

TESORO HIGH PLAINS PIPELINE LLC
Open Season Notice
Connolly Gathering System Expansion
Dated: November 16, 2021

I. Binding Open Season

On November 16, 2021, Tesoro High Plains Pipeline LLC (“THPP”) issued a press release announcing a proposed expansion of its Connolly Gathering System, which is located in Dunn County, North Dakota (“Connolly Gathering System”). The Connolly Gathering System currently gathers crude oil from various points for delivery to a central delivery point at THPP’s existing Connolly Station, subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”). The proposed expansion capacity would provide similar gathering services on the Connolly Gathering System, but from new origin points, which would be agreed upon by THPP and its shippers (“Expansion Capacity”).

THPP will conduct a binding open season (“Open Season”) that will provide interested parties the opportunity to make term and volume commitments for transportation on the Expansion Capacity. In addition, interested shippers will also have the opportunity to make term and volume commitments for transportation on an already operational tranche of expansion capacity on the Connolly Gathering System that THPP first made available to potential shippers in an open season held in 2014 (“Base Expansion Capacity”). THPP is allowing commitments to be made on the Base Expansion Capacity because the obligations and requirements of the transportation services agreements currently governing this capacity have been nearly fulfilled; therefore, THPP would like to offer new terms of service for movements on this capacity to all interested parties to replace these existing transportation services agreements. THPP will combine the Base Expansion Capacity and Expansion Capacity together for purposes of accepting commitments (collectively,

this combined capacity will be the “Available Expansion Capacity”), and the same terms of service and commitment details will apply to both sets of expansion capacity.

The Open Season will commence at 8:00 a.m. Mountain Time on November 16, 2021 and will end at 5:00 p.m. Mountain Time on December 15, 2021 (“Open Season Period”). Interested parties should submit their binding bids for transportation service on the Available Expansion Capacity by completing and executing a transportation services agreement (“TSA”) in accordance with Section III(B) herein and sending it to THPP no later than the close of the Open Season Period: 5:00 p.m. Mountain Time on December 15, 2021. The initial form of the TSA will be made available to interested parties upon the execution of a Confidentiality Agreement in a manner satisfactory to THPP.

If a shipper who made a prior commitment on the Base Expansion Capacity (“Original Committed Shipper”) wants to participate in the Open Season, then it will be required to execute an amended and restated transportation services agreement that will be in substantially similar form to the TSA provided to all other interested shippers. As noted in Section II (F), an Original Committed Shipper is not automatically entitled to receive its original volume commitment if it participates in the Open Season; rather, it will be subject to allocation, including with respect to its original commitment on the Base Expansion Capacity, like all other interested shippers should THPP receive commitments during the Open Season that exceed the Committed Shipper Capacity (as such term is defined below).

II. Proposed Terms

THPP has highlighted some of the main terms of the TSA below. Potential shippers should review the TSA for a complete listing of all of the terms related to the Available Expansion Capacity.

A. Overview

The Open Season provides potential shippers with the opportunity to make long-term volume commitments on up to 90 percent of the Available Expansion Capacity (“Committed Shipper Capacity”). THPP will reserve at least 10 percent of the Available Expansion Capacity (“Uncommitted Capacity”) for uncommitted shippers that elect to make timely monthly nominations (“Uncommitted Shippers”). Uncommitted Shippers are shippers who do not make volume or term commitments and are not required to sign a binding TSA.

Potential shippers should note that because of the nature of a gathering system (*i.e.*, the system is comprised of numerous, small diameter lateral pipeline segments that originate at well pads and tie into a central mainline segment or segments), the Uncommitted Capacity will be made available to Uncommitted Shippers on the mainline segment of the Connolly Gathering System that extends to Connolly Station. Although it is possible that there will be capacity available for Uncommitted Shippers on the various lateral segments of the system that tie-into the mainline segment, THPP cannot guarantee that there will always be 10 percent available on every lateral. Rather, the availability of each lateral’s capacity will vary by month, depending upon the production that is being delivered to the system from the various well connections that are tied into that lateral.

B. Volume Commitment & Acreage Dedication

Each shipper making a term and volume commitment during the Open Season (“Committed Shipper”) must agree to ship a specified volume of crude oil (“Volume Commitment”) each year from one of the origin points of the Available Expansion Capacity to the destination point(s) of the Available Expansion Capacity, at the premium rate applicable to the Committed Shipper (“Committed Rate”), pursuant to the terms of the Committed Shipper’s Final

TSA.¹ THPP is willing to accept various volume commitment levels in the TSA, but Committed Shippers must make a minimum Volume Commitment of at least 5,000 barrels per day, on an annualized basis, in order to participate in the Open Season.

Committed Shipper Capacity will not be subject to prorationing except in events of force majeure or other operational disruptions; in exchange for receiving this priority service, Committed Shippers will pay a premium rate as compared to the rate applicable to similarly-situated Uncommitted Shippers. If a Committed Shipper fails to ship its Volume Commitment during any given year during the term of the TSA, the Committed Shipper must make a shortfall payment to THPP for the difference between the volume of crude oil tendered by the Committed Shipper during the year and the Committed Shipper's annual Volume Commitment for such period. The TSA also provides each Committed Shipper the right to increase its Volume Commitment up to 25% each month and to receive priority service on such increased commitment.

