



**Trisha Curtis, Director of Research, Upstream and Midstream
Energy Policy Research Foundation, Inc. (EPRINC)**

**EPA Brown Bag Lunch Presentation
November 12th, 2014**

Understanding Crude Oil Transportation by Rail



Photo by Justin Kringstad



Photo by Trisha Curtis

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About EPRINC

- www.eprinc.org
- Infrastructure Paper <http://eprinc.org/wp-content/uploads/2013/10/EPRINC-PIPELINES-TRAINS-TRUCKS-OCT31.pdf>
- Oil and Gas Journal
- Embassy Series
- Presentations at Imperial College London, Colombia University, Wyoming Pipeline Authority
- Department of Energy – Quadrennial Energy Review
- Department of Defense
- Rin App <http://eprinc.org/2014/02/rins-around-rosy-app-available-ios/>

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RINS AROUND THE ROSY APP AVAILABLE FOR IPHONE AND IPAD

EPRINC's RFS compliance calculator has been released as a free download on Apple's App Store. Now you can model various RFS and refined product market scenarios until your thumbs fall off. The app is optimized for iPhone 5/5s and compatible with iPad

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EPRINC PRESENTS AT ESCP EUROPE BUSINESS SCHOOL

Lou Pugliesi and Trisha Curtis present "Challenge of the North American Petroleum Renaissance" at ESCP Europe Business School on January 31st, 2014.

RINS AROUND THE ROSY APP AVAILABLE FOR IPHONE AND IPAD

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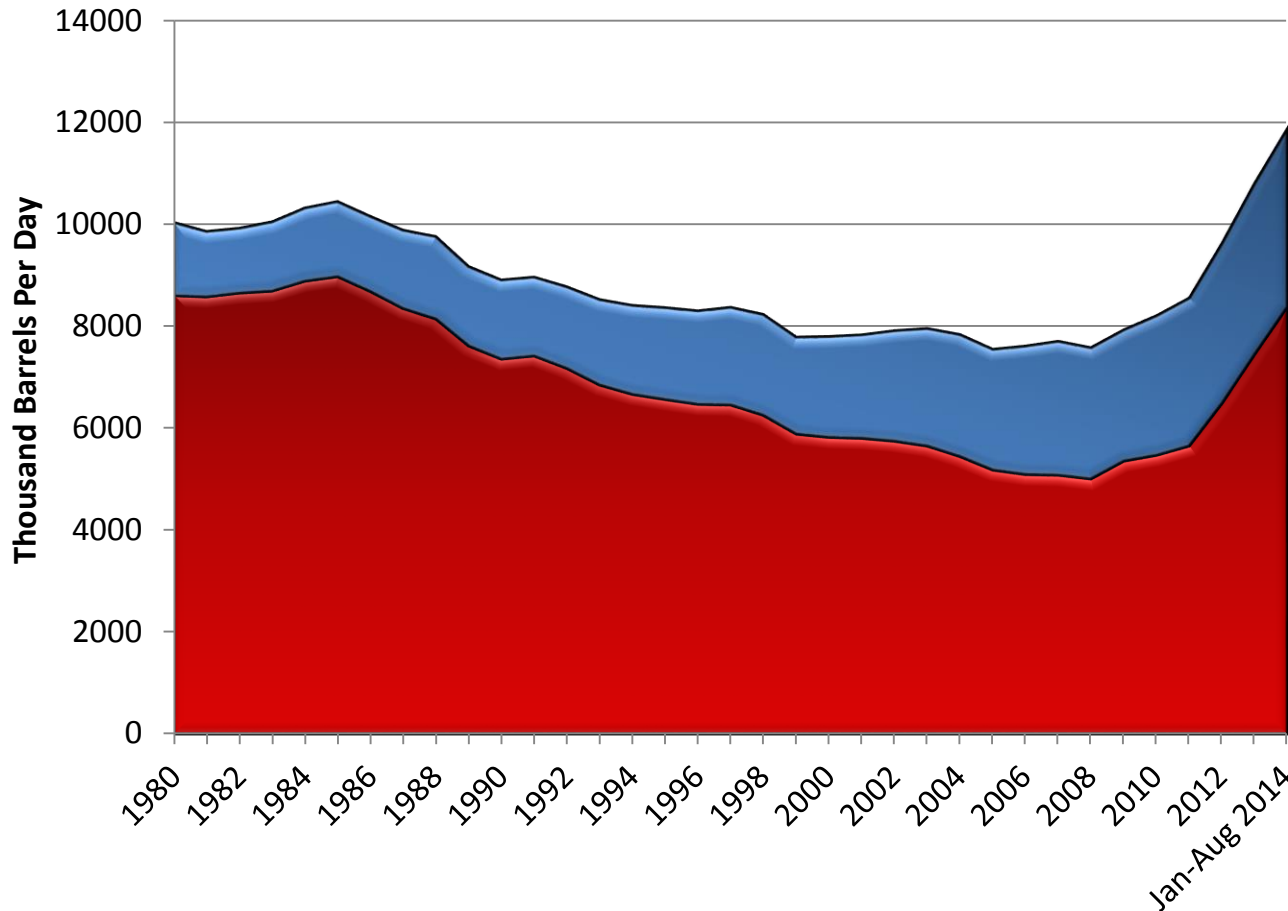
ARTICLES BY YEAR

