

November 19, 2012

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PUBLIC SERVICE COMMISSION

Mr. Chris Marohl
North Dakota Public Service Commission
600 East Boulevard Avenue
Department 408
Bismarck, ND 58505-4080

**RE: Basin Transload, LLC — PU-12-775
Storage Facility**

Dear Mr. Marohl:

This letter is in response to your request for additional information regarding Basin Transload, LLC's ("Basin Transload") storage facility, located in in Section 3, Township 162 North, Range 93 West of Burke County, North Dakota. This storage facility is located at the proposed western terminus of Basin Transload's planned Lignite Pipeline.

Construction began on the storage facility in late 2011. At that time, Basin Transload had not contemplated constructing a pipeline to service the storage facility. Rather, crude oil was to be transported to the storage facility via truck. The crude was then to be purchased by Global Companies, LLC ("Global Companies") and transported via rail from the storage facility to out-of-state markets. Basin Transload intended to supply enough crude to load a full train every two to three days. However, shortly before completion of construction of the storage facility, Global Companies communicated to Basin Transload that it wished to purchase and transport as much crude oil as Basin Transload could supply, possibly enough to load more than one train per day. After conducting a study of the potential to supply additional crude to the storage facility, Basin Transload determined that it could not meet Global Companies' demand via truck alone. At that time, approximately July 2012, Basin Transload considered constructing a gathering line to transport more crude from wellsites to the facility. However, Basin Transload then engaged in discussions with Tesoro Logistics, LLC ("Tesoro") regarding the possibility of transporting Tesoro's crude to the storage facility via a new pipeline. Following these discussions, Basin Transload determined that it should construct a transmission pipeline to transport crude from the Tesoro Lignite Station to the storage facility. In October 2012, Basin Transload submitted its Letter of Intent to the Public Service Commission to construct the Lignite Pipeline to carry crude oil to the storage facility.

Attorneys & Advisors
main 701.221.4020
fax 701.221.4040
www.fredlaw.com

Fredrikson & Byron, P.A.
200 North
Bismarck,
58501-3879

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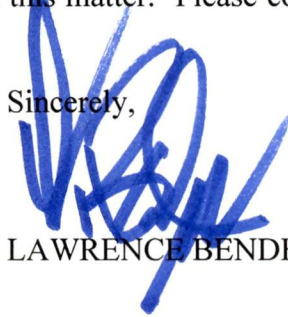
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Response to request for additional information

Construction on the storage facility was complete and operations have been ongoing for approximately three months. Since that time, crude oil has been transported to the storage facility via truck and purchased by Global Companies for rail shipment. Following construction of the Lignite Pipeline, the storage facility will continue receive crude shipments via truck. The storage facility is a stand-alone facility that was constructed and began operating with no intention of transporting crude to the facility via pipeline. After construction is complete, Tesoro will operate the Lignite Pipeline. Basin Transload will continue to operate the storage facility regardless of whether the Lignite Pipeline is constructed.

Under the siting act, a transmission facility may not be constructed without a certificate of corridor compatibility or route permit from the Public Service Commission. N.D.C.C. § 49-22-07. A “transmission facility” is defined as a crude oil pipeline and all “associated facilities.” N.D.C.C. § 49-22-01(12). When the storage facility was constructed and began operating, Basin Transload had no intention of supplying the facility with a pipeline. The storage facility is not a part of the planned Lignite Pipeline, but rather is a stand-alone, independently operating facility. It is therefore Basin Transload’s belief that the storage facility does not constitute part of a “transmission facility” under the Public Service Commission’s siting rules.

Thank you for your consideration in this matter. Please contact our office if you should have any questions.

Sincerely,



LAWRENCE BENDER

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