

***Application to the  
North Dakota Public Service Commission  
for a Waiver of Procedures for a  
Certificate of Corridor Compatibility  
and an Energy Transmission Facility Route  
Permit for Two Product Pipelines Associated  
with the Dakota Prairie Refinery***

***By  
Dakota Prairie Refining, LLC  
Lario Shipping, LLC***

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**19** **PU-13-799** Filed: 12/12/2013 Pages: 8  
**Exhibit 1**

Dakota Prairie Refining, LLC

## **Introduction**

Dakota Prairie Refining, LLC, jointly owned by WBI Energy, Inc. and Calumet Specialty Products Partners, L.P. and Lario Shipping, LLC, pursuant to N.D.C.C. §49-22-07.2 and N.D.Admin.C. §69-06-0601, jointly submits to the North Dakota Public Service Commission (Commission) this application requesting a waiver of all procedures and time schedules for issuance of a Certificate of Corridor Compatibility and Route Permit for two product pipelines from the Dakota Prairie Refinery (DPR) to be located in Stark County, North Dakota. The proposed pipelines will transport petroleum refining products from DPR to a rail loading facility constructed by Lario Shipping, LLC (Lario) which is affiliated with the existing Bakken Oil Express (BOE) rail hub, located immediately east of the refinery site near Dickinson, North Dakota (see attached Figure 1). From there, these products will be loaded on rail cars for transportation to other refineries for further processing.

DPR is a new diesel fuel refinery that is currently under construction. It will be the first greenfield refinery built in the U.S. since the 1970's. The facility will process 20,000 barrels per day (bpd) of Bakken crude oil and produce 7,000 to 8,000 bpd of diesel fuel. The refinery will further diversify North Dakota's economy and increase the supply of diesel fuel for oil and gas development and agricultural industries. The refinery is anticipated to be in service by the end of 2014. The pipelines need to be constructed and in service prior to the completion of the refinery. The following discussion addresses the required contents of an application for a waiver of procedures and time schedules as provided in N.D.Admin.C. §69-06-06-01.

## **Application Contents**

### ***Sec. 69-06-06-01(2)(a) A description of the type of facility addressed in the application, including the purpose and the technology to be employed***

The two refining product pipelines will be constructed between the storage tanks at the refinery and the Lario rail hub, a total distance of 1.08 miles (5,680 feet). The pipelines will consist of a 6-inch diameter pipeline for transfer of naphtha and an 8-inch diameter heat traced and insulated pipeline for transfer of atmospheric tower bottoms (ATB)/atmospheric gas oil (AGO). The pipelines will be installed entirely aboveground and parallel to each other on pipe racks, with the exception of the crossing of 116<sup>th</sup> Avenue SW. The pipelines will be installed beneath 116th Avenue SW using horizontal boring techniques. DPR will be responsible for construction of the pipelines from the refinery storage tanks to the western boundary of the refinery at 116<sup>th</sup> Avenue SW, Lario will be responsible for the construction of pipelines from the western boundary of the refinery at 116<sup>th</sup> Avenue SW to the rail loading facility.

The pipeline route is located almost entirely on land owned and controlled by either by DPR or Lario. The only portion of the route not controlled by these entities is the road crossing for which Stark County controls the road Right of Way. About 40 percent of the route is adjacent to and parallels the Burlington Northern Santa Fe (BNSF) railroad but will not be located on railroad Right of Way.

The only refined products produced by DPR will be diesel fuel and liquefied petroleum gas (LPG). The remaining fraction of the crude oil that requires further processing (i.e., naphtha and ATB/AGO) must be shipped to other refineries for further processing into petroleum products. The purpose of the pipelines is to transport those products that won't be processed at the refinery to the Lario rail hub for transport to other refineries via rail.

***Sec. 69-06-06-01(2)(b) A description of the products to be produced or transmitted by the proposed facility***

The refining products to be transported in the pipeline include:

- Naphtha - Hydrocarbon fractions in the range of approximately 220°F to 315°F boiling point. Naphtha is generally not suitable for direct blending to gasoline and is usually further processed in a catalytic reformer or used as feed stock to an ethylene plant.
- ATB/AGO - A fraction of hydrocarbon in the range of approximately 450°F to 800°F boiling point. Sources are crude oil distilling and cracking. ATB/AGO used in fuel blending and sent to catalytic cracking units for further processing.

