MDU Resources Group to Build Diesel Refinery

BISMARCK, N.D. (AP) — MDU Resources Group Inc. announced Thursday that it will build a diesel refinery in western North Dakota to help feed an unprecedented need for the fuel in the state's booming oil patch.

The Bismarck-based energy, mining and construction company will partner with Indianapolis-based Calumet Refining LLC to build and operate the plant west of Dickinson, said David Goodin, president and chief executive officer of MDU Resources.

The joint venture, called Dakota Prairie Refining LLC, would operate the so-called diesel topping facility, or sort of a mini-refinery. A major refinery has not been built in the United States since the mid-1970s.

Goodin said the refinery could cost up to $300 million. It would operate nonstop, processing about 20,000 barrels of crude daily from the rich Bakken and Three Forks formations in western North Dakota.

Construction is slated to begin this spring, with completion set for late 2014, Goodin said. The factory would employ about 100 workers, he said.

North Dakota has only one oil refinery, Tesoro Corp.'s facility in Mandan.

Gov. Jack Dalrymple said developing another refinery has been a long-time goal of the state.

The project, located within the state's oil patch, has a "great location and is a great opportunity for everybody in the state," Dalrymple said.

North Dakota imports about half of its diesel fuel at present, Goodin said.

State Tax Department records show that diesel fuel consumption in North Dakota has increased more than 51 percent since 2007, and the oil industry replaced agriculture a few years ago as the biggest user of diesel in the state.

North Dakota's seven coal-fired power plants and lignite mines also are big users of diesel. But it's the equipment supporting the drilling in the Bakken and Three Forks oil shale formations in western North Dakota that are the biggest guzzlers.

Fuel suppliers have said about 2 million gallons of diesel is currently used daily in the state in the oil patch, largely powering the trucks and trains needed to move crude oil and material . It also takes about 3,000 gallons of diesel each day to power one drill rig. On Thursday, there were 184 rigs working in the state.

Several other diesel refinery projects have been proposed in the state over the past few years.

Chester Trabucco, president of Dakota Oil Processing LLC, said his company is planning a facility that is nearly identical to the proposed in Dickinson.

"We're right on their heels," Trabucco said

Construction of the $200 million, 20,000 barrel-per-day plant near Trenton in northwest North Dakota could begin within a year, he said.

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