In addition to making a Volume Commitment, a Committed Shipper must also dedicate to THPP for transportation on the Available Expansion Capacity during the term of the TSA all of the crude oil that it or its affiliates produce from wells located in Dunn County, North Dakota, or from wells located on lands pooled, unitized or communitized with any portion of the lands located in Dunn County. The details regarding this dedication are set forth in the TSA.

C. Committed Rates

A series of Committed Rates will be available to shippers during the Open Season, with the rate that is applicable to each Committed Shipper being dependent upon the level of the Committed Shipper's Volume Commitment and the expansion facilities necessary to connect the Shipper's production sites to THPP's system. Therefore, any party that is interested in making a

¹ Final TSA has the meaning ascribed to it in Section IV(B) of this Open Season Notice.

commitment during the Open Season must provide THPP sufficient information regarding the acreage it owns or controls in Dunn County (where the Connolly Gathering System is located), as well as its proposed volume commitment, to allow THPP to calculate the Committed Rate that would be applicable to the shipper. Examples of the information that THPP may ask a potential shipper to provide during the Open Season to make this determination include: (i) the potential shipper's estimated crude oil production levels for the acreage that the potential shipper owns or controls in Dunn County, (ii) GIS shape files for such acreage, (iii) a complete list and legal description of all oil and gas leases covering any of such acreage that are owned by the potential shipper and/or its affiliates, along with the lease expiry dates, gross and net acres for such leases, (iii) reserve studies and type curves, if available, for wells within the acreage that are within the potential shipper's possession or control, and (iv) a projected rig count and spud to sales timing or a drilling schedule for the acreage.

Each Committed Rate that is established in a TSA will be a premium rate as compared to the rate that is applicable to the rate for a similarly-situated Uncommitted Shipper. THPP will have the right each year during the term of the TSA to adjust the Committed Rates by the FERC Index. The TSA also provides for a reduction of the Committed Rate applicable to a Committed Shipper during the term of the TSA should the Committed Shipper ship more than a specified level of volumes.

D. Term.

The primary term of the TSA will extend ten (10) years from the Commencement Date, which is projected to be January 1, 2022 ("Primary Term"). Each Committed Shipper will then have the ability to extend the Primary Term of the TSA in accordance with the extension rights specified in the TSA.

E. Expansion and Extension Rights.

The TSA provides that if THPP decides to proceed with an expansion or extension of the Pipeline during the term of the TSA, whether of its own accord or in response to a request from a Committed Shipper, THPP will provide all Committed Shippers a first right to submit binding nominations to ship, or otherwise pay for, a committed volume of crude oil on the expansion/extension capacity, without first holding an open season for such capacity. The amount of the expansion/extension capacity that will be available for volume commitments by Committed Shippers in such an event will not exceed ninety percent (90%) of the total available expansion/extension capacity.

The TSA also specifies that a Committed Shipper can request that THPP make modifications to the design of the Available Expansion Capacity that vary from the agreed upon design in the TSA, and that if THPP agrees to such changes, the Committed Shipper can then choose to directly reimburse THPP for such modifications.

F. Allocation of Committed Shipper Capacity During the Open Season

Committed Shipper Capacity will be awarded to potential Committed Shippers from the highest net present value (“NPV”) to the lowest NPV, based on the volume, term and rate election in each Committed Shipper’s Final TSA.² A subscription for Committed Shipper Capacity with a higher NPV will have priority over subscription(s) with a lower NPV. If two or more potential Committed Shippers have the same NPV and should there be insufficient Committed Shipper Capacity to meet such requests, such shippers will receive their pro rata share of the remaining

$$NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t}$$

² The NPV formula is: $NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t}$, where NPV is the summation of the cash value of the contract commitment (“C”) in each given time period (“t”) discounted over the term of the TSA by the assumed discount rate (“r”). For this Open Season, the discount rate is assumed to be 8%.

capacity. An Original Committed Shipper will not be entitled to any sort of preference over other potential Committed Shippers during this allocation process.

III. Open Season Process

A. Open Season Documents

Potential Committed Shippers who sign the Confidentiality Agreement will be provided a copy of the TSA and the pro forma Rules and Regulations Tariffs (“Open Season Documents”). THPP will inform prospective shippers of the availability of any additional information regarding or changes to the Open Season process or the Open Season Documents by e-mailing the potential shippers that have received the Open Season Documents.

B. TSA Comment Period

Potential Committed Shippers may provide comments to THPP on the terms and conditions of the TSA, provided that such comments are received on or before November 30, 2021. Following receipt of any such comments, THPP will, in its sole discretion, decide whether to revise the TSA to reflect any of the comments. If THPP does decide to revise the TSA to reflect any such comments, then THPP will, no later than December 9, 2021, forward a TSA that has been updated to reflect any changes made during the Open Season Period (“Final TSA”) to all parties that have executed the Confidentiality Agreement. Any changes or modifications to the Final TSA by a potential Committed Shipper may, at THPP’s election, preclude that shipper’s ability to be allocated capacity under this Open Season process.

