



NORTH DAKOTA PIPELINE AUTHORITY

NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES

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For additional information, contact:
Justin Kringstad 701.220.6227 or
Lynn Helms 701.328.8020

CRUDE OIL TRANSPORTERS STEPPING UP TO THE CHALLENGE OF RISING PRODUCTION FROM THE BAKKEN

BISMARCK, N.D. – During the past three years, crude oil transporters in the Williston Basin have made tremendous progress expanding infrastructure to meet growing production, resulting this year in enough pipeline and rail capacity to accommodate all current regional production, according to Justin Kringstad, Director of the North Dakota Pipeline Authority.

Currently, North Dakota produces about 315,000 barrels per day (bpd) and Eastern Montana produces about 65,000 bpd, for a combined total of 380,000 bpd. The Williston Basin has the ability to transport 432,000 bpd by pipeline and rail to refineries around the country, not including additional capacity available in Canada. Increased capacity has also resulted in reduced discounts on North Dakota petroleum. The average discount rate in June 2010 was a little over \$3 a barrel, down from \$11 a barrel in 2008.

“Because of our distance to market, regional producers have always absorbed a per-barrel discount on production, but this significant increase in take away capacity has pared that discount down substantially,” Kringstad said.

North Dakota now ranks fourth in the nation for oil production and new developments in Eastern Montana have production on the upswing again. With oil production growing in both states and Canada, transporters have been working hard to put new services in place to not only meet the current production levels, but also to plan for expanded growth in the future.

“Existing and planned transport capacity should continue to exceed our projected production levels in the near and far term,” said Lynn Helms, Director of the North Dakota Oil and Gas Division. “The state’s Pipeline Authority and an aggressive state program to add and expand pipelines are helping us to realize gains at a pace that will keep up with industry needs.”

Major transport projects currently underway will accommodate additional volumes from Montana and North Dakota, and include:

- **Enbridge Pipeline:** In August 2010, Enbridge announced a 155,000 bpd expansion project called the “Bakken Expansion Program.” The first stage of the \$370 million program will come online the first quarter of 2011 and increase crude oil flows out of North Dakota by an additional 25,000 bpd. The second stage of the expansion will come online during the first quarter of 2013 and add an additional 120,000 bpd or more to the Enbridge takeaway capacity. Enbridge has also proposed removing sour crude oil service from the North Dakota system, which would result in a 25,000-30,000 bpd expansion before the end of 2010.
- **True Companies Pipeline:** In July 2010, True Companies made plans public for a new expansion project called the “Baker 300”. The proposed project would increase takeaway capacity at the Baker, MT hub from 118,000 bpd to 300,000 bpd by 2013. The project would require incremental expansions on the Butte Pipeline and an interconnect with the Keystone XL pipeline in Eastern Montana.
- **Quintana Capital Group Pipeline:** In June 2010, Quintana Capital Group announced plans to connect the major producing regions of the Williston Basin with TransCanada’s Keystone XL pipeline in Eastern Montana. The proposed \$250 million project would have an initial capacity of 100,000 bpd and could be expanded to 120,000 bpd. The plans utilize 310 miles of new pipeline and would connect the heart of the Bakken play with the Keystone XL pipeline near Baker, MT in early 2013.
- **TransCanada Pipeline:** TransCanada today announced that it will launch an Open Season for Bakken producers interested in accessing TransCanada’s proposed Keystone XL pipeline project in eastern Montana. Details will be announced Monday.

North Dakota has also seen an increase in rail transport, which has the advantage of marketing flexibility over pipelines. Companies can sell the high quality Bakken oil in regions around the country that may not otherwise be serviced by area pipelines, and at the same time reduce truck traffic, easing impacts on roads, according to Kringstad. Major projects underway include:

- **Rail Loading Facilities:** EOG’s state of the art 65,000 bpd rail facility in Stanley, ND began service to Cushing, OK in December 2009. Hess has also announced that a new, \$48 million, 60,000 bpd rail facility in Tioga, ND will be operational in early 2012. In August 2010, Dakota Transport Solutions began shipping crude oil from New Town, ND to St. James, LA. The facility plans to have the capacity to transport 20,000 bpd by the end of 2010. Since 2008, smaller rail facilities in North Dakota have continued to operate with an estimated combined capacity of 30,000 bpd and include locations in Minot, Dore, Donnybrook, and Stampede.

The Industrial Commission of North Dakota, consisting of Gov. John Hoeven, as chairman, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring, oversees the North Dakota Pipeline Authority and the North Dakota Department of Mineral Resources.