2014, 2013, 2012

ARTICLES BY TAG

Archive, Bakken, Board Member, Board of Trustees, Briefing Memorandum, Canada, Canadian Oil Sands, comments, crude oil, Department of State, EIS, Embassy Series, Emissions, Ethanol, Europe, Gazprom, government programs, Gulf Oil Spill, Infrastructure, Iraq, Iraq Auction, Keystone, Keystone XL, LNG

North American Oil Production

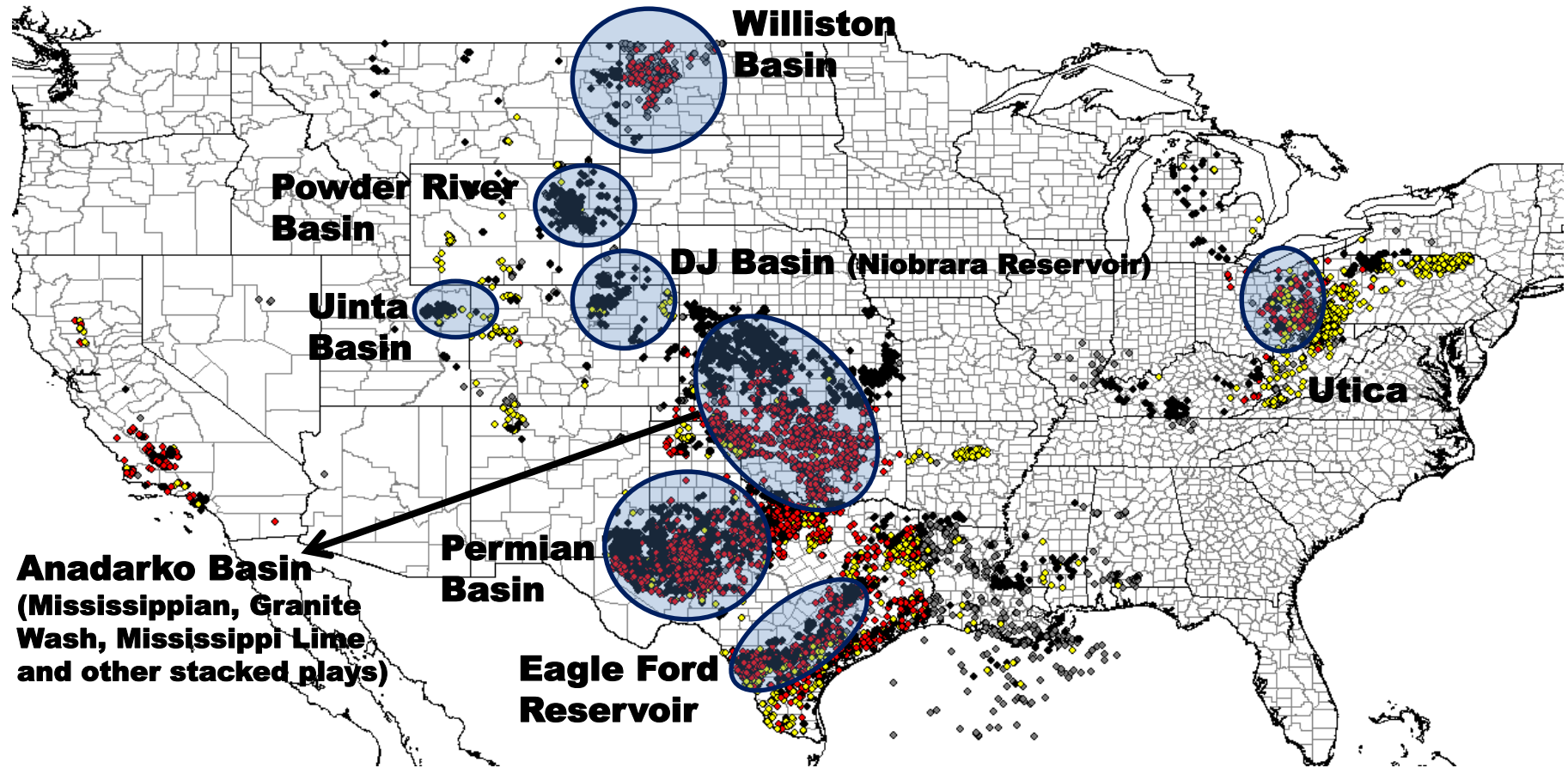


- Canadian Crude Oil Production
- U.S. Field Production of Crude Oil Mbbbl/d

U.S. 8.7 mbd
Canada 3.5 mbd

August North America = 12.2 mbd

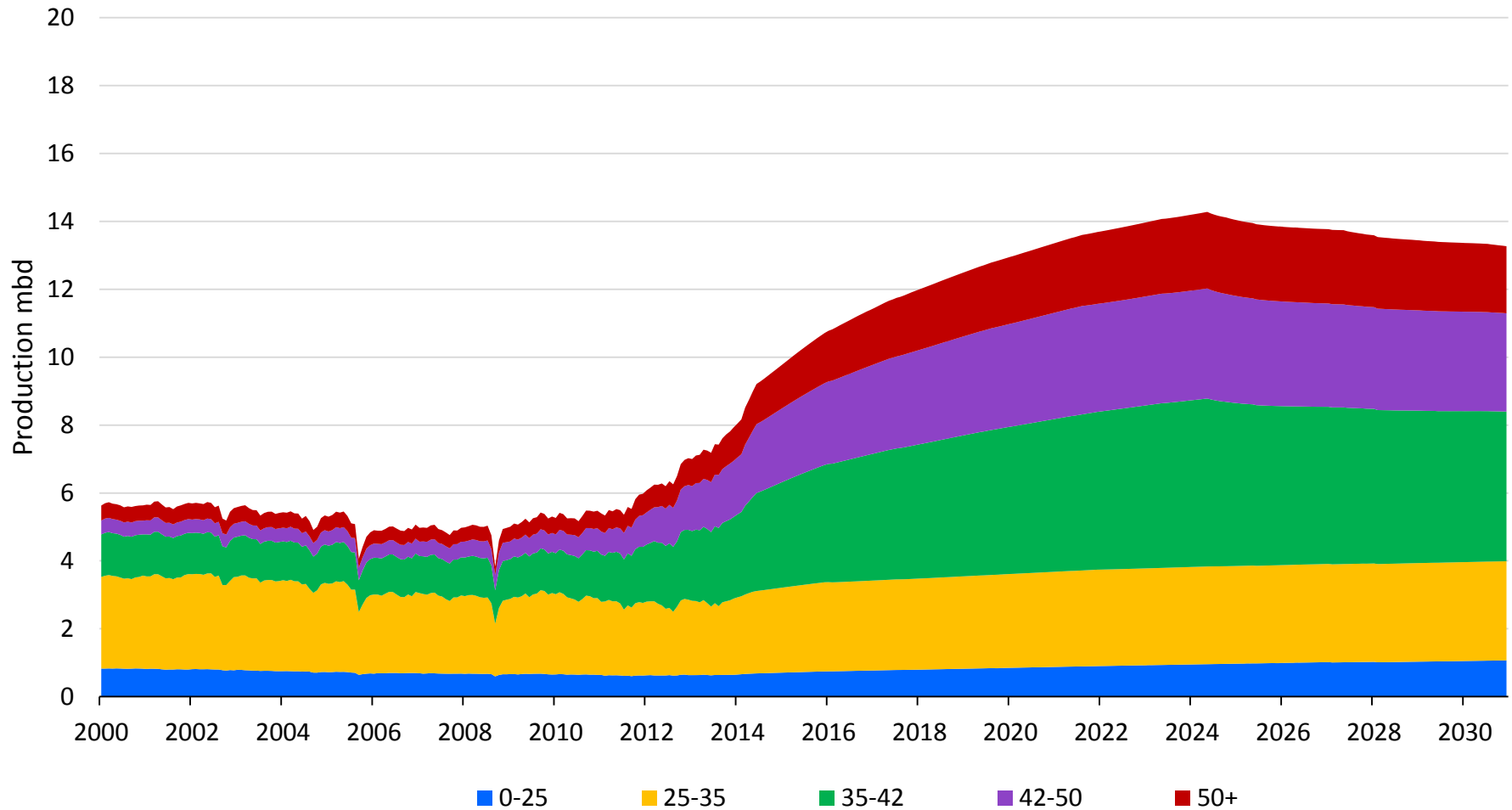
Permit Activity