***Sec. 69-06-06-01(2)(c) The capacity and design of the proposed facility***

The pipelines will have an operating capacity of approximately 750 gallons per minute, each.

***Sec. 69-06-06-01(2)(d) The location of the proposed facility and a map showing the location of the proposed facility***

DPR and associated pipelines are located in Stark County about 3 miles southwest of Dickinson. Figure 2 shows the location of the facility.

***Sec. 69-06-06-01(2)(e) A description of the general area to be served by the facility***

The pipelines will be used solely to transfer refining products from the DPR refinery to the Lario rail hub. Once loaded on rail cars, these products will be transported to other refineries throughout the country.

***Sec. 69-06-06-01(2)(f) The anticipated time schedule for major events***

Construction of the DPR refinery is underway and scheduled for completion by the end of 2014. Pipeline construction is anticipated to begin in the fourth quarter of 2013 and be completed by the end of 2014.

***Sec. 69-06-06-01(2)(g) Any plans for future expansion of the proposed facility***

There are no current plans for future expansion of the refinery or the pipelines.

***Sec. 69-06-06-01(2)(h) The need for the proposed facility based on the present and projected demand for the product or products to be produced by the proposed facility, including the most recent system studies supporting the analysis of the need***

Long-term projections indicate demand for diesel fuel in western North Dakota will continue to increase due to expected high levels of oil and gas development, supplemented by strong regional agriculture-related demand. Purvin & Gertz forecasts statewide consumption of diesel fuel to increase from 45,000 bpd to 75,000 bpd by 2025. Currently, diesel fuel is in short supply in the region. Dickinson is located in the center of a 200-mile market area with no locally refined or pipelined diesel supply. Diesel fuel must be either trucked or railed into this market area.

Crude oil production is rapidly increasing in the Bakken region, resulting in North Dakota becoming the second highest producing state in the nation. In May 2013 the oil production rate in the state was 811,262 bpd, which is double the rate just 2 years ago. The North Dakota Pipeline Authority has projected that this production rate could double again in the next 10 years. Based on the high demand and short supply of diesel fuel in western North Dakota and the ever increasing supply of crude oil, DPR decided to construct a refinery in the oil-producing region of the state. The diesel fuel produced at the refinery will provide needed fuel for the rapidly growing oil and gas industry. Because there are no nearby refineries with the available capacity to refine the other petroleum products, these refining products must be shipped to refineries outside of North Dakota for further processing. Because there are no pipelines available to transport the products to other refineries, the most efficient means of transportation is via the existing rail system.

***Sec. 69-06-06-01(2)(i) Any reasonable alternative methods of serving the need***

An alternative evaluated by DPR was to construct a rail load-out facility on its property, which would reduce the overall length of the pipelines. This alternative was not selected due to prohibitive costs as well as a determination that logistical coordination with BNSF was best served through use of the Lario facility.

***Sec. 69-06-06-01(2)(j) Justification for any deviations from the applicant's most recent ten-year plan that the proposed facility may present***

Not applicable

***Sec. 69-06-06-01(2)(k) The estimated total cost of construction of the facility***

The estimated cost for construction of the pipelines is approximately \$5,000,000.

***Sec. 69-06-06-01(2)(l) Any specific provisions of law that the applicant requests the commission waive or modify, with a separate justification for each provision***

DPR and Lario requests that the Commission waive all procedures and time schedules for issuance of a corridor certificate and route permit under N.D.C.C. Chapter 49-22 and N.D.Admin.C. Article 69-06 including a waiver of all studies, applications and hearings provided in N.D.C.C. and N.D.Admin.C. Article 69-06 as well as the requirement of N.D.Admin.C. §69-06-05-01 that the corridor width be not less one mile (alternatively waiver of the requirement for a corridor certificate). The pipelines will be only 400 feet longer (5,680 feet total length) than the jurisdictional threshold of the Energy Conversion and Transmission Facility Siting Act for a transmission facility. As explained below, construction of the pipelines will result in minimal or no adverse effects. The pipelines will be built on property owned by DPR or Lario; no properties of other third parties will be affected by the pipelines. With the waiver of procedures and time schedules, a Certificate of Corridor Compatibility and Route Permit would be issued for the product pipelines over the route shown on Figure 1 with the Corridor being confined to property owned by DPR and Lario.

