



MEMORANDUM

Highway Department

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TO: Cass County Board of Commissioners
FROM: Hali A. Durand, Cass County Planner
DATE: June 8, 2015
SUBJECT: Regular Agenda Topic for the June 15, 2015
Commission Meeting: Proposed Tank Facility

A joint project between Cenex Pipeline, LLC and NuStar Pipeline Operating Partnership L.P. has been proposed to establish a connection between the two pipeline systems so that additional refined petroleum products can be moved into the area. The Cenex Pipeline system originates in the Laurel/Billings, Montana area and will connect to the NuStar Pipeline system in the Fargo area. The current Cenex Pipeline system delivers product into the Magellan Product Terminal in West Fargo. The current NuStar Pipeline system delivers product from the Mandan, North Dakota area to multiple terminals in the mid-continent area. This new connection will provide additional flexibility for the supply of gasoline and diesel fuel to CHS's farmer owners in the eastern North Dakota and western Minnesota areas.

Deliveries to West Fargo can be hampered by the demand for refined product on a seasonal basis and by the availability of storage capacity at the Magellan Terminal. The NuStar/Cenex Connection Project helps with these seasonal market fluctuations by creating another outlet for the product coming out of the Laurel/Billings area. It also greatly enhances the ability to assure the availability of product during high demand times by having the new tank farm to store reserves of product for those times.

Geographically, the Cenex Pipeline system roughly parallels the BNSF rail line and travels southeasterly into the Magellan West Fargo Terminal. The NuStar Pipeline system roughly parallels Interstate 94 and travels in an easterly direction to a NuStar Terminal located in Moorhead, Minnesota and continues on to several other terminals in the mid-continent area. The overall desire

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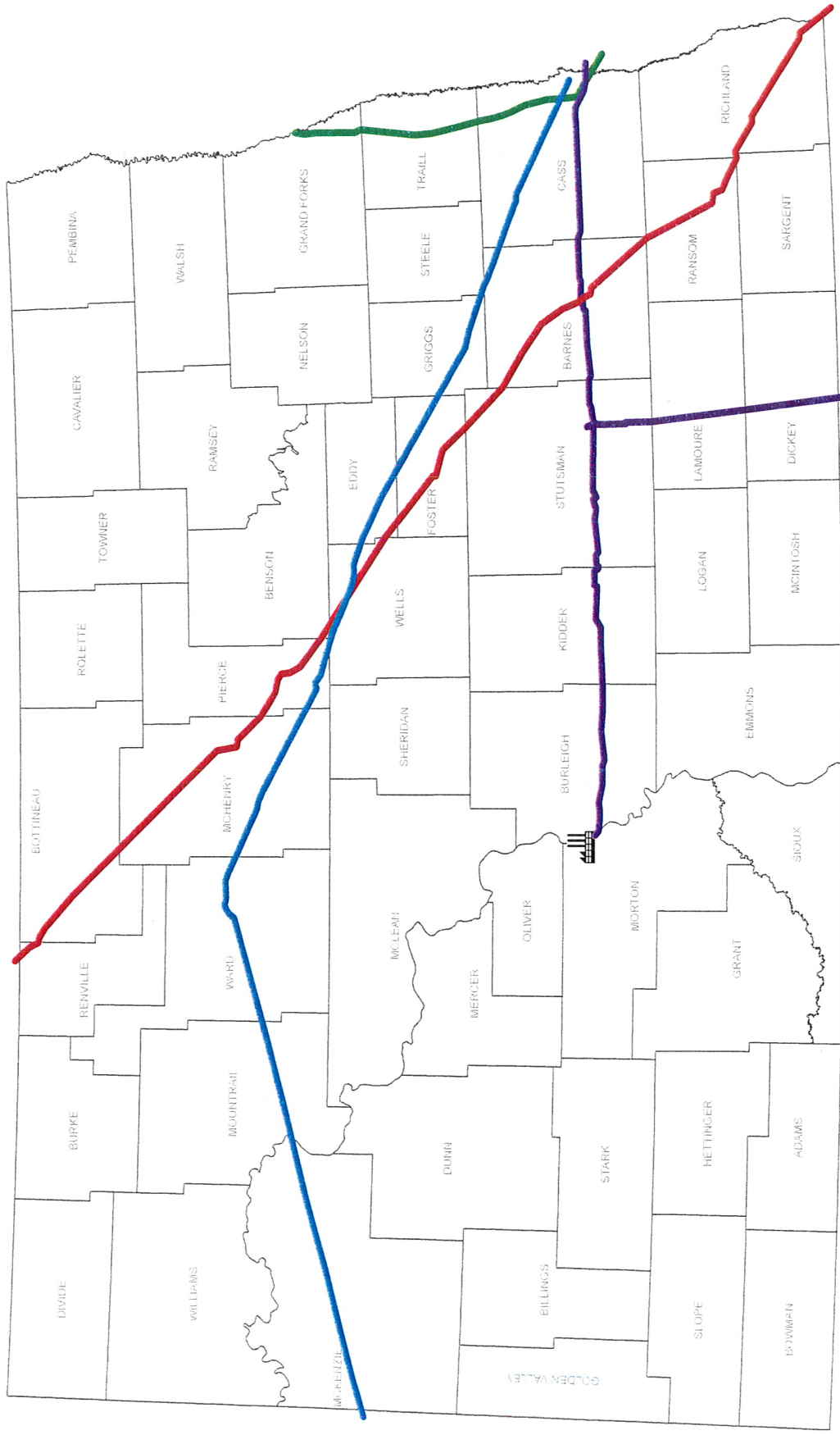
of both companies is to find an area where the pipelines are reasonably close to one another; since the pipelines get progressively further apart to the west. The basis for choosing a proposed tank farm facility site to the west of West Fargo is based upon some of the following factors:

