	General Partner	
Balance at December 31, 2016	\$ 1,608	\$ (66)	\$ 1,542
Proceeds from issuance of units, net of issuance costs	281	6	287
Distributions to unitholders and general partner (a)	(195)	(85)	(280)
Net earnings attributable to partners	125	77	202
Contributions (b)	31	2	33
Other	(2)	5	3
Balance at June 30, 2017	\$ 1,848	\$ (61)	\$ 1,787

(a) Represents cash distributions declared and paid during the six months ended June 30, 2017, relating to the first quarter of 2017 and the fourth quarter of 2016.

(b) Includes Andeavor and TLGP contributions to the Partnership primarily related to reimbursements for capital spending pursuant predominantly to the Amended Omnibus Agreement and the Carson Assets Indemnity Agreement.

NET EARNINGS PER UNIT. We use the two-class method when calculating the net earnings per unit applicable to limited partners, because we have more than one participating security. At June 30, 2017, our participating securities consist of common units, general partner units and IDRs. Net earnings earned by the Partnership are allocated between the common and general partners in accordance with our partnership agreement. We base our calculation of net earnings per unit on the weighted average number of common limited partner units outstanding during the period.

Diluted net earnings per unit include the effects of potentially dilutive units on our common units, which consist of unvested service and performance phantom units. Distributions less than or greater than earnings are allocated in accordance with our partnership agreement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NET EARNINGS PER UNIT (in millions, except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net earnings	\$ 110	\$ 76	\$ 202	\$ 161
Special allocations of net earnings ("Special Allocations") (a)	—	—	1	—
Net earnings, including Special Allocations	110	76	203	161
General partner's distributions	(3)	(2)	(6)	(4)
General partner's IDRs (b)	(39)	(36)	(75)	(66)
Limited partners' distributions on common units	(105)	(85)	(206)	(161)
Distributions greater than earnings	\$ (37)	\$ (47)	\$ (84)	\$ (70)
General partner's earnings:				
Distributions	\$ 3	\$ 2	\$ 6	\$ 4
General partner's IDRs (b)	39	36	75	66
Allocation of distributions greater than earnings (c)	—	(8)	(1)	(15)
Total general partner's earnings	\$ 42	\$ 30	\$ 80	\$ 55
Limited partners' earnings on common units:				
Distributions	\$ 105	\$ 85	\$ 206	\$ 161
Special Allocations (a)	—	—	(1)	—
Allocation of distributions greater than earnings	(37)	(39)	(83)	(55)
Total limited partners' earnings on common units	\$ 68	\$ 46	\$ 122	\$ 106
Weighted average limited partner units outstanding:				
Common units - basic	108.0	95.2	106.4	94.4
Common units - diluted	108.1	95.2	106.5	94.4
Net earnings per limited partner unit:				
Common - basic	\$ 0.63	\$ 0.48	\$ 1.15	\$ 1.12
Common - diluted	\$ 0.63	\$ 0.48	\$ 1.15	\$ 1.12

- (a) Normal allocations according to percentage interests are made after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions fully allocated to the general partner and any special allocations. The adjustment reflects the special allocation to common units held by TLGP for the interest incurred in connection with borrowings on the Dropdown Credit Facility in lieu of using all cash on hand to fund the Alaska Storage and Terminalling Assets acquisition.
- (b) IDRs entitle the general partner to receive increasing percentages, up to 50%, of quarterly distributions in excess of \$0.3881 per unit per quarter. The amount above reflects earnings distributed to our general partner net of \$12.5 million and \$25 million of IDRs waived by TLGP for the three and six months ended June 30, 2017, respectively. See Note 11 of our Annual Report on Form 10-K for the year ended December 31, 2016 for further discussion related to IDRs.
- (c) We have revised the historical allocation of general partner earnings to include the Predecessors' losses of \$7 million and \$14 million for the three and six months ended June 30, 2016, respectively. There were no Predecessor losses for the three and six months ended June 30, 2017.

CASH DISTRIBUTIONS

Our partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the limited partner unitholders and general partner will receive.

QUARTERLY DISTRIBUTIONS

Quarter Ended	Quarterly Distribution Per Unit	Total Cash Distribution including general partner IDRs (in millions)	Date of Distribution	Unitholders Record Date
December 31, 2016	\$ 0.910	\$ 140	February 14, 2017	February 3, 2017
March 31, 2017 (a)	0.940	140	May 15, 2017	May 5, 2017
June 30, 2017 (a)(b)	0.971	147	August 14, 2017	August 4, 2017

(a) This distribution is net of \$12.5 million of IDRs waived by TLGP for each of the three months ended June 30, 2017 and March 31, 2017.

(b) This distribution was declared on July 19, 2017 and will be paid on the date of distribution.

NOTE 8 – OPERATING SEGMENTS

We changed our operating segment presentation in the first quarter of 2017 to reflect our expanded gathering and processing assets and operations and how our chief operating decision maker (“CODM”) manages our business. With the completion of the North Dakota Gathering and Processing Assets acquisition on January 1, 2017, our gathering and processing assets and operations expanded significantly and enhanced our ability to offer integrated gathering and processing services to our customers. Given the business’s focus on providing integrated services along with the revised reporting structure implemented by management to assess performance and make resource allocation decisions, we have determined our operating segments, which are the same for reporting purposes, are the (i) Gathering and Processing segment and (ii) Terminalling and Transportation segment. Comparable prior period information for the newly presented Gathering and Processing segment has been recast to reflect our current presentation. No changes were deemed necessary to our Terminalling and Transportation segment.

In addition, as part of the CODM’s reevaluation of how it monitors and evaluates the business and allocates resources, management revised its methodology for the allocation of corporate general and administrative expenses which resulted in additional corporate costs being allocated to our Gathering and Processing segment for certain administrative activities associated with our gathering and processing business in the Rockies region. The change to our Terminalling and Transportation segment was not material. Comparable prior period segment information has been recast to reflect our revised allocation methodology.

Our Gathering and Processing segment consists of crude oil, natural gas and produced water gathering systems and natural gas processing assets in the Bakken Shale/Williston Basin area of North Dakota and Montana and the Green River Basin, Uinta Basin and Vermillion Basin in the states of Utah, Colorado and Wyoming as well as gas processing complexes and fractionation facilities. Our Terminalling and Transportation segment consists of crude oil and refined products terminals and marine terminals, storage facilities for crude oil, refined products and petroleum coke handling, rail-car unloading facilities and pipelines, which transport products and crude oil.

Our revenues are generated from commercial contracts we have entered into with Andeavor and with third-party contracts under which we are paid fees for gathering crude oil, natural gas and produced water, processing natural gas and distributing, transporting and storing crude oil, refined products, natural gas and natural gas liquids. The commercial agreements with Andeavor are described in Note 3 to our Annual Report on Form 10-K for the year ended December 31, 2016. We do not have any foreign operations.

Our operating segments are strategic business units that offer different services in various geographical locations. We evaluate the performance of each segment based on its respective operating income. Certain general and administrative expenses and interest and financing costs are excluded from segment operating income as they are not directly attributable to a specific operating segment. Identifiable assets are those used by the segment, whereas other assets are principally cash, deposits and other assets that are not associated with a specific operating segment.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEGMENT INFORMATION (in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Gathering and Processing:				
NGL sales	\$ 81	\$ 27	\$ 164	\$ 54
Gas gathering and processing	87	63	167	131
Crude oil and water gathering	34	32	73	67
Pass-thru and other	31	28	74	60
Total Gathering and Processing	233	150	478	312
Terminalling and Transportation:				
Terminalling	147	112	292	220
Pipeline transportation	33	31	63	61
Total Terminalling and Transportation	180	143	355	281
Total Segment Revenues	\$ 413	\$ 293	\$ 833	\$ 593
Segment Operating Income				
Gathering and Processing	\$ 51	\$ 55	\$ 113	\$ 119
Terminalling and Transportation	121	68	219	131
Total Segment Operating Income	172	123	332	250
Unallocated general and administrative expenses	(6)	(5)	(16)	(13)
Interest and financing costs, net	(59)	(45)	(119)	(89)
Equity in earnings of equity method investments	3	3	5	7
Other income, net	—	—	—	6
Net Earnings	\$ 110	\$ 76	\$ 202	\$ 161
Capital Expenditures				
Gathering and Processing	\$ 21	\$ 29	\$ 39	\$ 59
Terminalling and Transportation	24	31	51	61
Total Capital Expenditures	\$ 45	\$ 60	\$ 90	\$ 120

TOTAL IDENTIFIABLE ASSETS BY OPERATING SEGMENT (in millions)

	June 30, 2017	December 31, 2016
Identifiable Assets		
Gathering and Processing	\$ 4,035	\$ 3,392
Terminalling and Transportation	1,778	1,768
Other (a)	26	700
Total Identifiable Assets	\$ 5,839	\$ 5,860

(a) Other consists mainly of \$688 million in cash and cash equivalents as of December 31, 2016, of which \$673 million was used to fund the acquisition of the North Dakota Gathering and Processing Assets on January 1, 2017, increasing the Gathering and Processing segment's identifiable assets as of June 30, 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, references in this report to "Andeavor Logistics LP," "Andeavor Logistics," "the Partnership," "we," "us" or "our" refer to Andeavor Logistics LP, one or more of its consolidated subsidiaries or all of them taken as a whole. Unless the context otherwise requires, references in this report to Andeavor refer collectively to Andeavor and any of its subsidiaries, other than Andeavor Logistics, its subsidiaries and its general partner. Unless the context otherwise requires, references in this report to "Predecessors" refer collectively to the acquired assets from Andeavor, and those assets, liabilities and results of operations.

Those statements in this section that are not historical in nature should be deemed forward-looking statements that are inherently uncertain. See "Important Information Regarding Forward-Looking Statements" section for a discussion of the factors that could cause actual results to differ materially from those projected in these statements.

This section should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016.

BUSINESS STRATEGY AND OVERVIEW

OVERVIEW

We are a leading full-service logistics company operating primarily in the western and mid-continent regions of the United States. We own and operate networks of crude oil, refined products and natural gas pipelines, terminals with dedicated and non-dedicated storage capacity for crude oil and refined products, rail facilities with loading and offloading capabilities, marine terminals, a trucking fleet and natural gas processing and fractionation complexes. We are a fee-based, growth oriented Delaware limited partnership formed by Andeavor and are headquartered in San Antonio, Texas. Our assets are categorized into a Gathering and Processing segment and a Terminalling and Transportation segment. Approximately 49% of our total revenues for both the three and six months ended June 30, 2017 were derived from Andeavor under various long-term, fee-based commercial agreements, the majority of which include minimum volume commitments.

We generate revenues by charging fees for gathering crude oil and produced water, gathering and processing natural gas as well as fees for terminalling, transporting and storing crude oil and refined products. We do not engage in the trading of crude oil, natural gas, natural gas liquids ("NGLs") or refined products; therefore, we have minimal direct exposure to risks associated with commodity price fluctuations as part of our normal operations. However, as part of our acquisition of gathering systems and processing facilities from Whiting Oil and Gas Corporation, GBK Investments, LLC and WBI Energy Midstream, LLC ("North Dakota Gathering and Processing Assets"), we acquired certain natural gas gathering and processing contracts structured as Percent of Proceeds ("POP") arrangements. Under these POP arrangements, we gather and process the producers' natural gas and market the natural gas and NGLs ("Equity NGLs") and return the majority of the proceeds to the producer. Under these arrangements, we will have exposure to fluctuations in commodity prices; however, this exposure is not expected to be material to our results of operations. The revenue and costs associated with these POP arrangements are reported gross on our financial statements. Also, we may be subject to nominal commodity risk exposure due to pipeline loss allowance provisions in many of our pipeline gathering and transportation contracts and a

nominal amount of condensate retained as part of our natural gas gathering services. In the event actual measured pipeline losses are less than the loss allowance, we are able to sell the crude oil at premium adjusted market prices; correspondingly, when actual losses exceed loss allowances, we purchase crude oil at premium adjusted market prices. For the NGLs that we handle under keep-whole agreements, also included in Equity NGLs, the Partnership has a fee-based processing agreement with Andeavor, which minimizes the impact of commodity price movements during the annual period subsequent to renegotiation of terms and pricing. See Item 3 for additional discussion regarding our Market Risk.

On April 17, 2017, Andeavor filed an Amendment to Schedule 13D with the Securities and Exchange Commission (the "SEC") stating that the board of directors of Andeavor authorized the management of Andeavor to work with our board of directors and management to consider, discuss and endeavor to negotiate a merger, consolidation or combination (in whatever form) of assets held by and securities issued by Western Refining Logistics, LP ("WNRL") and its affiliates and assets held by and securities issued by us.

On July 21, 2017, we filed an Amendment to Schedule 13D with the SEC stating that the Andeavor board of directors delivered a proposal to the chairman of the conflicts committee of the board of the general partner of WNRL to acquire all of the outstanding common units of WNRL representing limited partnership interests in WNRL in exchange for common units of Andeavor Logistics, at an exchange ratio of 0.4906 common units of Andeavor Logistics for each WNRL common unit.

There can be no assurance that any discussions that may occur between Andeavor Logistics and WNRL will result in the entry into a definitive agreement, concerning a transaction or, if such a definitive agreement is reached, will result in the consummation of a transaction provided for in such definitive agreement. If any discussions concerning a potential transaction occur, such discussions may be terminated at any time and without prior notice.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS STRATEGY AND GOALS

Our primary business objectives are to maintain stable cash flows and to increase our quarterly cash distribution per unit over time. We have been implementing our strategy and goals discussed above, allowing us to increase our distributions by 15% over the last year. We intend to accomplish these objectives by executing the following strategies:

Growing a stable, fee-based business that provides a competitive, full-service logistics offering to customers

Optimizing Existing Asset Base

- Operating an incident free workplace
- Improving operational efficiency and maximizing asset utilization
- Expanding third-party business; delivering extraordinary customer service

Pursuing Organic Expansion Opportunities

- Identifying and executing low-risk, high-return growth projects
- Investing to capture the full commercial value of logistics assets
- Growing asset capability to support Andeavor value chain optimization

Growing through Third-Party Acquisitions

- Pursuing assets and businesses in strategic western U.S. geography that fit integrated business model, delivering synergies and growth
- Focusing on high quality assets that provide stable, fee-based income and enhancing organizational capacity

Growing through Andeavor Strategic Expansion

- Strategically partnering with Andeavor on acquisitions in refining and marketing value chains
- Capturing full value of Andeavor's embedded logistics assets

Relative to these goals, in 2017, we intend to continue implementing this strategy and have completed or announced plans to expand our assets on our Gathering and Processing segment in support of third-party demand for crude oil, natural gas and water gathering services, natural gas processing services, as well as serving Andeavor's demand for Bakken crude oil in the mid-continent and west coast refining systems, including:

- further expanding capacity and capabilities as well as adding new origin and destination points for our common carrier pipelines in North Dakota and Montana;
- expanding our crude oil, natural gas and water gathering and associated gas processing footprint in the Bakken Shale/Williston Basin area of North Dakota and Montana (the "Bakken Region") to enhance and improve overall basin logistics efficiencies;
- increasing compression on our natural gas gathering systems in the Green River and Vermillion basins to enhance natural gas volumes recovered from existing wells and support potential new drilling activity;
- expanding our gathering footprint and increase compression capabilities in the Uinta basin to increase volumes on our gathering systems and through our processing assets; and
- pursuing strategic assets across the western U.S. including potential acquisitions from Andeavor.