***Sec. 69-06-06-01(2)(m) The factual basis demonstrating that the proposed facility is of such length, design, location, or purpose that it will produce minimal adverse effects***

The proposed product pipelines will be located and constructed in a manner that will result in minimal effects. The pipelines will be installed side-by-side and will be parallel with and adjacent to the railroad tracks for about 40 percent of the route. The pipelines will be constructed on land owned by DPR and Lario which is being used or will be used for industrial purposes. The land on which the pipelines will be located has been previously disturbed by construction of the refinery and rail hub. The pipelines will be installed aboveground on the refinery and rail hub properties, which will minimize disturbance to soils. The road crossing will be installed beneath 116<sup>th</sup> Avenue SW using horizontal boring techniques, which will avoid disturbing the road surface and disrupting traffic. The County will be consulted on the road crossing and any necessary permits/approvals will be obtained.

Based on the results of field surveys conducted on the refinery site, the pipeline route does not cross wetlands or known archaeological sites. The route does cross the Heart River but the pipelines will be attached to an existing service road bridge to avoid impacting the river. DPR obtained a Section 404 permit from the Army Corps of Engineers for impacts to wetlands associated with the construction of the road bridge. Any potential leaks from pipelines on the bridge will be graded towards containment basins near the bridge abutments to prevent spills from reaching the Heart River. The route parallels the BNSF railroad tracks, which due to the age of this railroad (i.e., greater than 50 years old) has been determined to have potential historical significance. Installation of the pipelines adjacent to the tracks but outside of the railroad right-of-way will not adversely affect any historical characteristics of the railroad.

The proposed corridor, confined to the boundaries of the DPR and Lario properties, does not include any Exclusion Areas as defined in N.D.Admin.C. §69-06-08-02(1). The pipeline route does not cross any Avoidance Areas as specified in N.D.Admin.C. §69-06-08-02(2) and there are no residences within 500 feet of the product pipelines. The product pipelines will be located within the industrial facilities of DPR and Lario and therefore there will be no adverse effects from the location, construction, and maintenance of the pipelines on the Selection Criteria under N.D.Admin.C. §69-06-08-01(3). To the extent the Policy Criteria of N.D.Admin.C. §69-06-08-01(4) are applicable, the development of the refinery which will provide an additional market for the State's crude oil production, refined diesel fuel product for local utilization, increased employment opportunities for the local labor force, and an increased tax base. The construction of the product lines to transport refining products from the refinery to the existing rail loading facilities at Lario is also consistent with the Policy Criteria through the utilization of existing transportation facilities. All permits for construction of the refinery including the product pipelines have been or will be obtained.

***Sec. 69-06-06-01(2)(n) The nature of the emergency justifying immediate authority, if the application is based on an emergency situation***

Not applicable

**CONCLUSION**

DPR and Lario requests the Commission to exercise its authority under N.D.C.C. §49-22-07.2, and after informal hearing, find that the product pipelines, which barely meet the jurisdictional threshold of a transmission facility under N.D.C.C. Chapter 49-22 and will be located entirely upon the property of DPR and Lario, is of such length, design, location, and purpose that it will produce minimal adverse effects, and therefore issue an order waiving all procedures and time schedules required by N.D.C.C. Chapter 49-22 and N.D.Admin.C. Article 69-06, including all applications, notices, and hearings and forthwith issue a certificate of corridor compatibility confined to the property boundaries of the DPR and Lario as shown on Figure 1 (or alternatively waive the requirement for a corridor certificate), and a route permit over the route shown on Figure 1 with such conditions as the Commission may require.