1. The desired location should be located along the existing Cenex Pipeline so that the tank storage facility can be used both for a supply to a newly proposed connection to NuStar Pipeline as well as to serve as additional storage to the Magellan West Fargo Terminal.
2. A location closer to West Fargo would be advantageous in the respect that constructing a pipeline from Cenex to NuStar would be shorter. The overriding disadvantage to this approach is in the difficulty of acquiring the Rights of Way and permits for constructing a pipeline through a more densely populated and Commercial/Industrial area.
3. It was deemed reasonable to choose a location to the west of the proposed Maple River Diversion Channel project.
4. If a tank farm facility location was chosen further south of the Cenex Pipeline route, the construction of two pipelines would become necessary; one to deliver product into the tanks for the connection to NuStar and a second pipeline to pump product back up the Cenex Pipeline for delivery to the Magellan West Fargo Terminal. This would be a more costly alternative and one might question if there would also be resistance to the tank farm in an area closer to Mapleton or other potential sites.

Given the factors listed above and the logistical reasoning needed to decide upon a location for the proposed tank storage facility, a site has been chosen that is located primarily in the South Half of the Southeast Quarter of Section 9, Township 140 North, Range 50 West. A tentative agreement has been reached with the existing landowner for Cenex Pipeline to acquire this land. As soon as a more definitive agreement has been completed, applications will be submitted with Cass County and Raymond Township in order to obtain the needed approvals for constructing this tank storage facility.

There will be two new tanks 144 feet in diameter and 50 feet tall, with a capacity of 145,000 barrels each. Please note that this site will be designed in such a manner that additional tanks could be added in the future if market conditions determine a need. Any additional future tanks would be properly permitted at that time.

North Dakota Products Pipelines



- Cenex Pipeline LLC - Refined Products
 - Magellan Midstream Partners LP - Refined Products
 - NuStar Energy - Refined Products
 - Kinder Morgan Cochin - Propane
-  **Tesoro Mandan Refinery**



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Proposed 166th Ave Route

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