In addition, we have completed or announced plans to grow our Terminalling and Transportation business across the western U.S. through:

- increasing our terminalling volumes by expanding capacity and growing our third-party services at certain of our terminals;
- optimizing Andeavor volumes and growing third-party throughput at our Terminalling and Transportation assets; and
- pursuing strategic assets in the western U.S.

ACQUISITION

NORTH DAKOTA GATHERING AND PROCESSING ASSETS. On January 1, 2017, we acquired the North Dakota Gathering and Processing Assets for total consideration of approximately \$705 million, including payments for working capital adjustments, funded with cash on-hand, which included borrowings under our secured revolving credit facility (the "Revolving Credit Facility"). The North Dakota Gathering and Processing Assets include crude oil, natural gas, and produced water gathering pipelines, natural gas processing capacity and fractionation capacity in the Sanish and Pronghorn fields of the Williston Basin in North Dakota. With this acquisition, we expanded the assets in our Gathering and Processing segment located in the Williston Basin area of North Dakota to further grow our integrated, full-service logistics capabilities in support of third-party demand for crude oil, natural gas and water gathering services as well as natural gas processing services. In addition, this increases our capacity and capabilities while extending our crude oil, natural gas and water gathering and associated gas processing footprint to enhance overall basin logistics efficiencies.

CURRENT MARKET CONDITIONS

Although we have minimal exposure to commodity prices, during the second quarter, the commodity pricing conditions were mixed for the commodities that we handle. Crude oil, natural gas and refined products prices fell while NGLs prices rose. Despite an extension of the OPEC and non-OPEC production cuts, crude oil prices faced headwinds from ample global inventories and higher production from the U.S. and other countries. The U.S. oil and gas drilling landscape continues to improve with increased rig counts, premium locational drilling and enhanced completion techniques. At the current prices, shale production remains economic and U.S. crude production is expected to show material growth year over year. Additionally, U.S. refineries operated at record utilization rates as growing

export opportunities provided an incentive to maximize production of gasoline and diesel. These factors create a positive outlook for U.S. oil, gas and refined product throughput volumes, however, regional impacts may differ.

Lower retail prices and sound domestic economic conditions over the second quarter continued to support healthy refined product demand from our downstream and marketing customers. We continue to monitor the impact of commodity prices and fundamentals as it relates to our business. Given the outlined market conditions, we believe our diversified portfolio of businesses as well as our strong customer base are sufficient to continue to meet our goals and objectives outlined above.

RESULTS OF OPERATIONS

A discussion and analysis of the factors contributing to our results of operations presented below includes the financial results of our Predecessors and the consolidated financial results of Andeavor Logistics. The financial statements of our Predecessors were prepared from the separate records maintained by Andeavor and may not necessarily be indicative of the conditions that would have existed or the results of operations if our Predecessors had been operated as an unaffiliated entity. The financial statements, together with the following information, are intended to provide investors with a reasonable basis for assessing our historical operations, but should not serve as the only criteria for predicting future performance.

OPERATING METRICS

Management utilizes the following operating metrics to evaluate performance and compare profitability to other companies in the industry:

- Average margin on NGL sales per barrel—calculated as the difference between the NGL sales and the costs associated with the NGL sales divided by total NGL sales volumes;
- Average gas gathering and processing revenue per Million British thermal units ("MMBtu")—calculated as total gathering and processing fee-based revenue divided by total gas gathering throughput;
- Average crude oil and water gathering revenue per barrel—calculated as total crude oil and water gathering fee-based revenue divided by total crude oil and water gathering throughput;
- Average terminalling revenue per barrel—calculated as total terminalling revenue divided by total terminalling throughput; and
- Average pipeline transportation revenue per barrel—calculated as total pipeline transportation revenue divided by total pipeline transportation throughput.

There are a variety of ways to calculate average revenue per barrel, average margin per barrel and average revenue per MMBtu; other companies may calculate these in different ways.

NON-GAAP MEASURES

As a supplement to our financial information presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), our management uses certain "non-GAAP" measures to analyze our results of operations, assess internal performance against budgeted and forecasted amounts and evaluate future impacts to our financial performance as a result of capital investments, acquisitions, divestitures and other strategic projects. These measures are important factors in assessing our operating results and profitability and include:

- Financial non-GAAP measure of earnings before interest, income taxes, and depreciation and amortization expenses ("EBITDA"); and
- Liquidity non-GAAP measure of distributable cash flow, which is calculated as U.S. GAAP-based net cash flow from operating activities plus or minus changes in working capital, amounts spent on maintenance capital net of reimbursements and other adjustments not expected to settle in cash.

We present these measures because we believe they may help investors, analysts, lenders and ratings agencies analyze our results of operations and liquidity in conjunction with our U.S. GAAP results, including but not limited to:

- our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis or financing methods;
- the ability of our assets to generate sufficient cash flow to make distributions to our unitholders;
- our ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

Management also uses these measures to assess internal performance, and we believe they may provide meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS

supplemental information to the users of our financial statements. Non-GAAP measures have important limitations as analytical tools, because they exclude some, but not all, items that affect net earnings, operating income and net cash from operating activities. These measures should not be considered substitutes for their most directly comparable U.S. GAAP financial measures.

ITEMS IMPACTING COMPARABILITY

Our financial results may not be comparable for the reasons described below. Our Predecessors did not record revenues with Andeavor and our Predecessors recorded general and administrative expenses and financed operations differently than the Partnership. See "Factors Affecting the Comparability of Our Financial Results" in our Annual Report on Form 10-K for the year ended December 31, 2016 for further discussion.

We changed our operating segment presentation in the first quarter of 2017 to reflect our expanded gathering and processing operations and capabilities. With the completion of the North Dakota Gathering and Processing Assets acquisition on January 1, 2017, our gathering and processing assets and operations expanded significantly and enhanced our ability to offer integrated gathering and processing services to our customers. Given the business's focus on providing integrated services along with the revised reporting structure implemented

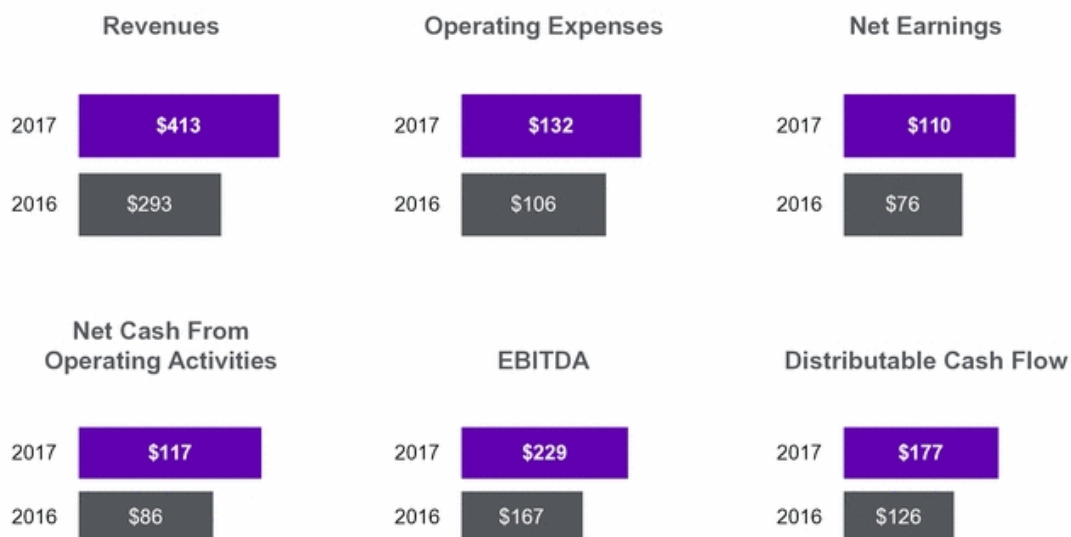
by management to assess performance and make resource allocation decisions, we have determined our operating segments, which are the same for reporting purposes, are the (i) Gathering and Processing segment and (ii) Terminalling and Transportation segment. Comparable prior period information for the newly presented Gathering and Processing segment has been recast to reflect our current presentation. No changes were deemed necessary to our Terminalling and Transportation segment.

On November 21, 2016, we acquired certain terminalling and storage assets located in Martinez, California purchased from subsidiaries of Andeavor ("Northern California Terminalling and Storage Assets") for a total consideration of \$400 million. The Northern California Terminalling and Storage Assets include crude oil, feedstock, and refined product storage capacity at Andeavor's Martinez Refinery along with the Avon marine terminal capable of handling throughput of feedstocks and refined products.

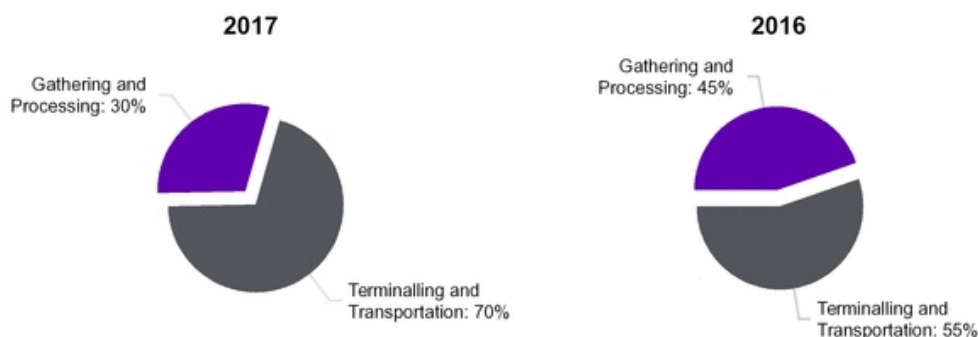
On July 1 and September 16, 2016, the Partnership purchased certain terminalling and storage assets owned by Andeavor (the "Alaska Storage and Terminalling Assets") for total consideration of \$444 million. The storage assets include tankage and ancillary facilities used for the operations at Andeavor's Kenai Refinery. The refined product terminals are located in Anchorage and Fairbanks.

2017 2ND QUARTER VERSUS 2016 2ND QUARTER

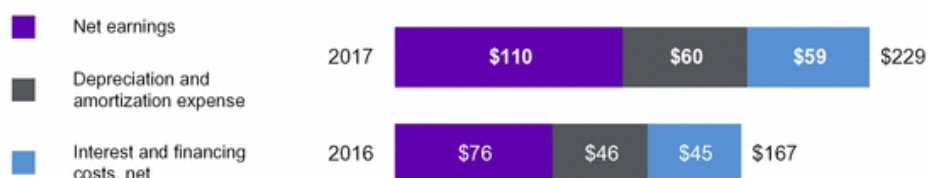
HIGHLIGHTS (in millions)



PERCENTAGE OF SEGMENT OPERATING INCOME BY OPERATING SEGMENT



RECONCILIATION OF NET EARNINGS TO EBITDA (in millions)



RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO DISTRIBUTABLE CASH FLOW (in millions)

	Three Months Ended June 30,	
	2017	2016 (a)
Net cash from operating activities	\$ 117	\$ 86
Changes in assets and liabilities	37	42
Predecessors impact	—	5
Maintenance capital expenditures (b)	(19)	(14)
Reimbursement for maintenance capital expenditures (b)	7	10
Proceeds from sale of assets	28	—
Other	7	(3)
Distributable Cash Flow	\$ 177	\$ 126

(a) Adjusted to include the historical results of the Predecessors.

(b) We adjust our reconciliation of distributable cash flows for maintenance capital expenditures, tank restoration costs and expenditures required to ensure the safety, reliability, integrity and regulatory compliance of our assets with an offset for any reimbursements received for such expenditures.

OVERVIEW. Our net earnings for the three months ended June 30, 2017 (the "2017 Quarter") increased \$34 million to \$110 million from \$76 million for the three months ended June 30, 2016 (the "2016 Quarter") primarily driven by the sale of a products terminal as well as increased operations driven by strong product demand and high refinery utilization generating higher throughput at our California marine terminals. The 2017 Quarter also benefited from contributions from the Northern California Terminalling and Storage Assets and Alaska

Storage and Terminalling Assets acquisitions completed in the second half of 2016. Partially offsetting those contributions were increases in operating costs, depreciation and amortization expenses and interest and financing costs related to our acquisitions. EBITDA in the 2017 Quarter increased \$62 million reflecting the impact of the terminal sale, acquisitions from Andeavor during the second half of 2016 and the North Dakota Gathering and Processing Assets acquisition in January 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As part of our acquisition of the North Dakota Gathering and Processing Assets, we acquired certain natural gas gathering and processing contracts structured as POP arrangements. The revenue and cost of sales associated with these POP arrangements are reported gross on our financial statements contributing to our higher revenue and operating costs.

REVENUES. The \$120 million increase in revenue, or 41%, to \$413 million was driven primarily by the North Dakota Gathering and Processing Assets along with the acquisitions of the Alaska Storage and Terminalling Assets and the Northern California Terminalling and Storage Assets that were purchased from Andeavor in the second half of 2016.

COST OF SALES AND OPERATING EXPENSES. Cost of sales and operating expenses increased \$54 million and \$26

million, respectively, for the 2017 Quarter compared to the 2016 Quarter primarily due to the North Dakota Gathering and Processing Assets acquired during the first quarter of 2017.

DEPRECIATION AND AMORTIZATION EXPENSES. Depreciation and amortization expenses increased \$14 million for the 2017 Quarter versus the 2016 Quarter largely due to the property, plant and equipment and intangibles acquired with the North Dakota Gathering and Processing Assets and the Northern California Terminalling and Storage Assets.

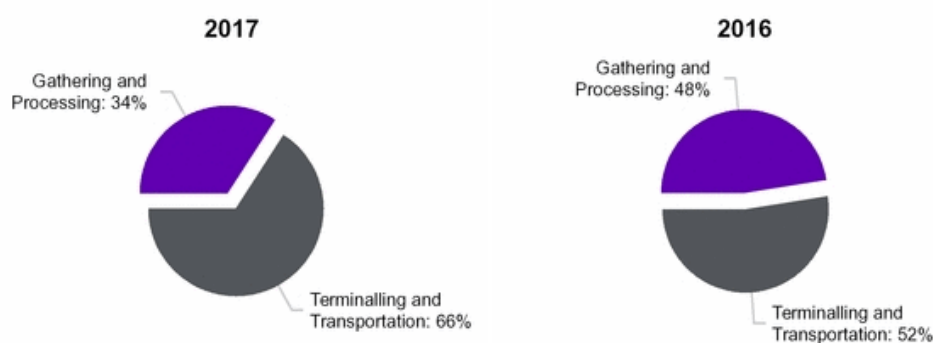
INTEREST AND FINANCING COSTS, NET. Net interest and financing costs increased \$14 million in the 2017 Quarter compared to the 2016 Quarter mostly due to the issuance of new senior notes in May and December 2016.

2017 YEAR TO DATE PERIOD VERSUS 2016 YEAR TO DATE PERIOD

HIGHLIGHTS (in millions)



PERCENTAGE OF SEGMENT OPERATING INCOME BY OPERATING SEGMENT



RECONCILIATION OF NET EARNINGS TO EBITDA (in millions)



RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO DISTRIBUTABLE CASH FLOW (in millions)

	Six Months Ended June 30,	
	2017	2016 (a)
Net cash from operating activities	\$ 324	\$ 242
Changes in assets and liabilities	(12)	31
Predecessors impact	—	10
Maintenance capital expenditures (b)	(36)	(24)
Reimbursement for maintenance capital expenditures (b)	15	14
Proceeds from sale of assets	28	—
Other	10	(5)
Distributable Cash Flow	\$ 329	\$ 268

(a) Adjusted to include the historical results of the Predecessors.