Source: HPDI Oct 2014, Past 90 Days

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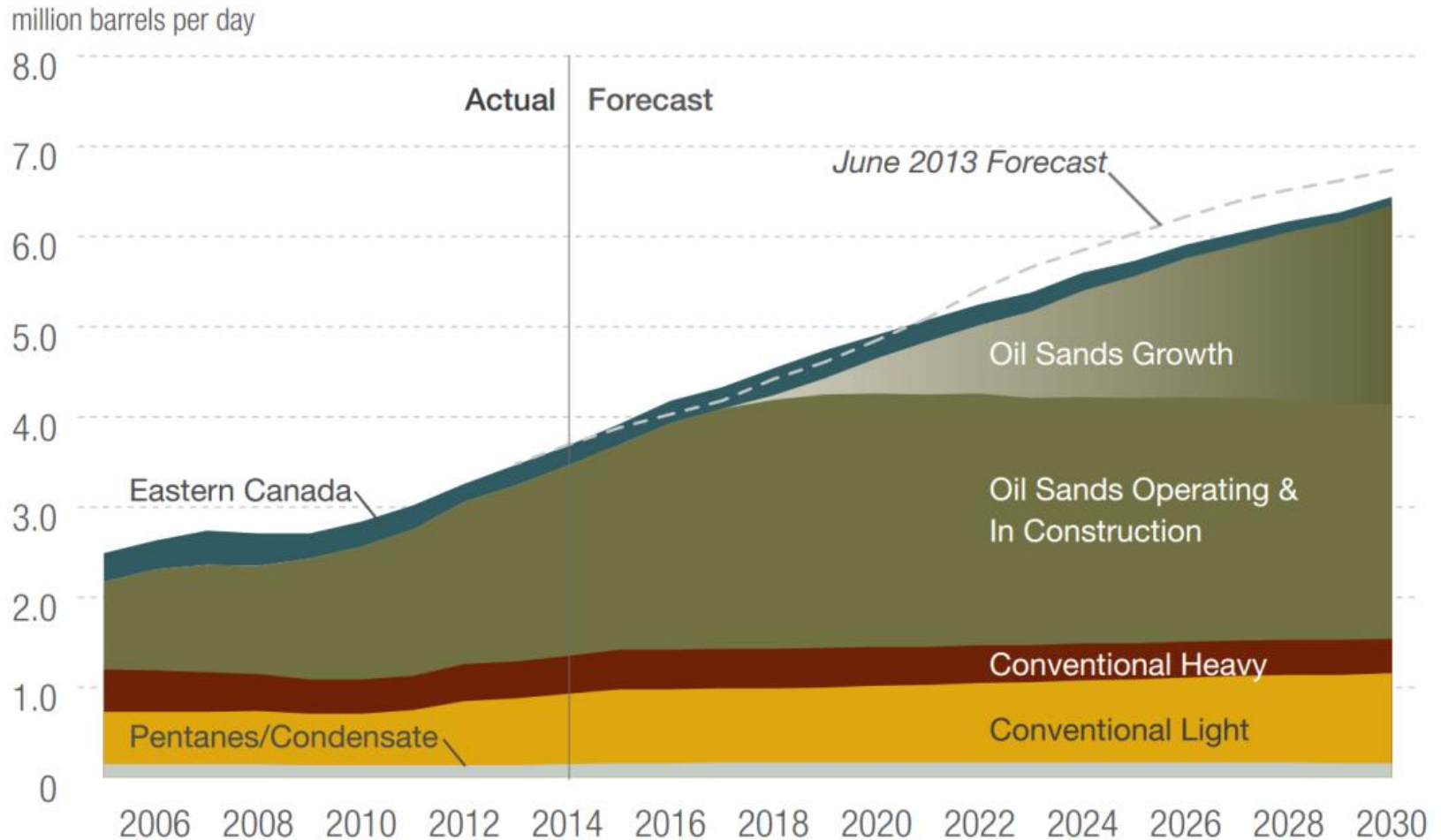
EPRINC Production Evaluation



Source: EPRINC/Ponderosa

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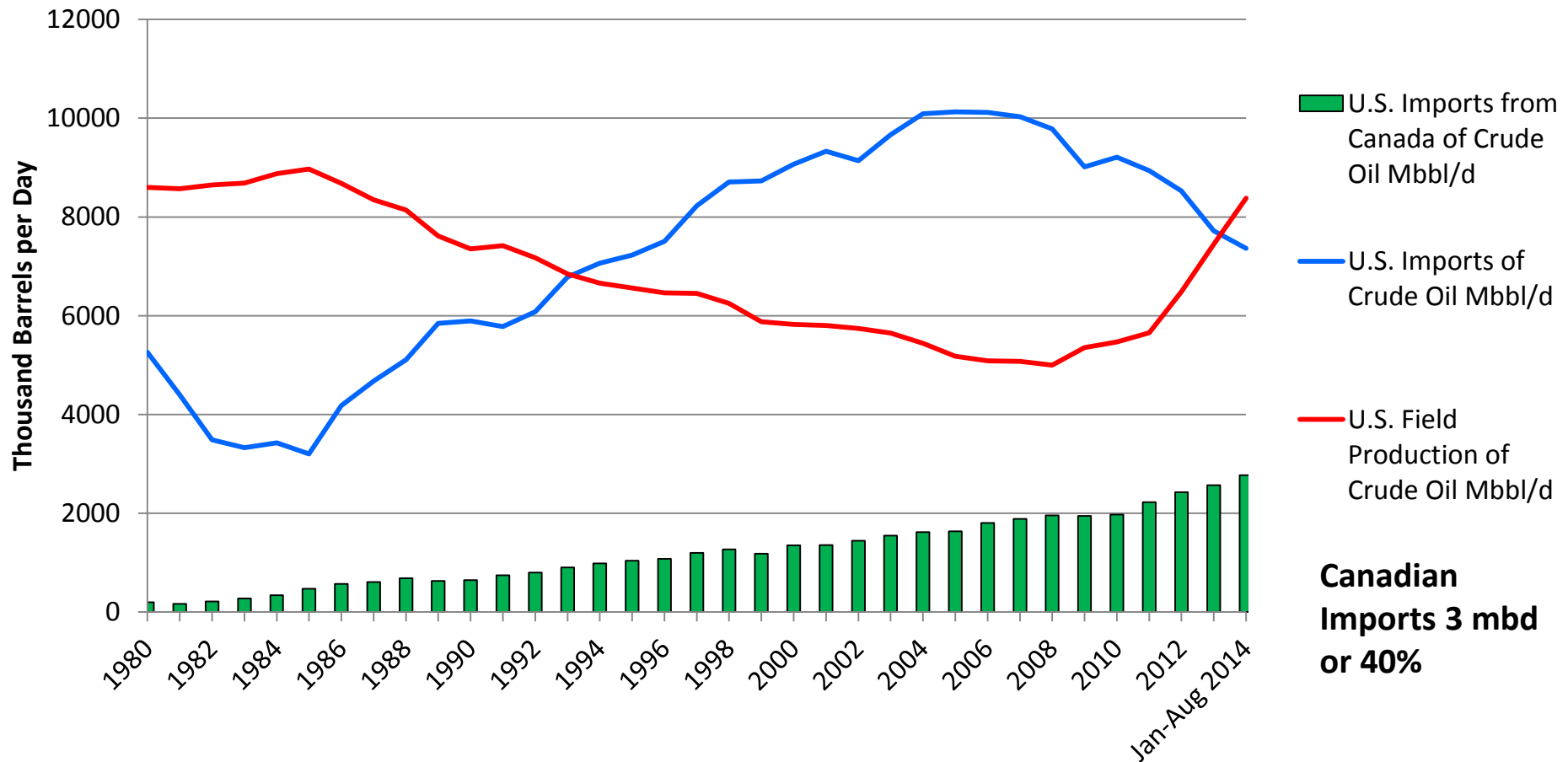
CAPP's Canadian Crude Oil Forecast



