

# Dakota Energy Connection, LLC

## DAKOTA CONNECTION PIPELINE ADDITIONAL ORIGATION POINTS PROJECT

### SUPPLEMENTAL OPEN SEASON NOTICE

June 30, 2015

#### I. BACKGROUND

On January 2, 2015, Dakota Midstream, LLC (“Dakota Midstream”), the parent of Dakota Energy Connection, LLC (“Dakota Connection”) initiated an Open Season for the planned construction of a new crude oil gathering pipeline system (the “Dakota Connection Pipeline”) to gather crude oil from Origination Points in McKenzie County, N.D., set forth in the Open Season Notice to Destination Points in McKenzie County, N.D. As indicated in the original Open Season Notice, Dakota Midstream had executed a precedent agreement with an unaffiliated committed firm shipper which serves as the basis for the Transportation Service Agreement and Rates proposed in that Binding Open Season Notice. That precedent agreement was subsequently assigned to Dakota Connection and the contractual arrangements with the Anchor Shipper for Committed Firm Service on the Dakota Connection Pipeline at an agreed-upon rate were finalized. On March 23, 2015, Dakota Connection filed its FERC Oil Tariffs under the Interstate Commerce Act (“ICA”) with the Federal Energy Regulatory Commission (“FERC”), and the Tariffs became fully effective on April 29, 2015.

Thereafter, Dakota Connection negotiated additional Origination Points for inclusion under the Anchor Shipper’s Crude Oil Transportation Service Agreement, as well as a revised single postage-stamp rate for Committed Firm Service from both the original and the additional Origination Points.

The purpose of this supplemental Open Season is to invite additional shippers who desire crude oil transportation service from the additional Origination Points at the agreed-upon rates to contract for service on non-discriminatory terms.

#### B. ADDITIONAL ORIGATION POINTS

The additional Origination Points covered by this Open Season Notice are the following:

Additional Origination Point	Location
OP10	SE/4 of SW/4 of Section 10, T149N, R102W
OP12	SE/4 of SW/4 of Section 8, T149N, R102W
OP13	NE/4 of NW/4 of Section 25, T149N, R102W
OP14	SE/4 of SE/4 of Section 32, T149N, R102W

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Additional Origination Point	Location
OP16	SE/4 of SW/4 of Section 8, T148N, R102W

The Destination Points remain unchanged:

Destination Point	Location
DP-1	N/2 Section 16, T149N-R102W
DP-2	N/2 Section 30, T149N-R101W

**C. OPEN SEASON**

Because this is a supplemental Open Season, Dakota Connection proposes to conduct the Open Season in part during the period that proposed tariff modifications to implement the additional Origination Points and revised rates are pending at FERC. The supplemental Open Season will commence on June 30, 2015 and will end at 5:00 p.m. Central Time on July 30, 2015 (“Supplemental Open Season Period”). Interested parties should submit their binding bids for transportation service on the Dakota Connection Pipeline from the additional Origination Points by completing the pro forma TSA in accordance with this Notice and sending it to Dakota Connection no later than the close of the Supplemental Open Season Period.

**II. COMMITMENT OPTIONS AND RATES**

**A. TRANSPORTATION SERVICES**

Dakota Connection is offering Committed Firm Service applicable to the additional Origination Points. Consistent with the common carriage requirements of the Interstate Commerce Act (“ICA”), Dakota Connection is also offering to reserve at least ten percent (10%) of the capacity on the Project from the additional Origination Points for shippers who are not Committed Shippers (“Uncommitted Shippers”). A detailed description of the proposed services may be found in Dakota Midstream’s original Open Season Notice (available on Dakota Midstream’s web site) or Dakota Connection’s ICA Oil Tariffs on file with the FERC.

**B. RATES**

The Committed Firm Service Rate paid by Committed Firm Shippers shall be a negotiated rate that is greater than the rate paid by Uncommitted Shippers (the “Uncommitted Rate”). The proposed Committed Firm Service Rates and respective minimum Committed Quantity are set forth in the table of Committed Service Rates below.

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COMMITTED SERVICE RATES (PER BBL)				
Committed Service	< 15-Year Term		15-Year Term	
	< 8,000 Bbl/d	≥ 8,000 Bbl/d	< 8,000 Bbl/d	≥ 8,000 Bbl/d
<b>Firm</b>	\$1.31	\$1.26	\$1.26	\$1.21

**3. Rate Adjustments**

Based upon final construction costs, the proposed rates are likely to be subject to adjustment in the Fourth Quarter of 2015 pursuant to a rate adjustment mechanism in the TSA.

Future Committed Service Rates will be subject to adjustment based on the FERC Oil-Pipeline Index commencing with calendar year 2020, and annually thereafter. If there is a decrease in the referenced Index, the Committed Rates will not be reduced, but will remain the same as the Committed Rates in effect during the immediately preceding year.

**4. Larger Volume And Longer Term Commitments**

Larger volume commitments (*i.e.*, ≥ 8,000 Bbl/D) and/or longer term commitments (*e.g.*, fifteen (15) years) will qualify for a smaller premium (in the case of Committed Firm Shippers). Any such smaller premium shall be made available on a not unduly discriminatory basis to all prospective shippers who submit executed TSAs during the Supplemental Open Season Period and satisfy the requirements for qualification for the smaller premium.

**C. BIDS FOR COMMITTED CAPACITY AND CAPACITY ALLOCATION**

The opportunity to bid for Committed Capacity ends upon the closing of the Supplemental Open Season Period.