(b) We adjust our reconciliation of distributable cash flows for maintenance capital expenditures, tank restoration costs and expenditures required to ensure the safety, reliability, integrity and regulatory compliance of our assets with an offset for any reimbursements received for such expenditures.

OVERVIEW. Our net earnings for the six months ended June 30, 2017 (the “2017 Period”) increased 25% to \$202 million from \$161 million for the six months ended June 30, 2016 (the “2016 Period”) primarily driven by a gain on the sale of a products terminal and increased contribution from acquisitions from Andeavor during the second half of 2016. These increases were partially offset by increases in operating costs, depreciation and amortization expenses and interest and financing costs in connection with our acquisitions. EBITDA increased \$97 million reflecting the sale of a products terminal, the impact of the acquisitions from Andeavor, the North Dakota Gathering and Processing Assets acquisition in January 2017 and organic growth in the pipeline and terminalling assets.

The revenue and costs of sales associated with the POP arrangements we acquired in the North Dakota Gathering and Processing Assets acquisition are reported gross on our financial statements contributing to the higher revenue and operating costs.

REVENUE. The increase in revenue of \$240 million, or 40%, to \$833 million was driven by the North Dakota Gathering and Processing Assets and the acquisitions of the Alaska Storage and Terminalling Assets and Northern California

Terminalling and Storage Assets that were purchased from Andeavor in the second half of 2016.

COST OF SALES AND OPERATING EXPENSES. Cost of sales and operating expenses increased \$113 million and \$42 million, respectively, for the 2017 Period compared to the 2016 Period primarily due to the North Dakota Gathering and Processing Assets acquired during the first quarter of 2017.

DEPRECIATION AND AMORTIZATION EXPENSES. Depreciation and amortization expenses increased \$26 million for the 2017 Period versus the 2016 Period largely due to the property, plant and equipment and intangibles acquired with the North Dakota Gathering and Processing Assets and the Northern California Terminalling and Storage Assets.

INTEREST AND FINANCING COSTS, NET. Net interest and financing costs increased \$30 million in the 2017 Period compared to the 2016 Period mostly related to the issuance of new senior notes in May and December 2016.

OTHER INCOME, NET. Other income decreased \$6 million due to a one-time litigation settlement gain in 2016.

SEGMENT RESULTS OF OPERATIONS

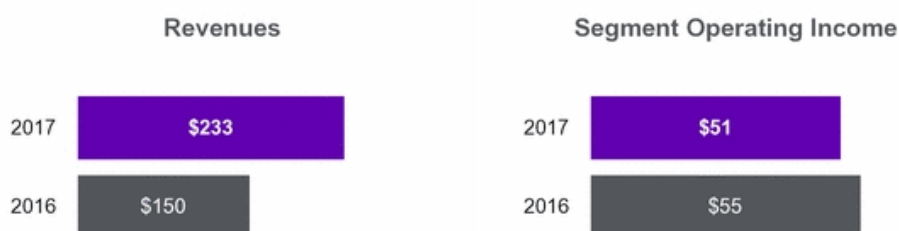


GATHERING AND PROCESSING SEGMENT

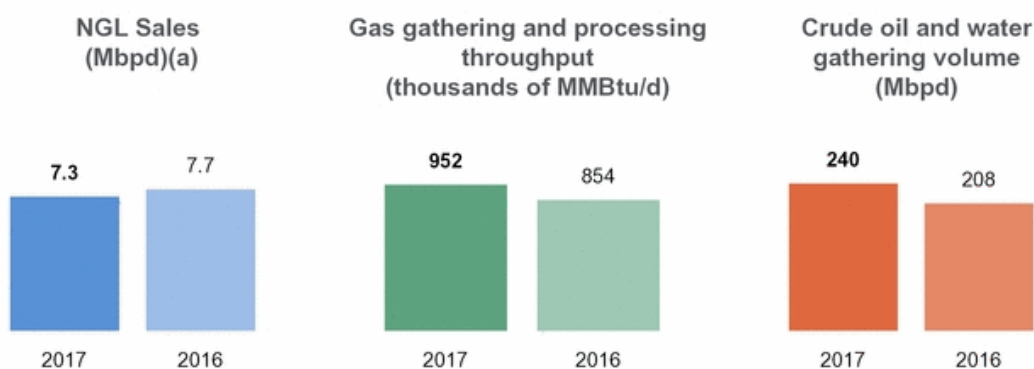
Our Gathering and Processing segment consists of crude oil, natural gas and produced water gathering systems and processing complexes in the Bakken Region and the Green River Basin, Uinta Basin and Vermillion Basin in the states of Utah, Colorado and Wyoming (the "Rockies Region"). Our High Plains System, located in the Bakken Region, gathers and transports crude oil from various production locations in this area for transportation to Andeavor's North Dakota refineries and other destinations in the Bakken Region, including export rail terminals and pipelines. Approximately 25-30% of our processing plant production is currently supported by long-term, fee-based processing agreements with minimum volume commitments.

2017 2ND QUARTER VERSUS 2016 2ND QUARTER

HIGHLIGHTS (in millions)



SEGMENT VOLUMETRIC DATA



(a) Volumes represent barrels sold in keep-whole arrangements, net barrels retained in POP arrangements and other associated products.

VOLUMES. NGL sales volumes declined slightly in the 2017 Quarter as compared to the 2016 Quarter primarily due to keep-whole volume decreases in the Rockies Region slightly offset by an increase related to the Equity NGLs associated with the acquired North Dakota Gathering and Processing Assets. The increase in gas gathering and processing throughput volumes of 98 thousand MMBtu per day ("MMBtu/d"), or 11%, in the 2017 Quarter as compared to the 2016 Quarter was primarily driven by the North Dakota Gathering and Processing Assets acquired, which led to increased volumes on our gathering system and processed at our facilities. Crude oil and water throughput volumes increased 32 thousand barrels per day ("Mbpd"), or 15%, in the 2017 Quarter primarily due to contributions from the North Dakota Gathering and Processing Assets acquisition and interconnections on the High Plains Pipeline System both completed in the first quarter 2017. These increases were partially offset by decreased volumes related to the turnaround completed on Andeavor's Mandan refinery, which not only impacted volume, but also the average crude oil and water revenue per barrel due to shorter pipeline haul movements.

GATHERING AND PROCESSING SEGMENT OPERATING RESULTS (in millions, except per barrel and per MMBtu amounts)

	Three Months Ended June 30,	
	2017	2016
Revenues		
NGL sales (a)	\$ 81	\$ 27
Gas gathering and processing	87	63
Crude oil and water gathering	34	32
Pass-thru and other	31	28
Total Revenues	233	150
Costs and Expenses		
Cost of NGL sales (a)	56	1
Operating expenses (b)	79	59
General and administrative expenses	10	9
Depreciation and amortization expenses	37	26
Gathering and Processing Segment Operating Income	\$ 51	\$ 55
Rates		
Average margin on NGL sales per barrel (a)	\$ 37.45	\$ 36.69
Average gas gathering and processing revenue per MMBtu	\$ 1.00	\$ 0.81
Average crude oil and water gathering revenue per barrel	\$ 1.55	\$ 1.72

FINANCIAL RESULTS. Our Gathering and Processing segment's operating income remained relatively flat for the 2017 Quarter compared to the 2016 Quarter.

The North Dakota Gathering and Processing Assets added margin of \$3 million associated with the sale of NGLs. Revenues increased across our natural gas gathering and processing systems and our crude oil and water gathering systems with this acquisition and expanded capabilities on existing assets. Offsetting those contributions was a decline in revenues resulting from lower volumes in the Rockies Region, lower volumes and margins with Andeavor's Mandan refinery undergoing a turnaround, which not only impacted volumes, but also the average crude oil and water revenue per barrel due to shorter pipeline haul movements. In addition, we had incremental administrative, operating and depreciation expenses primarily associated with the North Dakota Gathering and Processing Assets acquisition.

- (a) For the 2017 Quarter, we had 20.9 Mbdpd of gross NGL sales under POP and keep-whole arrangements. We retained 7.3 Mbdpd under these arrangements. The difference between gross sales barrels and barrels retained is reflected in costs of NGL sales resulting from the gross presentation required for the POP arrangements associated with the North Dakota Gathering and Processing Assets.
- (b) Operating expenses include an imbalance settlement gain of \$1 million for both the 2017 Quarter and 2016 Quarter, respectively.

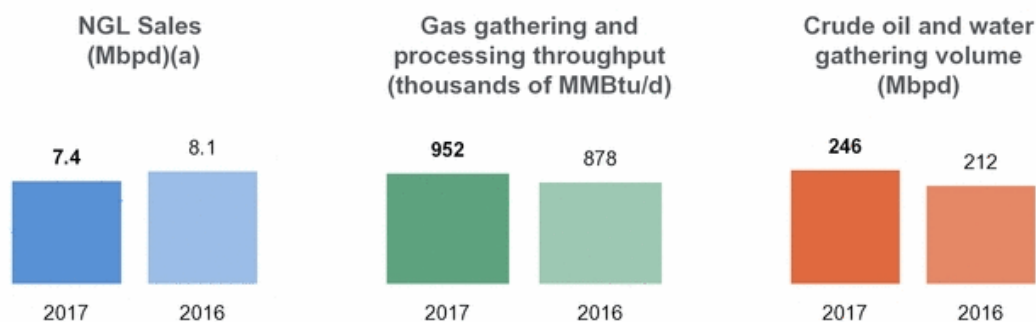
2017 YEAR TO DATE PERIOD VERSUS 2016 YEAR TO DATE PERIOD

HIGHLIGHTS (in millions)



MANAGEMENT'S DISCUSSION AND ANALYSIS

SEGMENT VOLUMETRIC DATA



(a) Volumes represent barrels sold in keep-whole arrangements, net barrels retained in POP arrangements and other associated products.

VOLUMES. The decrease in NGL sales volumes of 0.7 Mbpd, or 9%, in the 2017 Period compared to the 2016 Period was primarily due to keep-whole volume decreases in the Rockies Region slightly offset by an increase related to the Equity NGLs associated with the acquired North Dakota Gathering and Processing Assets. The increase in gas gathering and processing throughput volumes of 74 MMBtu/d, or 8%, in the 2017 Period compared to the 2016 Period was primarily driven by the North Dakota Gathering and Processing Assets acquired, which led to increased volumes on our gathering system and processed at our facilities. Crude oil and water throughput volumes increased 34 Mbpd, or 16%, in the 2017 Period as a result of projects to expand the pipeline gathering system capabilities, which include additional origin and destination inter-connections and the North Dakota Gathering and Processing Assets acquired, partially offset by decreased volumes related to the turnaround completed on Andeavor's Mandan refinery, which not only impacted volumes, but also the average crude oil and water revenue per barrel due to shorter pipeline haul movements.

GATHERING AND PROCESSING SEGMENT OPERATING RESULTS (in millions, except per barrel and per MMBtu amounts)

	Six Months Ended June 30,	
	2017	2016
Revenues		
NGL sales (a)	\$ 164	\$ 54
Gas gathering and processing	167	131
Crude oil and water gathering	73	67
Pass-thru and other (b)	74	60
Total Revenues	478	312
Costs and Expenses		
Cost of NGL sales (a)(b)	115	1
Operating expenses (c)	156	122
General and administrative expenses	20	17
Depreciation and amortization expenses	74	52
Loss on asset disposals and impairments	—	1
Gathering and Processing Segment Operating Income	\$ 113	\$ 119
Rates		
Average margin on NGL sales per barrel (a) (b)	\$ 38.30	\$ 35.54
Average gas gathering and processing revenue per MMBtu	\$ 0.97	\$ 0.82
Average crude oil and water gathering revenue per barrel	\$ 1.64	\$ 1.74

FINANCIAL RESULTS. Our Gathering and Processing segment's operating income remained relatively flat for the 2017 Period compared to the 2016 Period.

The North Dakota Gathering and Processing Assets added margin of \$5 million associated with the sale of NGLs. Revenues increased across our natural gas gathering and processing systems and our crude oil and water gathering systems with this acquisition and expanded capabilities on existing assets partially offset by a decline in revenues resulting from lower volumes in the Rockies Region and incremental administrative, operating and depreciation expenses primarily associated with the North Dakota Gathering and Processing Assets acquisition.

- (a) For the 2017 Period, we had 21.0 Mbpd of gross NGL sales under POP and keep-whole arrangements. We retained 7.4 Mbpd under these arrangements. The difference between gross sales barrels and barrels retained is reflected in costs of NGL sales resulting from the gross presentation required for the POP arrangements associated with the North Dakota Gathering and Processing Assets.
- (b) Included in cost of NGL sales for the 2017 Period were approximately \$2 million of cost of sales related to crude oil volumes obtained in connection with the North Dakota Gathering and Processing Assets acquisition. The corresponding revenues were recognized in pass-thru and other revenue. As such, the calculation of the average margin on NGL sales per barrel excludes this amount.
- (c) Operating expenses include an imbalance settlement gain of \$3 million and \$1 million for the 2017 Period and 2016 Period, respectively.



TERMINALLING AND TRANSPORTATION SEGMENT

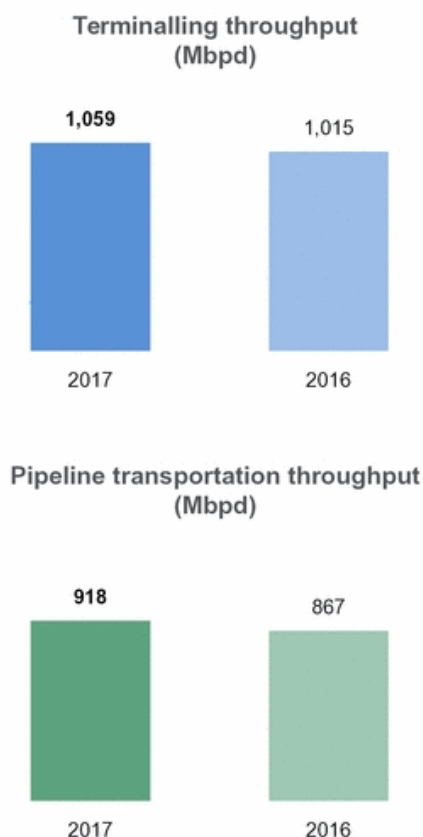
Our Terminalling and Transportation segment consists of regulated common carrier refined products pipeline systems and other pipelines, which transport products and crude oil from Andeavor's refineries to nearby facilities, as well as crude oil and refined products terminals and storage facilities, a rail-car unloading facility and a petroleum coke handling and storage facility.