Source: CAPP 2014, "Crude Oil Forecast. Markets, and Transportation"

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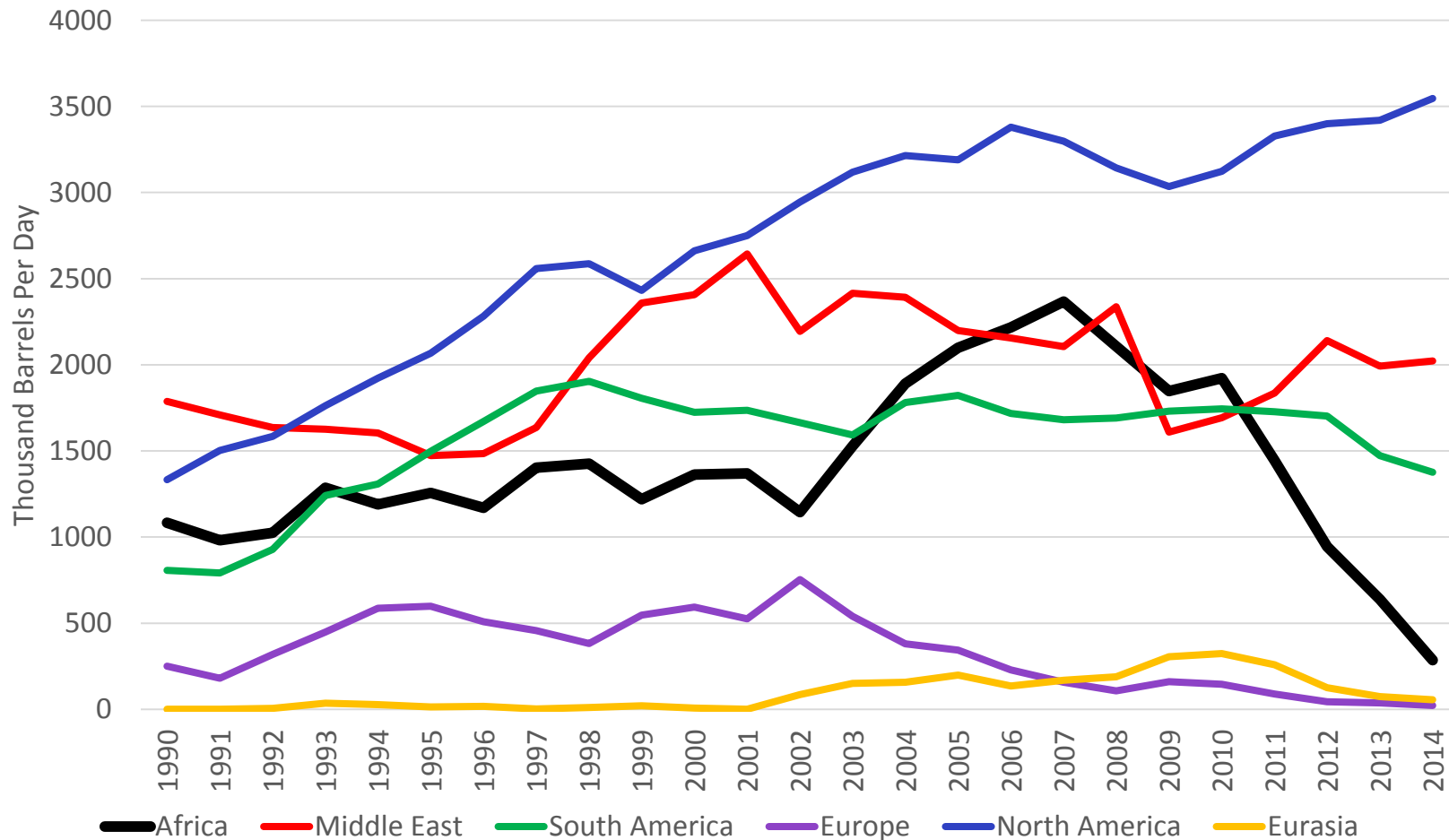
Total Imports, Production, Canadian Imports