Signed:

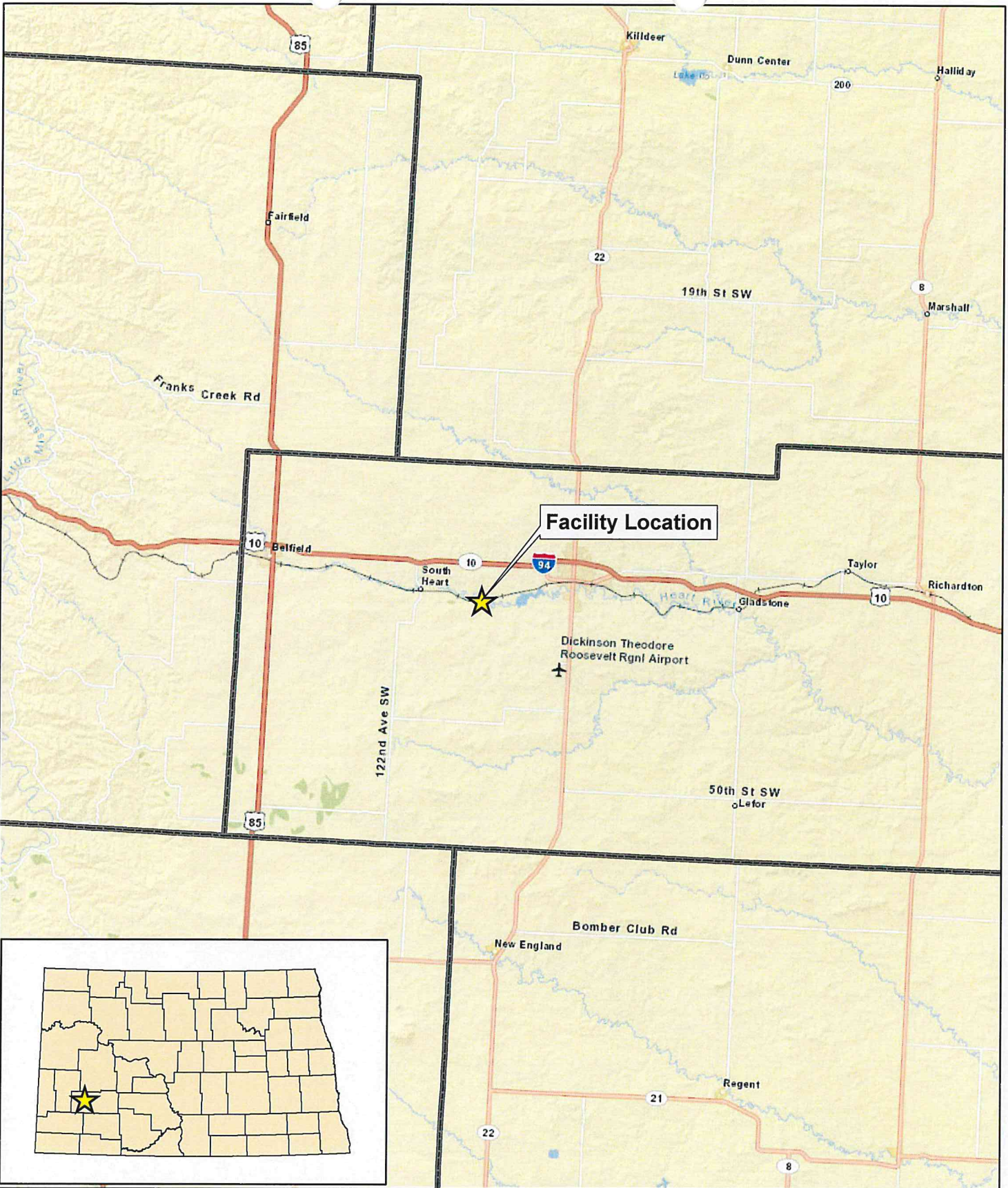




David Podratz – Plant Manager, Dakota Prairie Refining, LLC



John Wadsworth – Project Director, Lario Shipping, LLC





-  Facility Location
-  County Boundary

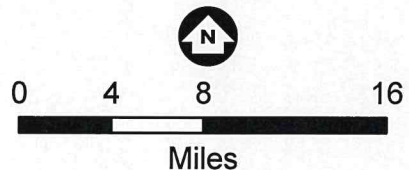


Figure 2  
Facility Location  
Dakota Prairie Refining, LLC  
Stark County, ND