2017 2ND QUARTER VERSUS 2016 2ND QUARTER

HIGHLIGHTS (in millions)



SEGMENT VOLUMETRIC DATA



VOLUMES. Terminalling throughput volume increased 44 Mbpd, or 4% in the 2017 Quarter compared to the 2016 Quarter. The increase in the Terminalling throughput volume was primarily attributable to an increase in marine volumes in Southern California, marine volumes from the Avon marine terminal assets contributed in the Northern California Terminalling and Storage Assets acquisition and contributions from the Alaska Storage and Terminalling Assets acquisition. Pipeline transportation throughput volume increased 51 Mbpd, or 6%, in the 2017 Quarter compared to the 2016 Quarter primarily due to an increase in pipeline volumes in Southern California.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TERMINALLING AND TRANSPORTATION SEGMENT OPERATING RESULTS

(in millions, except per barrel amounts)

	Three Months Ended June 30,	
	2017	2016 (a)
Revenues		
Terminalling	\$ 147	\$ 112
Pipeline transportation	33	31
Total Revenues	180	143
Costs and Expenses		
Operating expenses (b)	53	48
General and administrative expenses	8	7
Depreciation and amortization expenses	23	20
Gain on asset disposals and impairments	(25)	—
Terminalling and Transportation Segment Operating Income	\$ 121	\$ 68
Rates		
Average terminalling revenue per barrel	\$ 1.53	\$ 1.21
Average pipeline transportation revenue per barrel	\$ 0.40	\$ 0.40

FINANCIAL RESULTS. The Terminalling and Transportation segment's operating income increased \$53 million, or 78%, primarily due to the \$25 million gain on the sale of a products terminal in Alaska in the 2017 Quarter and higher revenues associated with new commercial terminalling and storage agreements executed with Andeavor in connection with the Northern California Terminalling and Storage Assets and the Alaska Storage and Terminalling Assets acquisitions in the second half of 2016. Also contributing to the increase were higher marine terminalling revenues in California driven by higher refinery utilization. The increase in revenues were partially offset by higher operating expenses, particularly related to the Alaska Storage and Terminalling Assets.

(a) Adjusted to include the historical results of the Predecessors. Our Predecessors did not record revenue for transactions with Andeavor in the Terminalling and Transportation segment prior to the effective date of the acquisition of the Alaska Storage and Terminalling Assets and the Northern California Terminalling and Storage Assets.

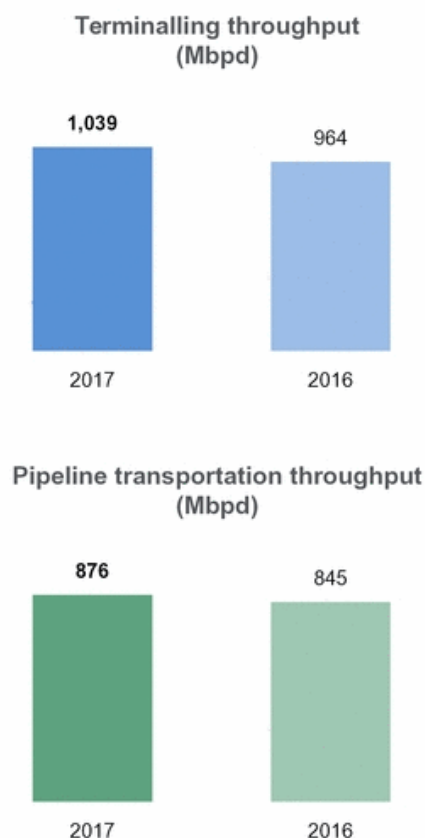
(b) Operating expenses include imbalance settlement gains of \$1 million for both the 2017 Quarter and 2016 Quarter, respectively.

2017 YEAR TO DATE PERIOD VERSUS 2016 YEAR TO DATE PERIOD

HIGHLIGHTS (in millions)



SEGMENT VOLUMETRIC DATA



VOLUMES. Terminalling throughput volume increased 75 Mbpd, or 8% in the 2017 Period compared to the 2016 Period. The increase in the Terminalling throughput volume was primarily attributable to an increase in marine volumes in Southern California, marine volumes from the Avon marine terminal assets contributed in the Northern California Terminalling and Storage Assets acquisition and contributions from the Alaska Storage and Terminalling Assets acquisition. Pipeline transportation throughput volume increased 31 Mbpd, or 4%, in the 2017 Period compared to the 2016 Period, which was primarily attributable to an increase in pipeline volumes in Southern California.

TERMINALLING AND TRANSPORTATION SEGMENT OPERATING RESULTS
(in millions, except per barrel amounts)

	Six Months Ended June 30,	
	2017	2016 (a)
Revenues		
Terminalling	\$ 292	\$ 220
Pipeline transportation	63	61
Total Revenues	355	281
Costs and Expenses		
Operating expenses (b)	102	95
General and administrative expenses	15	15
Depreciation and amortization expenses	44	40
Gain on asset disposals and impairments	(25)	—
Terminalling and Transportation Segment Operating Income	\$ 219	\$ 131
Rates		
Average terminalling revenue per barrel	\$ 1.55	\$ 1.26
Average pipeline transportation revenue per barrel	\$ 0.40	\$ 0.40

FINANCIAL RESULTS. The Terminalling and Transportation segment's operating income increased \$88 million in the 2017 Period compared to the 2016 Period primarily attributable to revenues associated with new commercial terminalling and storage agreements executed with Andeavor in connection with the Northern California Terminalling and Storage Assets and the Alaska Storage and Terminalling Assets acquisitions in the second half of 2016 in addition to the gain on the sale of a products terminal in Alaska in the 2017 Period. Also contributing to the increase in segment operating income were higher marine terminalling revenues in California driven by higher refinery utilization. The increase in revenues were partially offset by higher operating expenses, particularly related to the Alaska Storage and Terminalling Assets.

- (a) Adjusted to include the historical results of the Predecessors. Our Predecessors did not record revenue for transactions with Andeavor in the Terminalling and Transportation segment prior to the effective date of the acquisition of the Alaska Storage and Terminalling Assets and the Northern California Terminalling and Storage Assets.
- (b) Operating expenses include imbalance settlement gains of \$2 million for both the 2017 Period and 2016 Period, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL RESOURCES AND LIQUIDITY

OVERVIEW

Our primary cash requirements relate to funding capital expenditures, acquisitions, meeting operational needs and paying distributions to our unitholders. We expect our ongoing sources of liquidity to include cash generated from operations, reimbursement for certain maintenance and expansion expenditures, borrowings under our credit facilities and issuances of additional debt and equity securities. We believe that cash generated from these sources will be sufficient to meet our short-term working capital, long-term capital expenditure, acquisition and debt servicing requirements and allow us to fund at least the minimum quarterly cash distributions.

CAPITALIZATION

CAPITAL STRUCTURE (in millions)

	June 30, 2017	December 31, 2016
Debt, including current maturities:		
Credit facilities	\$ 50	\$ 330
Senior notes	3,770	3,770
Capital lease obligations	9	9
Total Debt	3,829	4,109
Unamortized Issuance Costs	(50)	(55)
Debt, Net of Unamortized Issuance Costs	3,779	4,054
Total Equity	1,787	1,542
Total Capitalization	\$ 5,566	\$ 5,596

DEBT OVERVIEW AND AVAILABLE LIQUIDITY

Our Revolving Credit Facility, our secured dropdown credit facility ("Dropdown Credit Facility") and our senior notes contain covenants that may, among other things, limit or restrict our ability (as well as the ability of our subsidiaries) to engage in certain activities. There have been no changes in these covenants from those described in our Annual Report on Form 10-K for the year ended December 31, 2016. Our Revolving Credit Facility is non-recourse to Andeavor, except for Tesoro Logistics GP, LLC ("TLGP"), and is guaranteed by all of our consolidated subsidiaries and secured by substantially all of our assets.

AVAILABLE CAPACITY UNDER CREDIT FACILITIES (in millions)

	Total Capacity	Amount Borrowed as of June 30, 2017	Available Capacity	Weighted Average Interest Rate	Expiration
Revolving Credit Facility	\$ 600	\$ 50	\$ 550	3.31%	January 29, 2021
Dropdown Credit Facility	1,000	—	1,000	—%	January 29, 2021
Total Credit Facilities	\$ 1,600	\$ 50	\$ 1,550		

REVOLVING CREDIT FACILITIES EXPENSES AND FEES

Credit Facility	30 day Eurodollar (LIBOR) Rate at June 30, 2017	Eurodollar Margin	Base Rate	Base Rate Margin	Commitment Fee (unused portion)
Revolving Credit Facility (a)	1.74%	2.25%	4.25%	1.25%	0.375%
Dropdown Credit Facility (a)	1.74%	2.26%	4.25%	1.26%	0.375%

- (a) We have the option to elect if the borrowings will bear interest at a base rate plus the base rate margin, or a Eurodollar rate, for the applicable period, plus the Eurodollar margin at the time of the borrowing. The applicable margin varies based upon a certain leverage ratio, as defined by the Revolving Credit Facility. We also incur commitment fees for the unused portion of the Revolving Credit Facility at an annual rate. Letters of credit outstanding under the Revolving Credit Facility incur fees at the Eurodollar margin rate.

EQUITY OVERVIEW

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities on the terms and conditions determined by our general partner without the approval of the unitholders. Costs associated with the issuance of securities are allocated to all unitholders' capital accounts based on their ownership interest at the time of issuance.

UNIT ISSUANCE. We closed a registered public offering of 5,000,000 common units representing limited partner interests at a public offering price of \$56.19 per unit on February 27, 2017. The net proceeds of \$281 million were used to repay borrowings outstanding under our Revolving Credit Facility and for general partnership purposes. Also, general partner units of 101,980 were issued for proceeds of \$6 million.

SOURCES AND USES OF CASH

COMPONENTS OF OUR CASH FLOWS (in millions)

	Six Months Ended June 30,	
	2017	2016
Cash Flows From (Used in):		
Operating activities	\$ 324	\$ 242
Investing activities	(731)	(178)
Financing activities	(261)	602
Increase (Decrease) in Cash and Cash Equivalents	\$ (668)	\$ 666

OPERATING ACTIVITIES. Net cash from operating activities increased \$82 million to \$324 million in the 2017 Period compared to \$242 million for the 2016 Period. The increase in cash from operating activities was primarily driven by the change in working capital from the 2016 Period to the 2017 Period and an increase in net earnings.

INVESTING ACTIVITIES. Net cash used in investing activities for the 2017 Period was \$731 million compared to \$178 million in the 2016 Period. The increase in this outflow resulted from the acquisition of the North Dakota Gathering and Processing Assets partially offset by proceeds from the sale of certain Alaska terminalling assets and reduced capital expenditures. See "Capital Expenditures" below for a discussion of the expected capital expenditures for the year ended December 31, 2017.

FINANCING ACTIVITIES. The 2017 Period had net cash used in financing activities of \$261 million compared to net cash from financing activities of \$602 million for the 2016 Period, an \$863 million increase in cash used. Sources of cash such as issuances of long-term debt, borrowings under our revolving credit facilities and issuances of equity decreased \$701 million, \$411 million and \$47 million, respectively. However, the use of our cash to repay long-term debt, borrowings on the credit facilities and financing costs also decreased \$250 million, \$197 million and \$17 million, respectively. Distributions to unitholders and our general partner increased \$46 million and \$28 million, respectively.

Historically, the Predecessors' sources of liquidity included cash generated from operations and funding from Andeavor. Cash receipts were deposited in Andeavor's bank accounts and all cash disbursements were made from those accounts. While there was no Sponsor contribution for the 2017 Period, \$91 million was included in cash from financing activities in the 2016 Period, which funded the cash portion of the net loss, capital expenditures and acquisition attributable to the Predecessors.

CAPITAL EXPENDITURES

We continue to expect capital expenditures for the year ended December 31, 2017 to be approximately \$325 million, or \$295 million net of reimbursements primarily from Andeavor with whom we contract to provide services. During the 2017 Quarter, we spent \$24 million on growth capital projects, net of \$6 million in reimbursements primarily from Andeavor, and \$10 million on maintenance capital projects, net of \$5 million in reimbursements primarily from Andeavor. During the 2017 Period, we spent \$44 million on growth capital projects, net of \$17 million in reimbursements primarily from Andeavor, and \$20 million on maintenance capital projects, net of \$9 million in reimbursements primarily from Andeavor. There have been no other material changes to committed amounts for our major capital projects previously discussed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Andeavor Logistics made progress on several organic expansion projects including the Los Angeles Refinery Interconnect Pipeline System and the Vermillion Compression project and was awarded several new Bakken projects. The South Coast Air Quality Management District certified the Environmental Impact Report on May 12, 2017 for the Los Angeles Refinery Interconnect Pipeline System. The Partnership expects construction to begin during the second half of 2017.

DISTRIBUTIONS

Our partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the limited partner unitholders and general partner will receive.

QUARTERLY DISTRIBUTIONS. For the three months ended June 30, 2017, March 31, 2017 and December 31, 2016, we declared distributions of \$0.971, \$0.940 and \$0.910 per limited partnership unit, respectively, or \$3.88, \$3.76 and \$3.64, respectively, on an annualized basis, resulting in cash distributions of \$140 million for both the fourth quarter 2016 and first quarter 2017 as well as an expected cash distribution of \$147 million for the second quarter 2017. The distribution for the quarter ended June 30, 2017 will be paid August 14, 2017 to all unitholders of record as of August 4, 2017.

ENVIRONMENTAL AND OTHER MATTERS

ENVIRONMENTAL REGULATION. We are subject to extensive federal, state and local environmental laws and regulations. These laws, which change frequently, regulate the discharge of materials into the environment or otherwise relate to protection of the environment. Compliance with these laws

MANAGEMENT'S DISCUSSION AND ANALYSIS

and regulations may require us to remediate environmental damage from any discharge of petroleum, natural gas or chemical substances from our facilities or require us to install additional pollution control equipment on our equipment and facilities. Our failure to comply with these or any other environmental or safety-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of injunctions that may subject us to additional operational constraints.

Future expenditures may be required to comply with the federal, state and local environmental requirements for our various sites, including our storage facilities, pipelines, gas

processing complexes and refined products terminals. The impact of these legislative and regulatory developments, if enacted or adopted, could result in increased compliance costs and additional operating restrictions on our business, each of which could have an adverse impact on our liquidity, financial position or results of operations. See our discussion of the Amended Omnibus Agreement and the Carson Assets Indemnity Agreement in Note 3 of our Annual Report on Form 10-K for the year ended December 31, 2016, for more information regarding the indemnification of certain environmental matters provided to us by Andeavor and discussion of other certain environmental obligations.