Source: EIA

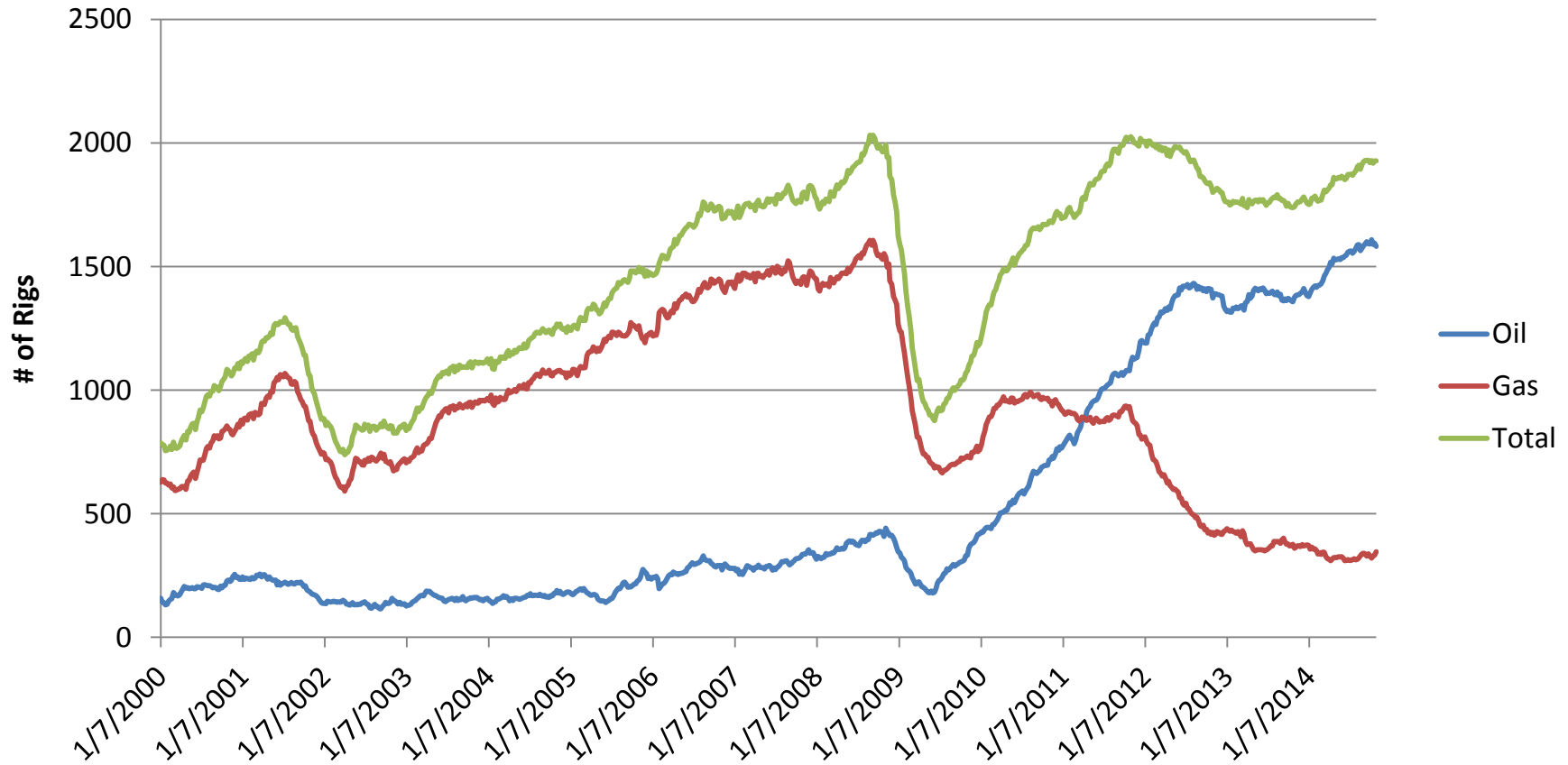
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U.S. Imports from Abroad Steadily Decline



