Greetings

Greetings from the North Dakota Pipeline Authority! This newsletter is the third in a series of quarterly publications designed to keep North Dakota policy makers and involved parties informed on current issues in the pipeline industry. Archives of past newsletters, maps, reports, news, and more are available on the new Pipeline Authority website, [www.pipeline.nd.gov](http://www.pipeline.nd.gov).

Industrial Commission Approves Funding for Pipeline Interconnect Study

On January 21, 2009, the North Dakota Industrial Commission awarded a contract to two companies – Kadrmas, Lee, & Jackson and Rooney Engineering, Inc. - for a feasibility study on constructing a pipeline to connect with one of TransCanada’s Keystone pipelines. Scheduled to be complete in mid-April, the goals of the study are to determine whether an interconnecting pipeline can be economically built by a third party company, address quality concerns of transporting Bakken crude in the same pipeline as oil sands crude, propose route options, and establish a project timeline. The results of the study will be posted on the NDPA website and a presentation by Kadrmas, Lee, & Jackson and Rooney Engineering will be given to the ND Oil and Gas Research Council.

Tesoro Refinery Defers Outage

The Tesoro Mandan Refinery had a full refinery shutdown scheduled for the spring of 2009, however, Tesoro made the decision in late 2008 to defer the outage until the spring of 2010. During the 2010 outage, Tesoro will complete necessary maintenance, inspection and cleaning of equipment, as well as a number of reliability projects. One of the reliability projects will increase the capacity of their Diesel Desulfurization Unit. This will ensure that off-road diesel fuel for agricultural and industrial use can meet the June 2010 EPA mandated reduction in sulfur content from 500 to 15 parts per million. An upgrade to the refinery power station, including the replacement of two boilers, is still scheduled to occur in 2009. In all, Tesoro is expected to invest in excess of $125 million in the plant for the outage and capital projects completed between 2008 and 2010. The last full refinery shutdown for the 60,000 barrel per day plant was in the fall of 2003 and lasted approximately 32 days.

FERC Rejects Bridger Pipeline’s Displacement Service

In January, Bridger Pipeline filed Tariffs 16 & 17 for a new displacement service with the Federal Energy Regulatory Commission (FERC). The proposed displacement service was intended to reduce truck traffic and reduce shipping costs by exchanging barrels of oil in Stanley, ND with barrels at either Fryburg Station in North Dakota or Poplar, South Poplar, Richey, and Glendive Stations in Montana. The Pipeline Authority filed comments to FERC supporting these services, on the basis that they would help improve highway safety, reduce heavy truck traffic, and lower transportation costs. However, FERC rejected Bridger’s proposed services because no physical pipeline movement was taking place, thus there was no need for FERC regulatory oversight.
Pecan Pipeline Ruled Non-Jurisdictional

On December 31, 2008, the North Dakota Public Service Commission (PSC) ruled that Pecan Pipeline’s Prairie Rose Pipeline would be considered a gathering pipeline system and thus not subject to PSC siting jurisdiction. The Federal Energy Regulatory Commission (FERC) issued an order in January 2009 stating that the Prairie Rose system would be outside FERC jurisdiction as well. The Prairie Rose Pipeline, scheduled to begin operation in September 2009, will transport gas gathered in Mountrail County to the Alliance Pipeline near Towner, ND. The pipeline is anticipated to move 40 million cubic feet of gas per day (mmcfd) in 2009 and increase to 80 mmcfd in 2010.

North Dakota Statistics

| January-09 Average Daily Oil Production | 186,820 BOPD |
| January-09 Average Daily Gas Production | 243.92 MMCFD |
| January-09 Wells Producing | 4,151 |
| January-09 Wells Spudded | 57 |
| Active ND Rig Count – March 20, 2009 | 47 |

Butte Pipeline’s Capacity Expands Further

Butte Pipeline transports Williston Basin crude oil south into Wyoming and is one of the primary export pipelines for regional producers. In the last Pipeline Publication, it was reported that Butte Pipeline had expanded its capacity from 92,000 barrels of oil per day (BOPD) to 104,000 BOPD. Since that time, Butte Pipeline has been able to expand their system even further to a capacity of 115,000 BOPD. This new capacity marks a 25% increase from Butte’s summer 2008 capacity.