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report (including information incorporated by reference) contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including without limitation statements regarding our business strategy and goals, and expectations regarding revenues, cash flows, capital expenditures, other financial items, growth, acquisitions, our market position, future operations and profitability, are forward-looking statements. Forward-looking statements may be identified by use of the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," "would" and similar terms and phrases. Although we believe our assumptions concerning future events are reasonable, a number of risks, uncertainties and other factors could cause actual results and trends to differ materially from those projected, including, but not limited to:

- changes in global economic conditions on our business, on the business of our key customers, including Andeavor, and on our customers' suppliers, business partners and credit lenders;
- a material change in the crude oil and natural gas produced in the Bakken Shale/Williston Basin area of North Dakota and Montana or the Green River Basin, Uinta Basin and Vermillion Basin in the states of Utah, Colorado and Wyoming;
- the ability of our key customers, including Andeavor, to remain in compliance with the terms of their outstanding indebtedness;
- changes in insurance markets impacting costs and the level and types of coverage available;
- changes in the cost or availability of third-party vessels, pipelines and other means of delivering and transporting crude oil, feedstocks, natural gas, NGLs and refined products;
- the coverage and ability to recover claims under our insurance policies;
- the availability and costs of crude oil, other refinery feedstocks and refined products;
- the timing and extent of changes in commodity prices and demand for refined products, natural gas and NGLs;
- changes in our cash flow from operations;
- impact of QEP Resources' and Questar Gas Company's ability to perform under the terms of our gathering agreements as they are the largest customers in our natural gas business.
- the risk of contract cancellation, non-renewal or failure to perform by those in our supply and distribution chains, including Andeavor and Andeavor's customers, and the ability to replace such contracts and/or customers;
- the suspension, reduction or termination of Andeavor's obligations under our commercial agreements and our secondment agreement;
- a material change in profitability among our customers, including Andeavor;
- direct or indirect effects on our business resulting from actual or threatened terrorist or activist incidents, cyber-security breaches or acts of war;
- weather conditions, earthquakes or other natural disasters affecting operations by us or our key customers, including Andeavor, or the areas in which our customers operate;
- disruptions due to equipment interruption or failure at our facilities, Andeavor's facilities or third-party facilities on which our key customers, including Andeavor, are dependent;
- our inability to complete acquisitions on economically acceptable terms or within anticipated timeframes;
- changes in the expected value of and benefits derived from acquisitions;
- actions of customers and competitors;
- changes in our credit profile;
- state and federal environmental, economic, health and safety, energy and other policies and regulations, including those related to climate change and any changes therein and any legal or regulatory investigations, delays in obtaining necessary approvals and permits, compliance costs or other factors beyond our control;
- operational hazards inherent in refining and natural gas processing operations and in transporting and storing crude oil, natural gas, NGLs and refined products;
- changes in capital requirements or in execution and benefits of planned capital projects;
- seasonal variations in demand for natural gas and refined products;
- adverse rulings, judgments, or settlements in litigation or other legal or tax matters, including unexpected environmental remediation costs in excess of any accruals, which affect us or Andeavor;
- risks related to labor relations and workplace safety;

- political developments; and
- the factors described in greater detail under "Competition" and "Risk Factors" in Items 1 and 1A of our Annual Report

on Form 10-K for the year ended December 31, 2016, and our other filings with the SEC.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices. We do not own or expect to own any material amounts of the refined products, natural gas or crude oil that are shipped through our pipelines, distributed through our terminals or held in our storage facilities, and therefore we have minimal direct exposure to risks associated with fluctuating commodity prices. As part of our acquisition of the North Dakota Gathering and Processing Assets, we acquired certain natural gas gathering and processing contracts structured as POP arrangements. Under these POP arrangements, we gather and process the producers' natural gas and retain and market a portion of the natural gas and NGLs and remit a percentage of the proceeds to the producer. Under these arrangements, we will have exposure to fluctuations in commodity prices; however, this exposure is not expected to be material to our results of operations. Assuming all other factors remained constant, a 10% change in pricing, based on our year-to-date sales, would be less than \$1 million to our consolidated operating income.

In addition, we are exposed to a limited degree of commodity price risk with respect to our gathering contracts.

Specifically, pursuant to our contracts, we retain and sell condensate that is recovered during the gathering of natural gas. Thus, a portion of our revenue is dependent on the price received for the condensate. Condensate historically sells at a price representing a slight discount to the price of crude oil. We consider our exposure to commodity price risk associated with these arrangements to be minimal based on the amount of revenues generated under these arrangements compared to our overall revenues. We do not hedge our exposure using commodity derivative instruments because of the minimal impact of commodity price risk on our liquidity, financial position and results of operations. Assuming all other factors remained constant, a \$1 change in condensate pricing, based on our quarter-to-date average throughput, would be immaterial to our consolidated operating income for the three and six months ended June 30, 2017. Actual results may differ from our expectation above.

There have been no other material changes to our market risks as of and for the six months ended June 30, 2017 from the risks discussed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that the information that we are required to disclose in reports we file under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), is accumulated and appropriately communicated to management. There have been no significant changes in our internal controls over financial reporting (as defined by applicable SEC rules) during the quarter ended June 30, 2017, that have materially affected or are reasonably likely to materially affect these controls.

We carried out an evaluation required by Rule 13a-15(b) of the Exchange Act, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures at the end of the reporting period. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the reporting period.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we may become party to lawsuits, administrative proceedings and governmental investigations, including environmental, regulatory and other matters. The information below describes new proceedings or material developments in proceedings that we previously reported in our Annual Report on Form 10-K for the year ended December 31, 2016 or our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017. Although we cannot provide assurance, we believe that an adverse resolution of such proceedings would not have a material impact on our liquidity, financial position, or results of operations.

XTO ENERGY INC. V. QEP FIELD SERVICES COMPANY. XTO Energy Inc. (“XTO”) was seeking monetary damages related to our allocation of charges related to XTO’s share of natural gas liquid transportation, fractionation and marketing costs associated with shortfalls in contractual firm processing volumes. In May 2017, we agreed to a settlement with XTO regarding the disputed receivables, which resulted in a write-off of \$5 million of accounts receivable and reversal of previously recognized revenue during the three months ended June 30, 2017 related to the dispute. No disputed receivables related to XTO remain after the settlement.

ITEM 1A. RISK FACTORS

There have been no significant changes from the risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We may acquire units to satisfy tax withholdings obligations in connection with the vesting of units issued to certain employees. There were no such units acquired during the three months ended June 30, 2017.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Description of Exhibit	Incorporated by Reference (File No. 1-35143, unless otherwise indicated)		
		Form	Exhibit	Filing Date
3.1	Certificate of Limited Partnership of Andeavor Logistics LP	8-K	3.1	8/1/2017
3.2	Certificate of Formation of Tesoro Logistics GP, LLC	S-1 (File No. 333-171525)	3.3	1/4/2011
3.3	First Amended and Restated Agreement of Limited Partnership of Andeavor Logistics LP dated April 26, 2011, as amended	8-K	3.2	8/1/2017
3.4	Second Amended and Restated Limited Liability Company Agreement of Tesoro Logistics GP, LLC, dated as of July 1, 2014, among Tesoro Corporation, Tesoro Refining & Marketing Company LLC, Tesoro Alaska Company LLC, and Tesoro Logistics GP, LLC, as amended	10-Q	3.4	5/9/2017
*10.1	Renewal Trucking Transportation Services Agreement			
*31.1	Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*32.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
*32.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
**101.INS	XBRL Instance Document			
**101.SCH	XBRL Taxonomy Extension Schema Document			
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			
*	Filed herewith			
**	Submitted electronically herewith			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ANDEAVOR LOGISTICS LP

By: Tesoro Logistics GP, LLC
Its general partner

Date: August 9, 2017

By: _____
/s/ STEVEN M. STERIN
Steven M. Sterin
President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

**RENEWAL
TRUCKING TRANSPORTATION SERVICES AGREEMENT**

This RENEWAL TRUCKING TRANSPORTATION SERVICES AGREEMENT (this “ Agreement”) is dated on April 10, 2017, but effective as of April 1, 2017 (the “Effective Date”), by and between Tesoro Logistics Operations LLC, a Delaware limited liability company (“TLO”), and Tesoro Refining & Marketing Company LLC, a Delaware limited liability company (“TRMC”), collectively referred to as “Parties,” and each individually, as a “Party”.

RECITALS

WHEREAS, TLO and TRMC entered into that certain Second Amended and Restated Trucking Transportation Services Agreement dated as of March 26, 2013 (the “Amended Trucking TSA”), which the Parties agree shall be terminated effective on the Effective Date of this Agreement, except for any payment obligations which shall survive the termination thereof;

WHEREAS, the Parties desire to renew hereunder certain of the terms contained in the Amended Trucking TSA;

WHEREAS, Tesoro High Plains Pipeline Company LLC, a Delaware limited liability company an indirectly wholly-owned subsidiary of TLO (“THPP”), owns a pipeline system that currently transports crude petroleum from origins in the states of Montana and North Dakota to Mandan, North Dakota (the “High Plains System”);

WHEREAS, TLO owns and operates a truck-based crude petroleum gathering operation for the High Plains System, using a combination of proprietary and third party trucks dispatched and scheduled by TLO as well as certain Truck Unloading facilities adjacent to the High Plains System;

WHEREAS, TRMC desires and has requested that TLO (i) cause to be gathered by truck certain crude petroleum from wellheads, fields, control tank batteries or related collection points in the Williston Basin/Bakken Shale area, (ii) coordinate the truck pick-up and delivery of such crude petroleum to the High Plains System or other destinations, (iii) provide TRMC with certain ancillary services with respect to such truck gathering pick-up transportation and delivery, subject to and upon the terms and conditions of this Agreement, and (iv) allow the use of certain Truck Unloading Facilities for delivery of TRMC’s crude petroleum into the High Plains System;

WHEREAS, in connection with the foregoing, TRMC and TLO have agreed that TLO will gather, coordinate the pickup of, transport and deliver such trucked crude petroleum, as well as provide the aforementioned ancillary services and use of the Truck Unloading Facilities, pursuant to the terms of this Agreement; and

WHEREAS, the Parties are willing to agree to the foregoing, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the covenants and obligations contained herein, the Parties to this Agreement hereby agree as follows:

1. **DEFINITIONS**

(a) *Definitions*. Capitalized terms used throughout this Agreement shall have the meanings set forth below, unless otherwise specifically defined herein.

“Actual Barrels Gathered” means Barrels of crude petroleum that are physically gathered from wellheads, fields, control tank batteries or related collection points in the Williston Basin/Bakken Shale area or other areas by mutual agreement and delivered to (i) any of the 13 proprietary truck unloading facilities of TLO set forth in Schedule I, (ii) other delivery points for movement into the High Plains System, or (iii) third party destinations.

“Agreement” has the meaning set forth in the Preamble.

“Applicable Law” means any applicable statute, law, regulation, ordinance, rule, determination, judgment, rule of law, order, decree, permit, approval, concession, grant, franchise, license, requirement, or any similar form of decision of, or any provision or condition of any permit, license or other operating authorization issued by any Governmental Authority having or asserting jurisdiction over the matter or matters in question, whether now or hereafter in effect.

“Barrel” means a volume equal to 42 U.S. gallons of 231 cubic inches each, at 60 degrees Fahrenheit under one atmosphere of pressure.

“bpd” means Barrels per day.

“\$” means U.S. Dollars.

“Business Day” means a day, other than a Saturday or Sunday, on which banks in New York, New York are open for the general transaction of business.

“Confidential Information” means all confidential, proprietary or non-public information of a Party, whether set forth in writing, orally or in any other manner, including all non-public information and material of such Party (and of companies with which such Party has entered into confidentiality agreements) that another Party obtains knowledge of or access to, including non-public information regarding products, processes, business strategies and plans, customer lists, research and development programs, computer programs, hardware configuration information, technical drawings, algorithms, know-how, formulas, processes, ideas, inventions (whether patentable or not), trade secrets, schematics and other technical, business, marketing and product development plans, revenues, expenses, earnings projections, forecasts, strategies, and other non-public business, technological, and financial information.

“Credit” has the meaning set forth in Section 6(b).

“Effective Date” shall have the meaning set forth in the first paragraph.

“Excess Volumes” has the meaning set forth in Section 2(b).

“Extension Term” has the meaning set forth in Section 3.

“Force Majeure” means circumstances not reasonably within the control of TLO and which, by the exercise of due diligence, TLO is unable to prevent or overcome that prevent performance of TLO’s obligations, including: acts of God, strikes, lockouts or other industrial disturbances, wars, riots, fires, floods, storms, orders of courts or Governmental Authorities, explosions, terrorist acts, breakage, accident to machinery, storage tanks or lines of pipe and inability to obtain or unavoidable delays in obtaining material or equipment and similar events.

“Force Majeure Notice” has the meaning set forth in Section 15(a).

“Force Majeure Period” has the meaning set forth in Section 15(a).

“General Partner” means the general partner of Tesoro Logistics LP.

“Governmental Authority” means any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.

“High Plains System” has the meaning set forth in the Recitals.

“Initial Term” has the meaning set forth in Section 3.

“Mandan Refinery” means the petroleum refinery owned by TRMC and located in Mandan, North Dakota.

“Maximum Volume” means an average of 50,000 bpd per month.

“Minimum Volume Commitment” means from and after the Effective Date, a Monthly average of 20,000 bpd for the Term of this Agreement.

“Month” or “Monthly” means or references a calendar month.

“Notice Period” has the meaning set forth in Section 16(a).

“Partnership Change of Control” means Tesoro Corporation ceasing to possess, directly or indirectly, the power to direct or cause the direction of the management and policies of the General Partner, whether through ownership of voting securities, by contract, or otherwise.

“Party” or “Parties” has the meaning set forth in the Preamble.

“Person” means any individual, partnership, limited partnership, joint venture, corporation, limited liability company, limited liability partnership, trust, unincorporated organization or Governmental Authority or any department or agency thereof.

“Receiving Party Personnel” has the meaning set forth in Section 21(d).

“Quarter” shall mean a calendar quarter.

“Quarterly Shortfall Payment” has the meaning set forth in Section 6(b).

“Quarterly Volume Shortfall” has the meaning set forth in Section 6(b).

“Shortfall Rate” shall be an amount stated in a Trucking Service Order, as set forth in Section 6(b).

“Suspension Notice” has the meaning set forth in Section 16(a).

“Tank Usage Rate” has the meaning set forth in Section 5(a).

“Term” has the meaning set forth in Section 3.

“THPP” has the meaning set forth in the Recitals.

“TLO” has the meaning set forth in the Preamble.

“TRMC” has the meaning set forth in the Preamble.

“Truck Gathering Services” means the collection, loading, gathering transportation and delivery and of crude petroleum from origins at wellheads, fields, tank batteries, truck dispatch racks or similar collection points to unloading facilities of pipelines, rail car loading facilities, storage terminals, refineries or similar receipt points, including ancillary scheduling, dispatching and accounting/data services related to such crude petroleum deliveries, including, but not limited to, any services set forth in a Trucking Service Order.

“Trucking Rate” has the meaning set forth in Section 5(b).

“Trucking Service Order” has the meaning set forth in Section 5(a).

“Truck Unloading Facilities” shall mean TLO’s proprietary crude petroleum tanks and related truck unloading facilities listed on Schedule I, located adjacent to injection points along the High Plains System.

2. VOLUME COMMITMENT AND SCOPE OF AGREEMENT

(a) TRMC guarantees that during the Term, (i) TRMC will request that TLO perform Truck Gathering Services each Month for at least the Minimum Volume Commitment each Month of crude petroleum (A) to be received from wellheads, fields, control tank batteries or related collection points in the Williston Basin/Bakken Shale area of Montana and North Dakota and (B) to be delivered to TLO’s proprietary Truck Unloading Facilities, or to other destinations in North Dakota and Montana, whether or not on the High Plains System (C) or to be received and delivered from or to other locations as mutually agreed upon between the parties and set forth in a Trucking Service Order, or, (ii) in the event that TRMC fails to request that TLO do the foregoing, shall remit to TLO the Quarterly Shortfall Payment referred to in Section 7(b) below.

(b) TRMC may request pursuant to a Trucking Service Order, as described below, that volumes of crude petroleum in excess of the Minimum Volume Commitment be gathered, transported and delivered by TLO (“Excess Volumes”). Both the Minimum Volume Commitment and any Excess Volumes gathered and delivered by TLO shall be gathered and transported at the Trucking Rate specified in the applicable Trucking Service Order.

(c) TRMC may request that volumes of crude petroleum in excess of the Maximum Volume be gathered, transported and delivered by TLO. In any month where TRMC nominates such incremental volumes, TLO and TRMC shall set forth the agreed applicable rate structure for the incremental volumes in a Trucking Service Order. Upon execution of the applicable Trucking Service Order, TLO shall haul the incremental volumes at the agreed upon rates. If a Trucking Service Order for the incremental rate structure is not agreed upon, TLO will not be obligated to haul the incremental volumes.