- Impact on prices as African crude is pushed out and now onto world market

U.S. Rig Count



Source: Baker Hughes

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Drilling Then and Now

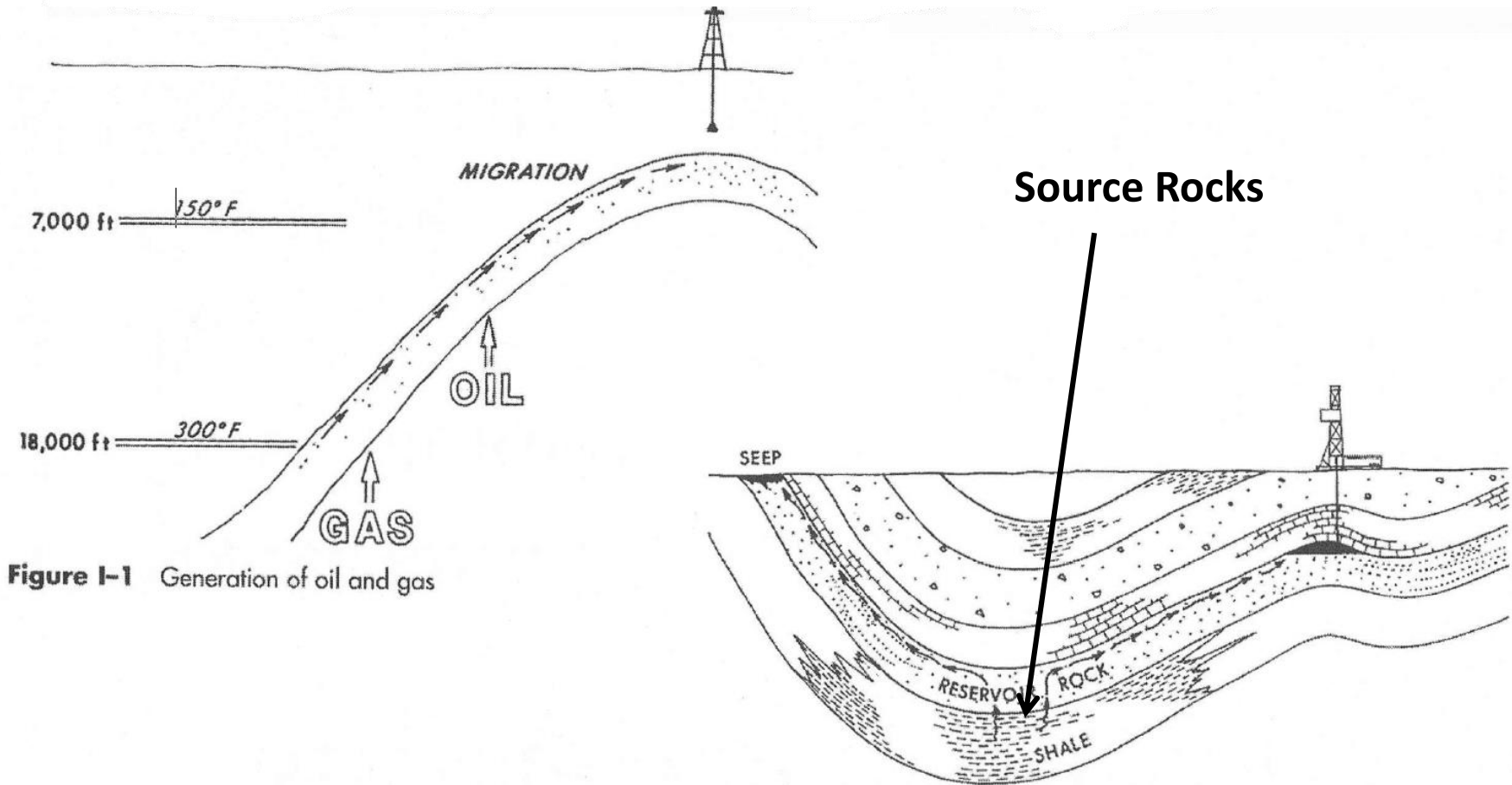
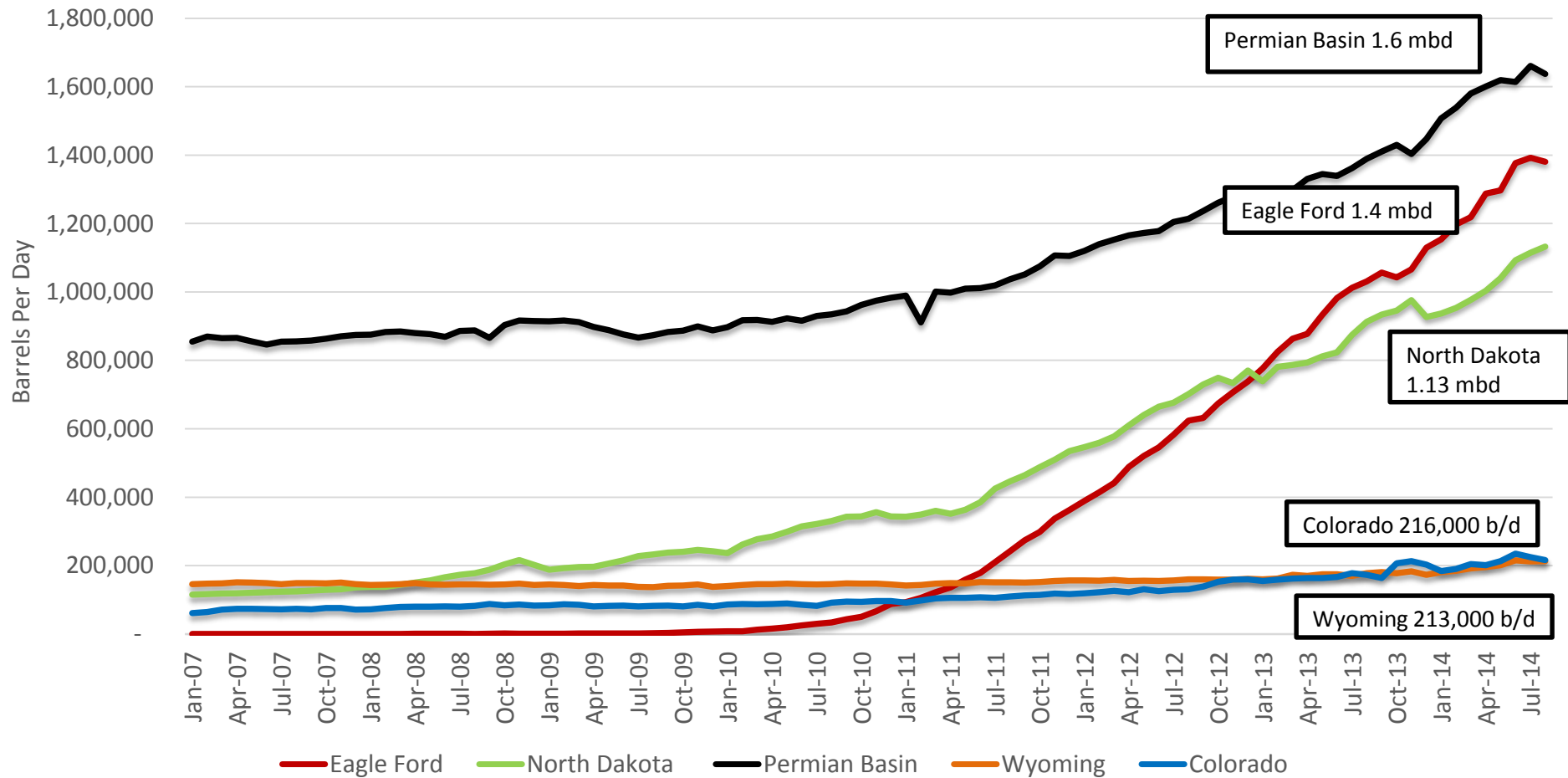