For shippers who did not bid in the original Open Season, the mainline capacity available for allocation to crude oil received at the additional Origination Points will be subject to prior reservations of capacity by Committed Shippers pursuant to Transportation Service Agreements executed pursuant to the original Open Season. Committed Shippers who hold mainline capacity pursuant to Transportation Service Agreements executed pursuant to the original Open Season and who bid (or are deemed to have bid) in this Supplemental Open Season for capacity at additional Origination Points may utilize such mainline capacity for oil received at the additional Origination Points.

If the executed TSAs for Committed Capacity exceed the maximum volume of capacity available for Committed Service from the additional Origination Points, Dakota Connection will allocate the available Committed Capacity in a not unduly discriminatory manner among those prospective shippers who executed TSAs pursuant to the Supplemental Open Season. If the maximum volume of available Committed Capacity is not fully subscribed under TSAs executed pursuant to the Supplemental Open Season, the unsubscribed portion of the maximum volume of Committed Capacity shall become available for subscription as Committed Capacity on a not unduly discriminatory basis following the close of the Supplemental Open Season and the execution of binding TSAs by Dakota Connection. The rates charged for the unsubscribed

Committed Capacity may be higher than those applicable to Committed Capacity subscribed pursuant to the Supplemental Open Season. The Capacity Apportionment provisions of Dakota Connection's ICA Oil Tariff on file with the FERC shall govern allocation of capacity.

**D. VOLUME COMMITMENT**

Each shipper making a volume commitment ("Committed Shipper") pursuant to an executed TSA will thereby agree to transport a specified minimum quantity of crude oil (the "Committed Quantity") on the Project from the initial Origination Points (in the case of Shippers who subscribed to Committed Firm Service pursuant to the initial Open Season) and/or from additional Origination Points, and agree to pay a Deficiency Payment if the actual quantity of crude oil tendered at the applicable Origination Points on the Project for transportation in the month is less than the Committed Quantity. Shippers may propose graduated increases (minimum annual increase 1,000 Bbls) in the Committed Quantity over time. The rate for Committed Firm Capacity shall be the Committed Firm Service Rate set forth in the Rates Tariff and the TSA. The rate on the basis of which the Deficiency Payment shall be charged shall be the Deficiency Rate set forth in the Rates Tariff and the TSA.

**E. TERM**

The primary term of the TSA will be a minimum of four (4) years from the Contract Commencement Date ("Primary Term"). Upon the expiration of the Primary Term and each successive Renewal Term, the TSA will automatically renew for one (1) year ("Renewal Term") unless terminated by Dakota Connection or Committed Shipper upon written notice to the other given not less than sixty (60) days prior to the expiration of the Primary Term or the then-current Renewal Term.

**F. CRUDE OIL QUALITY SPECIFICATIONS**

Dakota Connection's ICA Oil Tariff on file with the FERC specifies the applicable crude oil specifications and quality standards.

**III. SUPPLEMENTAL OPEN SEASON PROCESS**

**A. OPEN SEASON DOCUMENTS**

The following documents will be provided as part of the supplemental Open Season ("Open Season Documents"):

Exhibit No. 1: Form of Transportation Services Agreement

Exhibit No. 2: Project Map

Dakota Connection will provide Exhibit Nos. 1, and 2 upon request. Dakota Connection will inform prospective shippers of the availability of any additional information regarding or changes to the supplemental Open Season process or the Open Season Documents by e-mailing the potential shippers that have received the Open Season Documents.

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Prospective shippers that wish to become Committed Shippers must complete the pro forma TSA set forth as Exhibit No. 1, along with a rate election under Schedule 1 to the TSA, and submit two copies of the executed TSA no later than the close of the Supplemental Open Season Period via hand delivery, courier, or e-mail to:

Dakota Energy Connection, LLC  
1600 Broadway, Suite 1330  
Denver, CO 80202  
Phone: 704-773-7227

Attn: Heath Norman  
heath@dakota-midstream.com

Submission of an executed 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 TSA to Dakota Connection, the potential Committed Shipper represents that it has management approval to enter into a binding TSA.

**B. RESERVATIONS OF DAKOTA CONNECTION**

Dakota Energy Connection, LLC reserves the right to reject any TSA that is not received on or before the time and date specified in the Binding Open Season notice. Dakota Connection also reserves the right to reject any and all 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, conditions, and service commitment options in the TSA, Dakota Connection may reject any 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 material respect.

**C. ACCEPTANCE BY DAKOTA CONNECTION**

Dakota Connection will indicate its acceptance of each TSA by countersigning both copies and returning one copy to the shipper. Once countersigned and delivered by Dakota Connection, the TSA shall constitute a binding agreement, subject to its terms and conditions at the time of receipt.

If a submitted TSA has not been countersigned by Dakota Connection and returned to the potential Committed Shipper within the period set forth in the Supplemental Open Season Notice, the submitted TSA shall become null and void, and any rights or obligations relating to the Project on the part of the Committed Shipper and Dakota Connection shall be extinguished.

**IV. CREDIT REQUIREMENTS**

The applicable Creditworthiness Standards are set forth in Dakota Energy Connection, LLC's ICA Oil Tariff on file with the FERC.

**V. QUESTIONS AND FURTHER INFORMATION**

If you have questions or comments regarding the Supplemental Open Season or the service commitment options and rates related thereto, please contact:

Heath Norman  
Dakota Energy Connection, LLC  
1600 Broadway, Suite 1330  
Phone: 704-773-7227  
Email: [heath@dakota-midstream.com](mailto:heath@dakota-midstream.com)