(d) TLO shall provide TRMC with exclusive dedicated use of the Truck Unloading Facilities listed on Schedule I for the unloading of TRMC's crude petroleum to be delivered into the High Plains System.

(e) If THPP or any third party constructs any new pipeline (gathering or otherwise) such that the High Plains System is expanded or extended to any production location (i.e., wellheads, fields or control tank batteries) for volumes of crude petroleum that TRMC is at that time paying TLO to gather by truck, then TRMC will be entitled to a reduction in the Minimum Volume Commitment to account for these new pipeline-gathered volumes, such reduction to be commensurate with the reduced truck gathering volumes and mutually agreed upon by the Parties. Reductions for volumes transported on the new pipeline extension to the Marathon Connelly Hub are already addressed in the definition of the Minimum Volume Commitment, and there will be no further reduction related to those volumes.

(f) TRMC may apply any volumes of crude petroleum that are (i) either (A) purchased by third parties from TRMC or (B) purchased by TRMC on a delivered basis to the Truck Unloading Facilities and (ii) transported by TLO under contract with the applicable third party (a "Third Party Customer") towards TRMC's Minimum Volume Commitment hereunder, provided however that the third party transportation rate with TLO is equal to the Trucking Rate set forth on the Trucking Service Order. In the event that such third party transportation rate with TLO is less than the Trucking Rate, TRMC shall pay TLO the difference between such rates.

(g) If a Third Party Customer cancels their trucking contract with TLO due to TLO's inability to meet such Third Party Customer's minimum customer service requirements, TRMC may reduce any volumes purchased under that Third Party Customer agreement that were previously trucked by TLO from the Minimum Volume Commitment; provided however, that TRMC shall provide TLO with thirty (30) days' prior written notice of such intention to reduce the Minimum Volume Commitment so that TLO may attempt to cure any issues with the Third Party Customer and resume performing services with such Third Party Customer.

3. TERM; HESS AGREEMENT

The initial term of this Agreement shall be for a period of one (1) year following the Effective Date (the "Initial Term") and will continue thereafter on a month to month basis (the "Extension Term") with either Party having the right to terminate by giving the other Party at least ninety (90) days' written notice prior to the expiration of the Initial Term or Extension Term, as applicable. The Initial Term and the Extension Term, if applicable, thereof shall be referred to herein as the "Term". *Provided, however,* that if Hess Trading Corporation ("Hess") and TRMC do not renew or otherwise extend the term of their existing agreement (which commenced on July 1, 2015, TS130101 as amended) by June 30, 2017 then, upon TRMC providing TLO with ninety (90) Days prior written notice, the Minimum Volume Commitment shall be decreased to a Monthly average of 10,000 bpd for the remaining Term of this Agreement.

4. INTENTIONALLY OMITTED

5. TRUCKING SERVICE ORDERS; ADJUSTMENTS AND REIMBURSEMENTS FOR CAPITAL EXPENDITURES

(a) In addition to the Minimum Volume Commitment set forth in this Agreement, TLO and TRMC may enter into trucking service orders substantially in the form attached hereto as Exhibit A (each, a "Trucking Service Order"). Upon a request by TRMC pursuant to this Agreement or as

deemed necessary or appropriate by TLO in connection with the services to be delivered pursuant hereto, TLO shall generate a Trucking Service Order to set forth the specific terms and conditions for providing the applicable services described therein and the applicable fees to be charged for such services. No Trucking Service Order shall be effective until fully executed by both TLO and TRMC.

- (b) Items available for inclusion on a Trucking Service Order include, but are not limited to, the following:
 - (i) any additional or ancillary Truck Gathering Services;
 - (ii) the amount of requested Excess Volumes;
 - (iii) the tank usage rate for all Barrels unloaded from trucks into the Truck Unloading Facilities, subject to adjustment as set forth in this Agreement or any Trucking Service Order (the "Tank Usage Rate");
 - (iv) trucking rates to be paid by TRMC, including the applicable dispatch fee and minimum rate components thereof (if applicable), subject to adjustment as set forth in this Agreement or any Trucking Service Order (the "Trucking Rate"); and
 - (v) quarterly rate adjustments in excess of those in Section 5(e) and the annual agreement between the parties upon five third party carriers.
 - (vi) additional receipt and delivery locations mutually agreed upon between the Parties.

(c) In case of any conflict between the terms of this Agreement and the terms of any Trucking Service Order, the terms of the applicable Trucking Service Order shall govern.

(d) The Tank Usage Rate, the Trucking Rate, and the Shortfall Rate shall be adjusted annually on the first day of the Month in which the anniversary date of the Effective Date falls, by a percentage equal to the change in the CPI-U (All Urban Consumers), as reported by the U.S. Bureau of Labor Statistics.

(e) TLO shall make the following Monthly adjustments to the rates being charged hereunder or under any Trucking Service Order:

- (i) a Monthly per mile adjustment to the mileage rate components of the Trucking Rate to cover any increase in fuel prices (as determined by reference to the U.S. Energy Information Administration's On-Highway Diesel Prices for the Rocky Mountain Region against a baseline of January 2017) incurred or experienced by TLO in connection with providing Truck Gathering Services under this Agreement; and
- (ii) a Monthly surcharge on the services provided hereunder to cover TRMC's proportionate share of the increased costs of complying with any new laws or regulations that affect the services provided to TRMC, if after TLO has made commercially reasonable efforts to mitigate the effect of such laws or regulations, such new laws or regulations require TLO to make substantial and unanticipated capital expenditures. Any such Monthly surcharge shall be set forth in a Trucking Service Order. If the Monthly surcharge increases rates on deliveries of crude oil by over 15% from the

rates that would have otherwise been applicable, then TRMC may terminate this Agreement as to the affected volumes and receive a credit against the Minimum Volume Commitment for the volumes that would have otherwise been trucked hereunder.

(f) Reimbursements. TRMC shall reimburse TLO for the following:

- (i) Actual costs of any capital expenditures TLO or THPP agrees to make at TRMC's request pursuant to a Trucking Service Order to provide additional Truck Gathering Services hereunder, other than capital expenditures required for TLO (A) to continue to provide those Truck Gathering Services specified hereunder or (B) to handle the Minimum Volume Commitment increases specified herein; and
- (ii) All taxes (other than income taxes, gross receipt taxes and similar taxes) that TLO incurs on TRMC's behalf for the services TLO provides to TRMC under this Agreement or any Trucking Service Order, if such reimbursement is not prohibited by law.

6. PAYMENTS

(a) Payments for Minimum Volume Commitment, etc.: TLO shall invoice TRMC on a Monthly basis and TRMC shall pay all amounts due (including any Quarterly Shortfall Payments, as defined herein, and payments for Excess Volumes) no later than ten (10) calendar days after TRMC's receipt of TLO's invoices. Any past due amounts owed by TRMC to TLO shall accrue interest, payable on demand, at the rate of eight percent (8.00%) per annum from the due date of the payment through the actual date of payment.

(b) Quarterly Shortfall Payment: If, during any Month, TRMC fails to request in good faith that TLO cause to be gathered an amount of crude petroleum equal to the Minimum Volume Commitment for such Month, then TRMC shall pay to TLO an amount (the "Quarterly Shortfall Payment") equal to (i) the Quarterly Volume Shortfall (ii) multiplied by the Shortfall Rate. The "Shortfall Rate" shall be an amount stated in an applicable Trucking Service Order, adjusted for inflation as provided in Section 5(d). The "Quarterly Volume Shortfall" for any Quarter shall mean the volume of Barrels by which (x) the product of (A) the Minimum Volume Commitment (B) multiplied by the number of days in any given Quarter (y) exceeds the Actual Barrels Gathered by TLO during such Month. [$QVS = MVC \times days - ABG$].

7. SERVICES PROVIDED BY TLO; VOLUME LOSSES

(a) Summary of Services: In consideration of TRMC's Minimum Volume Commitment and the fees and charges specified in Section 5, pursuant to this Agreement and any Trucking Service Order, TLO shall provide the Truck Gathering Services and the use of TLO's Truck Unloading Facilities at the sites listed in Schedule I to allow deliveries of TRMC's crude petroleum into the High Plains System.

(b) Truck Unloading Facilities: TLO shall maintain the Truck Unloading Facilities in good operating condition, subject to normal wear and tear, force majeure and normal deterioration. If a Truck Unloading Facility becomes unusable due to damage or condition, then TLO shall promptly repair or replace the defective facilities, so long as it is commercially practical to do so and permitted under applicable laws and regulations. If TLO does not believe that it is commercially practical to replace facilities at a site due to limited volumes or unusual conditions that exist at such site, then

it shall notify TRMC, and the parties shall set forth in a Trucking Service Order any revised terms that could allow such site to be reopened, and if the parties do not agree to reopen the site, then it shall be removed from Schedule I. If TLO constructs or adds (by purchase or otherwise) additional truck unloading facilities adjacent to the High Plains System, then TLO shall supplement, modify or otherwise update Schedule I attached hereto, specifying such new truck unloading facility, provide an updated Schedule I to TRMC as soon as reasonably practicable, but in any event before TLO brings such truck unloading facility into operation. Notwithstanding the above, TLO may provide additional truck unloading facilities for the use of third parties who desire to deliver crude oil into the High Plains System, provided that such use does not allow the commingling of third party crude oil with TRMC's crude oil in the Truck Unloading Facilities or otherwise interfere with TRMC's rights to use the existing Truck Unloading Facilities and the Truck Gathering Services.

(c) Transport Vehicles: TLO shall ensure that all transport vehicles used will be clean and free of contaminants, will be in compliance with all state and federal laws and regulations and designated as the proper container for the crude petroleum being transported. TLO will also ensure that all drivers of these transport vehicles will be adequately trained and qualified to perform the services stated herein.

(d) Scheduling/Dispatch/Pick-Up: Requests for the gathering of crude petroleum under this Agreement or any Trucking Service Order shall be made by TRMC and/or its crude petroleum suppliers on a "call and demand" basis. TLO will schedule and dispatch all pick-ups of crude petroleum requested by TRMC or its crude petroleum suppliers on such "call and demand" basis.

(e) Loading/Transporting: TLO shall load only that crude petroleum which it is authorized to load pursuant to directions received from TRMC and/or its crude petroleum suppliers or in accordance with this Agreement or any Trucking Service Order. The quality and quantity of the crude petroleum received by TLO shall be determined by sampling, verification and measurement conducted by TLO, THPP or third party operator of a receipt or delivery point. TLO shall not mix different grades of crude petroleum, unless authorized by TRMC, or adulterate the crude petroleum with motor fuel or with any chemical or other material whatsoever. The crude petroleum hauled on a transport truck or stored in a TLO Truck Unloading Facility prior to loading a new delivery must be compatible with the crude petroleum that is being loaded or stored so as to not cause contamination of loaded or stored crude petroleum. TRMC as part of its quality control may test the quality of crude petroleum delivered by TLO. TLO agrees to abide by the quality control procedures mutually agreed by the parties from time to time. TRMC shall at all times retain title to the crude petroleum gathered, transported and delivered by TLO hereunder and shall remain responsible for all risk of loss, damage, deterioration, or contamination as to such crude petroleum, except for that caused by the gross negligence, willful misconduct or breach of this Agreement or any Trucking Service Order by TLO, its agents, employees or contractors.

(f) Delivery: Immediately upon receipt of crude petroleum from any designated pick-up location, TLO shall safely and expeditiously transport the crude petroleum to its applicable Truck Unloading Facility or other destination as provided for in Section 2(a). Upon arrival at such Truck Unloading Facility or other destination, TLO shall unload the crude petroleum in compliance with this Agreement or any Trucking Service Order unless otherwise specified in writing.

(g) Accounting/Data Services: TLO shall maintain a true and correct set of records to include but not be limited to, invoices, bills of lading, receipt tickets, transportation records, and delivery tickets, showing the date, crude petroleum amounts, receipt location and delivery location for all crude petroleum transported, and sufficient other detail to permit reasonable verification or

correction of any charges to TRMC hereunder or under any Trucking Service Order. TLO will provide TRMC with a secure electronic data feed, which shall accurately report all the above information and other information mutually agreed upon by the Parties on a current daily basis. TLO shall maintain such records for a period not less than five (5) years after performance of services hereunder pursuant to its corporate retention policy. TRMC, or its representatives, may, from time to time, at TRMC's expense, audit any such records and TLO agrees to permit TRMC, or its representative, access to examine and audit such records at all reasonable times during normal business hours. TLO shall promptly refund to TRMC any amounts paid by TRMC in excess of amounts properly payable under the terms of the Agreement or any Trucking Service Order.

(h) Volume Losses: TLO shall have no obligation to measure volume gains and losses and shall have no liability whatsoever for physical losses incurred in the normal course of operations that may result from the handling and transporting of crude petroleum through trucks that TLO uses to perform Truck Gathering Services or from the Truck Unloading Facilities, except if such losses are caused by the gross negligence, willful misconduct or breach of this Agreement or any Trucking Service Order of TLO, its agents, employees or contractors, as further described in Section 12 herein.

8. SAFETY/PREVENTION

TLO agrees that transportation services provided hereunder or under any Trucking Service Order shall be conducted in a safe manner which meets or exceeds regulatory and industry standards for transportation of crude petroleum. TLO shall comply with all applicable federal, state, and local rules, regulations and orders as well as TRMC's rules, policies and procedures regarding safety, delivery, health, and fire protection. TLO shall only use vehicles under this Agreement and any Trucking Service Order that meet all requirements and standards promulgated by applicable regulatory authorities, including but not limited to, the Department of Transportation, the Occupational Safety and Health Administration, and the Environmental Protection Agency. TLO shall only use under this Agreement and any Trucking Service Order such employees that have been properly instructed, trained and certified as to the characteristics and safe loading, handling, hauling, delivery, and unloading methods associated with crude petroleum. TLO shall ensure that its employees comply with all safety rules to avoid, injury to workers and others, and damage to equipment and property.

9. ACCIDENT REPORTING/HAZARDOUS CONDITIONS

TLO shall use its best efforts to reduce and minimize accidents arising in connection with the services and shall promptly report to TRMC all accidents or occurrences resulting in injuries to the General Partner's employees or third parties and damage to TRMC's or third parties' property, arising out of or during the performance of services under this Agreement or any Trucking Service Order. All incidents such as spills, property damage or injury shall be immediately reported to the applicable Truck Unloading Facility's attendant and to CHEMTREC at 1-800-424-9300, Customer Number 22014. The numbers provided herein may be revised by TRMC and shall become effective upon notice to TLO. TLO shall provide TRMC a written incident report within twenty-four (24) hours of the accident or occurrence, followed promptly by any material information that becomes reasonably available to TLO with respect thereto. In the event there is a release of crude petroleum or damage to the environment, TLO shall clean up such spill and remediate such damage in accordance with Applicable Law, and if a Clean and Clear letter from the applicable oversight agency is provided to TLO, a copy of such Clean and Clear letter will be sent TRMC promptly after its receipt thereof. TLO shall inform TRMC of any notices, warnings, or asserted violations issued by any Governmental Authorities relative to any service performed by TLO pursuant to this Agreement

or any Trucking Service Order. In the event TLO becomes aware of any environmental, health or safety conditions that violate any Applicable Law or any other conditions concerning the Truck Unloading Facilities, any of TRMC's premises or facilities that create a hazardous condition, TLO shall immediately provide TRMC with telephonic notice at the numbers set forth herein, informing TRMC about the details of the condition.

