

safe environment—not only for our workers, but also for whoever is on our site, and also for our neighbors.”

DeSpain has worked with his partner, Steve Birdwell for the last few years. “His company does environmental remediation work in refineries in this area,” he says. “We located this property just by driving by it every day, and we knew it would be a great location. That led us to buy it. Steve is an entrepreneur by trade and the visionary behind this project, and saw the opportunity to work with the local major oil and gas refineries. He is an environmental engineer, and also works in construction and hydraulics. I have a legal and financial background, so we make a good team to do this type of development.”

Birdwell’s family trust is the primary source of financial backing, and the team is also using traditional bank financing for part of the project. The company has no outside partners, so when negotiating a deal, the partners can “work something out” in much less time than it would take if other partners were involved, says DeSpain.

“In the first phase of the project, we will have just shy of \$100 million invested. That includes the acquisition of the land, the subgrade, the flood control and other improvements like the rail, the barge dock and the deepwater dock. They will all be included in the first phase of the development.”

The future

It is hard to gage how large this project will become, says DeSpain. Much will depend on the size of the contracts and what sort of services will be requested. The company has been approached by a number of industries offering long-term contracts if the facility is built, owned and operated for them.

“They will pay us a monthly rate during the next 10 years,” explains DeSpain. He feels that could drive the investment up to \$1 billion.

The GT OmniPort is a brownfield redevelopment project, so from an environmental and safety perspective, the community has reportedly embraced it. In Port Arthur, recent job losses associated with completed refinery expansion projects have been felt community-wide, so new industry is welcome.

DeSpain says, “The Keystone XL pipeline coming out of Canada has been delayed and people are looking for other ways to get crude into this region. This has been turned into a natural receiving area. The crude can come in by ship, by rail, or by barge, then can feedstock into the local refineries. We think the Keystone project will be completed and it will have a positive impact, not only for this region, but for the state. We don’t have any agreement when those bbl. will show up at our site, but it could happen in the future.” ■



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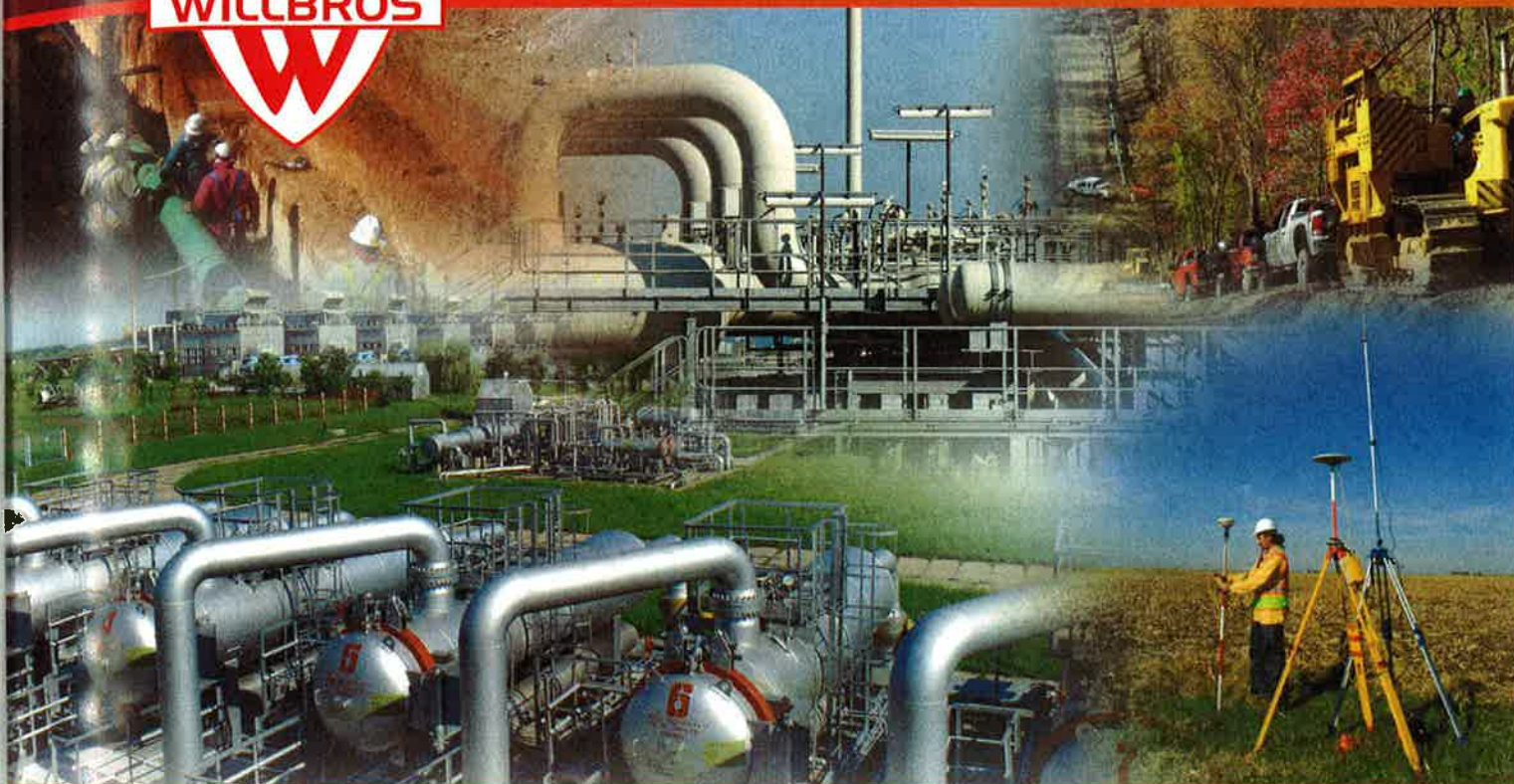
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—Phil Anderson, president, Tesoro Logistics LP

Angeles, California, and Kenai, Alaska, and marine terminals in Anacortes, Washington, Martinez, California, and Long Beach, California.

Going forward, Tesoro Logistics plans to double the volume of its existing Bakken business. In addition, it hopes to grow terminal volumes by Tesoro's marketing expansion and increased third-party businesses. All told, it plans to invest \$100 million through 2013, including \$15 million of previously announced projects. An estimated \$60 million will be used to expand its high plains system and \$40 million to expand its West Coast terminals.

The additional capital will allow Tesoro Logistics to grow system volumes to more than 100,000 bbl. per day by 2013. Growth at its Mandan, North Dakota, refinery is expected to be 10,000 bbl. per day by mid-2012 and Anacortes refinery by 30,000 bbl. per day by yearend 2012.

It expects to grow its trucking volumes to 35,000 bbl. per day and to increase its terminal volumes by more than 40,000 bbl. per day by the end of 2013, both

through optimization of current assets and expansion of those assets.

The additional investments and optimization should translate to stronger operating cash flows. Tesoro Logistics has told investors it optimization efforts and organic growth projects should grow EBITDA to over \$90 million by 2013, up 72% from the IPO, once it fully implements its growth and optimization plans. Its base business generates \$53 million in annual EBITDA.

Since its IPO, Tesoro Logistics has added \$8 million in annualized EBITDA by improving the utilization of its assets. In addition, it has announced projects expected to add over \$30 million of annual EBITDA.

"Those MLPs that have visible growth are the ones that will enjoy a better share price performance," Anderson says. "The market really understood the business plan that we put together. The folks that follow the sector understand the opportunities in and around the Bakken." ■

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