C. Binding Commitment Process

Potential Shippers that wish to become Committed Shippers must complete, execute, and submit two copies of a Final TSA no later than 5:00 p.m. Mountain Time on December 15, 2021, via hand delivery, courier, or e-mail to:

MPLX LP
Tesoro High Plains Pipeline Company LLC
Attn: Katie Ranucci, Law Department
1515 Arapahoe Street
Tower 1, Suite 1600
Denver, CO 80202
Email: KRanucci@marathonpetroleum.com

THPP reserves the right to reject any Final TSA that is not received on or before 5:00 p.m. Mountain Time on December 15, 2021. THPP also reserves the right to reject any and all Final TSAs that do not satisfy the requirements set forth in this Open Season Notice. Without limiting the foregoing and in order to ensure that all potential Committed Shippers are presented the same terms and conditions in the Final TSA, THPP may reject any Final TSA that is incomplete, is inconsistent with the terms and conditions outlined in this Open Season Notice, contains additional or modified terms, or is otherwise deficient in any respect.

Submission of an executed Final TSA constitutes a firm offer by a potential Committed Shipper to enter into a binding TSA and shall be non-revocable. By executing and submitting a Final TSA to THPP, the potential Committed Shipper represents that it has management approval to enter into a binding Final TSA.

Once THPP receives all the Final TSAs, THPP will, if necessary, award capacity to potential Committed Shippers in accordance with the methodology set forth in Section II(F) herein. Following that process, THPP will revise the Volume Commitment set forth in each potential Committed Shipper's Final TSA to reflect the priority capacity actually awarded to each potential Committed Shipper and will thereafter indicate its acceptance of the Final TSA by executing both copies and returning one copy to the shipper. Once executed and delivered by THPP, the Final TSA shall constitute a binding agreement, subject to its terms and conditions at the time of receipt.

If a submitted Final TSA has not been executed by THPP and returned to the potential Committed Shipper within a reasonable time following the end of the Open Season Period, the

submitted Final TSA shall become null and void, and any rights or obligations relating to the Available Expansion Capacity on the part of the Committed Shipper and THPP shall be extinguished. If THPP decides not to proceed with development of the Expansion Capacity or the reoffering of the Base Expansion Capacity pursuant to the terms set forth in the Final TSA, THPP shall notify potential Committed Shippers of such determination. In the event of such a determination, all submitted Final TSAs shall become null and void.

IV. Credit Requirements

As further specified in the TSA, each potential Committed Shipper shall provide financial data sufficient for THPP, in its sole discretion, to ascertain the potential Committed Shipper's credit-worthiness and, if THPP so determines, it may request financial assurance(s) from the potential Committed Shipper, which may be in the form of a letter of credit or a guaranty agreement, or such other security as may be acceptable to THPP.

V. Limitations and Reservations

The Available Expansion Capacity is subject to revision after the conclusion of the Open Season Period. Prior to the time that all Final TSAs are returned to THPP by prospective Committed Shippers and they have been fully executed by both the Committed Shippers and THPP, THPP further reserves the right, in its sole discretion, to (1) modify any of the Open Season materials, including the Committed Shipper Rate, if necessary, as indicated by economic, engineering design, environmental, legal, or other factors, or (2) decide not to proceed with the transportation service commitment terms offered in the TSA and the Open Season. In such an event, THPP will notify all interested shippers as soon as reasonably practicable.

These Open Season procedures, this Notice and the other Open Season Documents are informal marketing documents, and they establish no contractual relationship between or among THPP or any of its affiliates and any party who receives them. These procedures are intended to

be used solely for the project discussed herein and are not intended to be in lieu of the requirements of FERC or any applicable federal and state laws.

VI. Conclusion

If you should have questions or comments regarding the Open Season, project timing, the configuration of the Available Expansion Capacity, or commitment options related thereto, please feel free to contact Bruce Eldridge at BCeldredge@marathonpetroleum.com or (210) 626-6226 at any time.

Disclaimer

This notification along with related Open Season materials is provided for informational purposes only. Notwithstanding anything contained herein to the contrary, this notification, the TSA and the Open Season conducted by THPP are not intended to constitute, nor shall they be construed to constitute, an offer or any binding obligation whatsoever on THPP to proceed with the Expansion Capacity or the offering of the Available Expansion Capacity contemplated by the Open Season until THPP has executed and delivered a fully executed Final TSA to an interested shipper. THPP reserves the right, in its sole discretion, to modify, terminate or extend the Open Season, in whole or in part, including without restriction any ensuing discussions among the parties at any time, without advance notice. THPP further reserves the right to modify or supplement any of the documents associated with the Open Season without notice.

Under no circumstances shall THPP or any of its affiliated companies or any of their respective directors, officers, employees, agents, attorneys, advisers and representatives be responsible for any costs or expenses incurred by any recipient or for any other liability, howsoever arising, incurred by any recipient, in each case, in connection with any investigation or evaluation of the Available Expansion Capacity.