TLO shall use its best efforts to prevent and minimize hazardous conditions arising as a result of its services hereunder. TLO shall clean up all crude petroleum spills if any, and debris originating from the transport truck before leaving the site. Upon request, TLO shall provide a copy of the applicable Spill Prevention and Response Plan specified in Section 10 below to TRMC, and TLO must meet minimum requirements for rapid response and short-term containment. If TRMC believes TLO does not respond in a proportionate and urgent manner to any type of hazard, TRMC may respond and any such response shall not be considered an act as a volunteer, and TLO will be liable for the cost of the TRMC response.

10. SPILL PREVENTION AND RESPONSE PLAN

TLO must have a written Spill Prevention and Response Plan for each Truck Unloading Facility and otherwise in accordance with 49 CFR Parts 130.1-130.33. TLO must provide TRMC with a copy of the written plan and a letter stating their employees have been properly trained in accordance with the plan and the above regulation.

11. INSURANCE

TLO shall, at its sole cost and expense, obtain and maintain in force during the Term, the insurance set forth on Exhibit B, and abide by the terms and conditions specified therein. Notwithstanding the foregoing, it is agreed and acknowledged by the Parties that the fees and other charges provided herein do not include any insurance on TRMC's crude petroleum while in the custody of TLO, which insurance will be the responsibility of TRMC. Except as otherwise specifically provided for in this Agreement, TLO shall not be responsible for any type of casualty or other loss to TRMC's crude petroleum.

12. INDEMNITY

(a) Notwithstanding anything else contained in this Agreement, TLO shall release, defend, protect, indemnify, and hold harmless TRMC from and against any and all demands, claims (including third-party claims), losses, costs, suits, or causes of action (including, but not limited to, any judgments, losses, liabilities, fines, penalties, expenses, interest, reasonable legal fees, costs of suit, and damages, whether in law or equity and whether in contract, tort, or otherwise) for or relating to: (i) personal or bodily injury to, or death of the employees of TRMC and, as applicable, its carriers, contractors, customers, representatives, and agents; (ii) loss of or damage to any property, products, material, and/or equipment belonging to TRMC and, as applicable, its carriers, customers, representatives, and agents, and each of their respective affiliates, contractors, and subcontractors (except for those volume losses provided for in Section 7); (iii) loss of or damage to any other property, products, material, and/or equipment of any other description (except for those volume losses provided for in Section 7), and/or personal or bodily injury to, or death of any other person or persons; and with respect to clauses (i) through (iii) above, which is caused by or resulting in whole or in part from the acts and omissions of TLO in connection with the ownership or operation of the trucking gathering and storage operations, the Truck Unloading Facilities or the Trucking Gathering Services provided hereunder, and, as applicable, its contractors, representatives, and agents, or those of their respective employees with respect to such matters; and (iv) any losses

incurred by TRMC due to violations of this Agreement by TLO, or, as applicable, its customers, representatives, and agents; PROVIDED THAT TLO SHALL NOT BE OBLIGATED TO INDEMNIFY OR HOLD HARMLESS TRMC FROM AND AGAINST ANY CLAIMS TO THE EXTENT THEY RESULT FROM THE BREACH OF CONTRACT, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF TRMC.

(b) Notwithstanding anything else contained in this Agreement, TRMC shall release, defend, protect, indemnify, and hold harmless TLO and, and each of its respective affiliates, officers, directors, shareholders, agents, employees, successors-in-interest, and assignees from and against any and all demands, claims (including third-party claims), losses, costs, suits, or causes of action (including, but not limited to, any judgments, losses, liabilities, fines, penalties, expenses, interest, reasonable legal fees, costs of suit, and damages, whether in law or equity and whether in contract, tort, or otherwise) for or relating to: (i) personal or bodily injury to, or death of the employees of TLO and, as applicable, its carriers, contractors, customers, representatives, and agents; (ii) loss of or damage to any property, products, material, and/or equipment belonging to TLO and, as applicable, its carriers, customers, representatives, and agents, and each of their respective affiliates, contractors, and subcontractors (except for those volume losses provided for in Section 7); (iii) loss of or damage to any other property, products, material, and/or equipment of any other description (except for those volume losses provided for in Section 7), and/or personal or bodily injury to, or death of any other person or persons; and with respect to clauses (i) through (iii) above, which is caused by or resulting in whole or in part from the acts and omissions of TRMC in connection with TRMC's and TRMC's customers' use of the trucking, gathering and storage operations, the Truck Unloading Facilities and the Trucking Gathering Services provided hereunder or TRMC's crude petroleum unloaded and stored hereunder, and, as applicable, its contractors, carriers, customers, representatives, and agents, or those of their respective employees with respect to such matters; and (iv) any losses incurred by TLO due to violations of this Agreement by TRMC, or, as applicable, its carriers, customers, representatives, and agents; PROVIDED THAT TRMC SHALL NOT BE OBLIGATED TO INDEMNIFY OR HOLD HARMLESS TLO FROM AND AGAINST ANY CLAIMS TO THE EXTENT THEY RESULT FROM THE BREACH OF CONTRACT, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF TLO.

13. LIMITATION ON LIABILITY

Notwithstanding anything to the contrary contained herein, neither Party shall be liable or responsible to the other Party or such other Party's affiliated Persons for any consequential, incidental, or punitive damages, or for loss of profits or revenues (collectively referred to as "special damages") incurred by such Party or its affiliated Persons that arise out of or relate to this Agreement, regardless of whether any such claim arises under or results from contract, tort, or strict liability; provided that the foregoing limitation is not intended and shall not affect special damages imposed in favor of unaffiliated Persons that are not Parties to this Agreement.

14. TERMINATION; RIGHT TO ENTER NEW AGREEMENT

(a) Termination for Default. A Party shall be in default under this Agreement if:

(i) the Party materially breaches any provision of this Agreement and such breach is not cured within fifteen (15) Business Days after notice thereof (which notice shall describe such breach in reasonable detail) is received by such Party; or

(ii) the Party (A) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any

bankruptcy, insolvency, reorganization or similar Applicable Law, or has any such petition filed or commenced against it, (B) makes an assignment or any general arrangement for the benefit of creditors, (C) otherwise becomes bankrupt or insolvent (however evidenced) or (D) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets.

If either of the Parties is in default as described above, then (i) if TRMC is in default, TLO may or (ii) if TLO is in default, TRMC may: (A) notwithstanding the terms of Section 3, terminate this Agreement upon notice to the defaulting Party; (B) withhold any payments due to the defaulting Party under this Agreement; and/or (C) pursue any other remedy at law or in equity.

(b) Right to Enter New Agreement. Upon termination of this Agreement for reasons other than (i) a default by TRMC, and (ii) any other termination of this Agreement initiated by TRMC pursuant to Section 16 or (iii) the expiration of the Term, TRMC shall have the right to require TLO to enter into a new trucking transportation services agreement with TRMC that (A) is consistent with the terms set forth in this Agreement, and (B) has commercial terms that are, in the aggregate, equal to or more favorable to TLO than fair market value terms as would be agreed by similarly-situated parties negotiating at arm's length; provided, however, that the term of any such new trucking transportation services agreement shall not extend beyond April 30, 2031.

15. FORCE MAJEURE

(a) As soon as possible upon the occurrence of a Force Majeure, TLO shall provide TRMC with written notice of the occurrence of such Force Majeure (a "Force Majeure Notice"). TLO shall identify in such Force Majeure Notice the approximate length of time that TLO reasonably believes in good faith such Force Majeure shall continue (the "Force Majeure Period").

(b) TLO's obligations may be temporarily suspended during the occurrence of, and for the entire duration of, a Force Majeure that prevents TLO from gathering the Minimum Volume Commitment hereunder and delivering such Minimum Volume Commitment into the High Plains System. If, for reasons of Force Majeure, TLO is prevented from gathering volumes equal to the full Minimum Volume Commitment, then TRMC's obligation to cause TLO to gather the Minimum Volume Commitment shall be reduced to the extent that TLO is prevented from gathering the full Minimum Volume Commitment. At such time as TLO is capable of gathering volumes equal to the Minimum Throughput Commitment, TRMC's obligation to ship the full Minimum Volume Commitment shall be restored.

16. SUSPENSION OF REFINERY OPERATIONS

(a) In the event that TRMC decides to permanently or indefinitely suspend refining operations at the Mandan Refinery for a period that shall continue for at least twelve (12) consecutive Months, TRMC may provide written notice to TLO of TRMC's intent to terminate this Agreement (the "Suspension Notice"). Such Suspension Notice shall be sent at any time after TRMC has publicly announced such suspension and, upon the expiration of the twelve (12) Month period following the date such notice is sent (the "Notice Period"), this Agreement shall terminate. If TRMC publicly announces, more than two (2) Months prior to the expiration of the Notice Period, its intent to resume operations at the Mandan Refinery, then the Suspension Notice shall be deemed revoked, and the applicable portion of this Agreement shall continue in full force and effect as if such Suspension Notice had never been delivered.

(b) If refining operations at the Mandan Refinery are suspended for any reason (including refinery turnaround operations and other scheduled maintenance), then TRMC shall remain liable for Quarterly Shortfall Payments under this Agreement for the duration of the suspension, unless and until this Agreement is terminated as provided above. TRMC shall provide at least thirty (30) days prior written notice of any suspension of operations at the Mandan Refinery due to a planned turnaround or scheduled maintenance.

17. COMPLIANCE WITH LAWS

(a) Both Parties, in carrying out the terms and provisions of this Agreement and any Trucking Service Order, shall comply with all present and future Applicable Laws of any Governmental Authority having jurisdiction.

(b) Prior to transporting any crude petroleum covered hereunder or under any Trucking Service Order, TLO shall make or cause to be made, the following certifications on the delivery receipt or bill of lading covering the crude petroleum received if required by 49 CFR 172.204, or such other certification(s) as may be required by applicable law:

“This is to certify that the above-named materials are properly classified, described, packaged, marked and labeled, and are in proper condition for transportation according to the applicable regulations of the Department of Transportation.

TLO hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specification and certifies that cargo tank is properly placarded and marked to comply with regulations pertaining to hazardous materials.”

(c) TLO shall secure and maintain current all required permits, licenses, certificates, and approvals for the services to be provided hereunder. TLO and any authorized subcontractors shall specifically comply with all Applicable Law.

18. GOVERNMENT REGULATION

(a) Crude Petroleum Certification. Each Party certifies that none of the crude petroleum covered by this Agreement will be produced or withdrawn from storage in violation of any Applicable Law.

(b) Applicable Law. The Parties are entering into this Agreement in reliance upon and shall fully comply with all Applicable Law which directly or indirectly affect the crude petroleum gathered hereunder, or any receipt, throughput, delivery, transportation, handling or storage of crude petroleum hereunder or the ownership, operation or condition of the gathering operation, trucks and truck unloading facilities. Each Party shall be responsible for compliance with all Applicable Laws associated with such Party’s respective performance hereunder and the operation of such Party’s facilities, and, including without limitation, any and all required certifications required by the Department of Transportation. In the event any action or obligation imposed upon a Party under this Agreement or any Trucking Service Order shall at any time be in conflict with any requirement of Applicable Law, then this Agreement and any applicable Trucking Service Order, shall immediately be modified to conform the action or obligation so adversely affected to the requirements Applicable Law, and all other provisions of the Agreement and any applicable Trucking Service Order shall remain effective.

(c) New Or Changed Applicable Law: If during the Term, any new Applicable Law becomes effective or any existing Applicable Law are or its interpretations is materially changed, which change is not addressed by another provision of this Agreement or a Trucking Service Order and has a material adverse economic impact upon a Party, either Party, acting in good faith, shall have the option to request renegotiation of the relevant provisions of this Agreement or a Trucking Service Order with respect to future performance. The Parties shall then meet and negotiate in good faith amendments to this Agreement or to an applicable Trucking Service Order that will conform this Agreement to the new Applicable Law while preserving the Parties' economic, operational, commercial and competitive arrangements in accordance with the understandings set forth herein.

19. ASSIGNMENT; PARTNERSHIP CHANGE OF CONTROL

(a) TRMC shall not assign any of its rights or obligations under this Agreement or any Trucking Service Order without TLO's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however: that TRMC may assign this Agreement or any Trucking Service Order without TLO's consent in connection with a sale by TRMC of the Mandan Refinery so long as the transferee: (i) agrees to assume all of TRMC's obligations under this Agreement and any applicable Trucking Service Order and (ii) is financially and operationally capable of fulfilling the terms of this Agreement and any applicable Trucking Service Order, which determination shall be made by TRMC in its reasonable judgment.

(b) TLO shall not assign any of its rights or obligations under this Agreement or any Trucking Service Order without TRMC's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however; that (i) TLO may assign this Agreement or any Trucking Service Order without TRMC's consent in connection with a sale by TLO of TLO's truck gathering operation so long as the transferee: (A) agrees to assume all of TLO's obligations under this Agreement and any applicable Trucking Service Order, (B) is financially and operationally capable of fulfilling the terms of this Agreement and any applicable Trucking Service Order, which determination shall be made by TLO in its reasonable judgment, and (C) is not a competitor of TRMC; and (ii) TLO shall be permitted to make a collateral assignment of this Agreement and any applicable Trucking Service Order solely to secure working capital financing for TLO.

(c) Any assignment that is not undertaken in accordance with the provisions set forth above shall be null and void ab initio. A Party making any assignment shall promptly notify the other Party of such assignment, regardless of whether consent is required. This Agreement and all Trucking Service Orders shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

(d) TRMC's obligations hereunder shall not terminate in connection with a Partnership Change of Control.

20. NOTICE

All notices, requests, demands, and other communications hereunder will be in writing and will be deemed to have been duly given: (i) if by transmission by facsimile or hand delivery, when delivered; (ii) by e-mail on the next business day after delivery, if receipt is confirmed, (iii) if mailed via the official governmental mail system, five (5) Business Days after mailing, provided said notice is sent first class, postage pre-paid, via certified or registered mail, with a return receipt requested; or (iv) if mailed by an internationally recognized overnight express mail service such as Federal Express,

UPS, or DHL Worldwide, one (1) Business Day after deposit therewith prepaid. All notices will be addressed to the Parties at the respective addresses as follows:

If to TRMC, to:

Tesoro Refining & Marketing Company LLC
19100 Ridgewood Parkway
San Antonio, Texas 78259

For Invoice Payment and Questions:

Attention: Crude Accounting
Fax: (210) 881-6435
Email: tsocrudeinvoices@tsocorp.com

For Legal Notices:

Attention: Commercial-Legal Dept.
Email: Commercial-Legal@tsocorp.com

For Contract Administration:

Attention: Contracts Administrator - Third Party Logistics
Phone: (210) 626-6876
Email: Anahi.G.Covarrubias@tsocorp.com

For all Other Notices and Communications:

Attention: Damon M. Van Zandt - Senior Director Trading,
Mid Con & CAM
Phone: (210) 626-4069
Email: Damon.M.VanZandt@tsocorp.com

With copy to: John Tsouvalas, Third Party Logistics Director
Phone: (210) 626-4282
Email: John.Tsouvalas@tsocorp.com

If to TLO, to:

Tesoro Logistics Operations LLC
19100 Ridgewood Parkway
San Antonio, Texas 78259

With a copy to:

Logistics Contract Administration
19100 Ridgewood Pkwy
San Antonio, TX 78259
E-mail: logcontractadmin@tsocorp.com

For legal notices:

Attention: General Counsel
fax: (210) 745-4649

with a copy to: logisticslegal@tsocorp.com

or to such other address or to such other person as either Party will have last designated by notice to the other Party.

21. CONFIDENTIAL INFORMATION

(a) Obligations. Each Party shall use reasonable efforts to retain the other Parties' Confidential Information in confidence and not disclose the same to any third party nor use the same, except as authorized by the disclosing Party in writing or as expressly permitted in this Section 21. Each Party further agrees to take the same care with the other Party's Confidential Information as it does with its own, but in no event less than a reasonable degree of care. Excepted from these obligations of confidence and non-use is that information which:

(i) is available, or becomes available, to the general public without fault of the receiving Party;

(ii) was in the possession of the receiving Party on a non-confidential basis prior to receipt of the same from the disclosing Party (it being understood, for the avoidance of doubt, that this exception shall not apply to information of TRMC that was in the possession of TLO or any of its Affiliates as a result of their ownership or operation of the TRMC's logistics assets prior to the Effective Date);

(iii) is obtained by the receiving Party without an obligation of confidence from a third party who is rightfully in possession of such information and, to the receiving Party's knowledge, is under no obligation of confidentiality to the disclosing Party; or

(iv) is independently developed by the receiving Party without reference to or use of the disclosing Party's Confidential Information.

For the purpose of this Section 21, a specific item of Confidential Information shall not be deemed to be within the foregoing exceptions merely because it is embraced by, or underlies, more general information in the public domain or in the possession of the receiving Party.

(b) Required Disclosure. Notwithstanding Section 21(a) above, if the receiving Party becomes legally compelled to disclose the Confidential Information by a court, Governmental Authority or Applicable Law, or is required to disclose by the listing standards of the New York Stock Exchange, any of the disclosing Party's Confidential Information, the receiving Party shall promptly advise the disclosing Party of such requirement to disclose Confidential Information as soon as the receiving Party becomes aware that such a requirement to disclose might become effective, in order that, where possible, the disclosing Party may seek a protective order or such other remedy as the disclosing Party may consider appropriate in the circumstances. The receiving Party shall disclose only that portion of the disclosing Party's Confidential Information that it is required to disclose and shall cooperate with the disclosing Party in allowing the disclosing Party to obtain such protective order or other relief.

(c) Return of Information. Upon written request by the disclosing Party, all of the disclosing Party's Confidential Information in whatever form shall be returned to the disclosing Party upon termination of this Agreement or destroyed with such destruction certified by the receiving Party, without the receiving Party retaining copies thereof except that one copy of all such Confidential Information may be retained by a Party's legal department solely to the extent that such Party is required to keep a copy of such Confidential Information pursuant to Applicable Law, and the receiving Party shall be entitled to retain any Confidential Information in the electronic form or stored on automatic computer back-up archiving systems during the period such backup or archived materials are retained under such Party's customary procedures and policies; provided, however, that any Confidential Information retained by the receiving Party shall be maintained subject to confidentiality pursuant to the terms of this Section 21, and such archived or back-up Confidential Information shall not be accessed except as required by Applicable Law.

(d) Receiving Party Personnel. The receiving Party will limit access to the Confidential Information of the disclosing Party to those of its employees, attorneys and contractors that have a need to know such information in order for the receiving Party to exercise or perform its rights and obligations under this Agreement (the "Receiving Party Personnel"). The Receiving Party Personnel who have access to any Confidential Information of the disclosing Party will be made aware of the confidentiality provision of this Agreement, and will be required to abide by the terms thereof. Any third party contractors that are given access to Confidential Information of a disclosing Party pursuant to the terms hereof shall be required to sign a written agreement pursuant to which such Receiving Party Personnel agree to be bound by the provisions of this Agreement, which written agreement will expressly state that it is enforceable against such Receiving Party Personnel by the disclosing Party.

(e) Survival. The obligation of confidentiality under this Section 21 shall survive the termination of this Agreement for a period of two (2) years.

22. MISCELLANEOUS

(a) Modification; Waiver. This Agreement and any Trucking Service Order may be terminated, amended or modified only by a written instrument executed by the Parties. Any of the terms and conditions of this Agreement and any Trucking Service Order may be waived in writing at any time by the Party entitled to the benefits thereof. No waiver of any of the terms and conditions of this Agreement or any Trucking Service Order, or any breach thereof, will be effective unless in writing signed by a duly authorized individual on behalf of the Party against which the waiver is sought to be enforced. No waiver of any term or condition or of any breach of this Agreement or any Trucking Service Order will be deemed or will constitute a waiver of any other term or condition or of any later breach (whether or not similar), nor will such waiver constitute a continuing waiver unless otherwise expressly provided.

(b) Entire Agreement. This Agreement, together with the Schedules, Exhibits and Trucking Service Orders, constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

(c) Governing Law; Jurisdiction. This Agreement and any Trucking Service Order shall be governed by the laws of the State of Texas without giving effect to its conflict of laws principles. Each Party hereby irrevocably submits to the exclusive jurisdiction of any federal court of competent jurisdiction situated in the United States District Court for the Western District of Texas, San Antonio Division, or if such federal court declines to exercise or does not have

jurisdiction, in the district court of Bexar County, Texas. The Parties expressly and irrevocably submit to the jurisdiction of said Courts and irrevocably waive any objection which they may now or hereafter have to the laying of venue of any action, suit or proceeding arising out of or relating to this Agreement or any Trucking Service Order brought in such Courts, irrevocably waive any claim that any such action, suit or proceeding brought in any such Court has been brought in an inconvenient forum and further irrevocably waive the right to object, with respect to such claim, action, suit or proceeding brought in any such Court, that such Court does not have jurisdiction over such Party. The Parties hereby irrevocably consent to the service of process by registered mail, postage prepaid, or by personal service within or without the State of Texas. Nothing contained herein shall affect the right to serve process in any manner permitted by law.

(d) Counterparts. This Agreement and any Trucking Service Order may be executed in one or more counterparts (including by facsimile or portable document format (pdf)) for the convenience of the Parties hereto, each of which counterparts will be deemed an original, but all of which counterparts together will constitute one and the same agreement.

(e) Severability. Whenever possible, each provision of this Agreement and any Trucking Service Order will be interpreted in such manner as to be valid and effective under applicable law, but if any provision of this Agreement, any Trucking Service Order or the application of any such provision to any Person or circumstance will be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision hereof, and the Parties will negotiate in good faith with a view to substitute for such provision a suitable and equitable solution in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid, illegal or unenforceable provision.

(f) No Third Party Beneficiaries. It is expressly understood that the provisions of this Agreement and any Trucking Service Order do not impart enforceable rights in anyone who is not a Party or successor or permitted assignee of a Party.

(g) WAIVER OF JURY TRIAL. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDING RELATING TO THIS AGREEMENT, ANY TRUCKING SERVICE ORDER OR ANY PERFORMANCE OR FAILURE TO PERFORM ANY OBLIGATION HEREUNDER.

(h) Schedules and Exhibits. Each of the Schedules, Exhibits and Trucking Service Orders attached hereto and referred to herein is hereby incorporated in and made a part of this Agreement as if set forth in full herein.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first written above.

TESORO REFINING & MARKETING COMPANY LLC

By: _____

TESORO LOGISTICS OPERATIONS LLC

By: _____

*Signature Page to
Renewal Trucking Transportation Services Agreement*

SCHEDULE I

TLO Truck Unloading Facilities

<u>Location</u>	<u>Storage Tanks</u>
Putnam	Three 400 bbl tanks
Sidney	Two 400 bbl tanks
Alexander	Two 400 bbl tanks
Cartwright	One 5,000 bbl tank
Treetop	Three 400 bbl tanks
Little Knife	One 10,000 bbl tank
Connolly	Four 400 bbl tanks
Keene	Two Lane unloading facility
Blue Buttes	Three 400 bbl tanks
Tioga	Three 400 bbl tanks
Lignite	Three 400 bbl tanks
Charlson	Three 400 bbl tank

Schedule I

EXHIBIT A
FORM OF TRUCKING SERVICE ORDER

TRUCKING SERVICE ORDER PURSUANT TO the Renewal Trucking Transportation Services Agreement

This Trucking Service Order is entered as of ____, 20__, by and between Tesoro Logistics Operations LLC, a Delaware limited liability company (“TLO”), and Tesoro Refining & Marketing Company LLC, a Delaware limited liability company (“TRMC”), pursuant to and in accordance with the terms of the Renewal Trucking Transportation Services Agreement dated as of _____, between such parties (the “Agreement”).

Capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

Pursuant to Section 5 of the Agreement, the parties hereto agree to the following provisions:

[Insert applicable provisions:

- (i) any additional or ancillary Truck Gathering Services;**
- (ii) the amount of requested Excess Volumes**
- (iii) the tank usage rate for all Barrels unloaded from trucks into TLO’s Truck Unloading Facilities, subject to adjustment as set forth in this Agreement or any Trucking Service Order (“Tank Usage Rate”);**
- (iv) Trucking Rates to be paid by TRMC, including the applicable dispatch fee and minimum rate components thereof, subject to adjustment as set forth in this Agreement or any Trucking Service Order (“Trucking Rate”);**
- (v) Quarterly rate adjustments in excess of those in Section 5(e) and the annual agreement upon five third party carriers;**
- (vi) Additional receipt and delivery locations mutually agreed upon between the Parties.

Other:]

Except as set forth in this Trucking Service Order, the other terms of the Agreement shall continue in full force and effect and shall apply to the terms of this Trucking Service Order.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Trucking Service Order as of the date first written above.

TESORO REFINING & MARKETING COMPANY LLC

By: _____
Name
Title

TESORO LOGISTICS OPERATIONS LLC

By: _____
Name
Title

EXHIBIT B

Section 11 Insurance Requirements

At all times during the Term and for a period of two (2) years after termination of this Agreement for any coverage maintained on a "claims-made" basis, TLO and/or any of its third party carriers (if applicable) ("Carrier") shall maintain at their expense the below listed insurance in the amounts specified below which are minimum requirements. TLO shall require that Carrier cause all of its contractors providing authorized drivers or authorized vehicles, to carry such insurance, and TLO shall be liable to TRMC for their failure to do so. Such insurance shall provide coverage to TRMC and such policies, other than Worker's Compensation Insurance, shall include TRMC as an additional insured. Each policy shall provide that it is primary to and not contributory with any other insurance, including any self-insured retention, maintained by TLO (which shall be excess) and each policy shall provide the full coverage required by this Agreement. All such insurance shall be written with carriers and underwriters acceptable to TRMC, and eligible to do business in the states where the gathering operations are located and having and maintaining an A.M. Best financial strength rating of no less than "A-" and financial size rating no less than "VII"; provided that TLO and/or the Carrier may procure worker's compensation insurance from the state fund of the state where the gathering operations are located.

- (i) Workers Compensation and Occupational Disease Insurance which fully complies with Applicable Law of the state where the gathering operations are located, in limits not less than statutory requirements;
 - (ii) Employers Liability Insurance with a minimum limit of \$1,000,000 for each accident, covering injury or death to any employee which may be outside the scope of the worker's compensation statute of the jurisdiction in which the worker's service is performed, and in the aggregate as respects occupational disease;
 - (iii) Commercial General Liability Insurance, including contractual liability insurance covering Carrier's indemnity obligations under this Agreement, with minimum limits of \$1,000,000 combined single limit per occurrence for bodily injury and property damage liability, or such higher limits as may be required by TRMC or by Applicable Law from time to time. This policy shall include Broad Form Contractual Liability insurance coverage which shall specifically apply to the obligations assumed in this Agreement by TLO;
 - (iv) Automobile Liability Insurance covering all owned, non-owned and hired vehicles, with minimum limits of \$1,000,000 combined single limit per occurrence for bodily injury and property damage liability, or such higher limit(s) as may be required by TLO or by Applicable Law from time to time. Coverage must assure compliance with Sections 29 and 30 of the Motor Carrier Act of 1980 and all applicable rules and regulations of the Federal Highway Administration's Bureau of Motor Carrier Safety and Interstate Commerce Commissioner (Form MCS 90 Endorsement). Limits of liability for this insurance must be in accordance with the financial responsibility requirement of the Motor Carrier Act, but not less than \$1,000,000 per occurrence;
 - (v) Excess (Umbrella) Liability Insurance with limits not less than \$4,000,000 per occurrence. Additional excess limits may be utilized to supplement inadequate limits in the primary policies required in items (ii), (iii), and (iv) above;
-

(vi) Pollution Legal Liability with limits not less than \$25,000,000 per loss with an annual aggregate of \$25,000,000. Coverage shall apply to bodily injury and property damage including loss of use of damaged property and property that has not been physically injured; clean up costs, defense, including costs and expenses incurred in the investigation, defense or settlement of claim; and

(vii) Property Insurance, with a limit of no less than \$1,000,000, which property insurance shall be first-party property insurance to adequately cover TLO's owned property; including personal property of others.

(b) All such policies must be endorsed with a Waiver of Subrogation endorsement, effectively waiving rights of recovery under subrogation or otherwise, against TRMC, and shall contain where applicable, a severability of interest clause and a standard cross liability clause.

(c) Upon execution of this Agreement and prior to the operation of any equipment by TLO, Carrier or its authorized drivers, TLO and/or Carrier will furnish to TRMC, and at least annually thereafter (or at any other times upon request by TRMC) during the Term (and for any coverage maintained on a "claims-made" basis, for two (2) years after the termination of this Agreement), insurance certificates and/or certified copies of the original policies to evidence the insurance required herein, including on behalf of Carrier's contractors providing authorized vehicles or authorized drivers. Such certificates shall be in the form of the "Accord" Certificate of Insurance, and reflect that they are for the benefit of TRMC and shall provide that there will be no material change in or cancellation of the policies unless TRMC is given at least thirty (30) days prior written notice. Certificates providing evidence of renewal of coverage shall be furnished to TRMC prior to policy expiration.

(d) TLO and/or Carrier shall be solely responsible for any deductibles or self-insured retention.

**CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Gregory J. Goff, certify that:

1. I have reviewed this quarterly Report on Form 10-Q of Andeavor Logistics LP;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

/s/ GREGORY J. GOFF

Gregory J. Goff

Chief Executive Officer of Tesoro Logistics GP, LLC
(the general partner of Andeavor Logistics LP)

**CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Steven M. Sterin, certify that:

1. I have reviewed this quarterly Report on Form 10-Q of Andeavor Logistics LP;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

/s/ STEVEN M. STERIN

Steven M. Sterin

Chief Financial Officer of Tesoro Logistics GP, LLC
(the general partner of Andeavor Logistics LP)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Andeavor Logistics LP (the "Partnership") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory J. Goff, Chief Executive Officer of Tesoro Logistics GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ GREGORY J. GOFF

Gregory J. Goff

Chief Executive Officer of Tesoro Logistics GP, LLC
(the general partner of Andeavor Logistics LP)

August 9, 2017

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Andeavor Logistics LP (the "Partnership") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven M. Sterin, Chief Financial Officer of Tesoro Logistics GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ STEVEN M. STERIN

Steven M. Sterin

Chief Financial Officer of Tesoro Logistics GP, LLC
(the general partner of Andeavor Logistics LP)

August 9, 2017

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.