Figure 11-2 Migration of oil and gas in a sedimentary basin

Source: From PIECE Course Workbook, Mark J Kaiser, Houston, July 2008, "Introduction to USA Petroleum Industry"

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Shale Oil Play Production

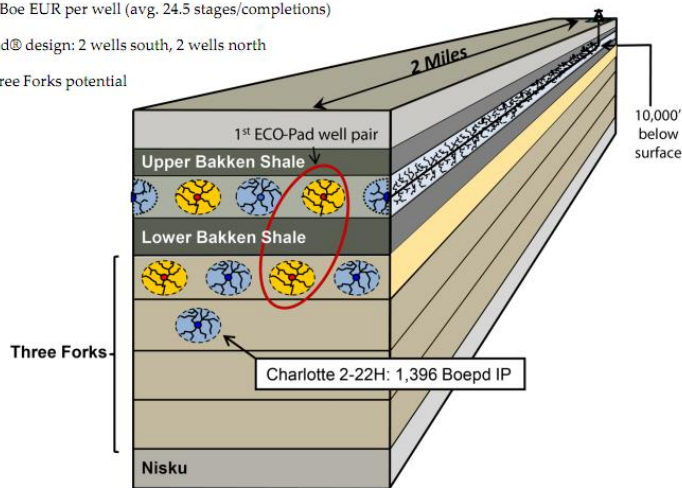


Source: HPDI Nov 2013, EIA, NDPA

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Drilling Advances

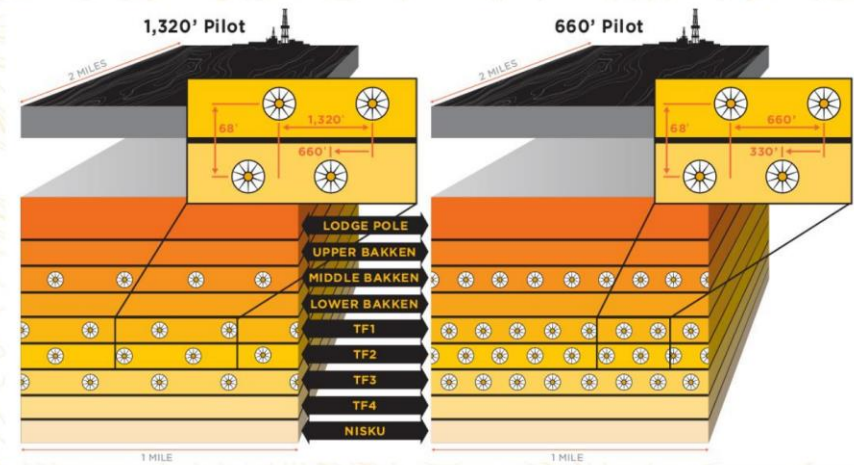
- Original dual-zone development plan
 - 8 wells per 1,280 acres – 4MB, 4TF
 - 603,000 Boe EUR per well (avg. 24.5 stages/completions)
 - ECO-Pad® design: 2 wells south, 2 wells north
- Additional Three Forks potential



Source: Continental Resources Inc., Corporate Presentation, 2012.



1,320' & 660' Pilot Density Projects: 2013-14



1,320 ft. same-zone spacing

- 3 project areas: Hawkinson, Tangsrud, and Rollefstad
- 34 new wells (gross)
- Micro-seismic monitoring (Hawkinson)

660 ft. same-zone spacing

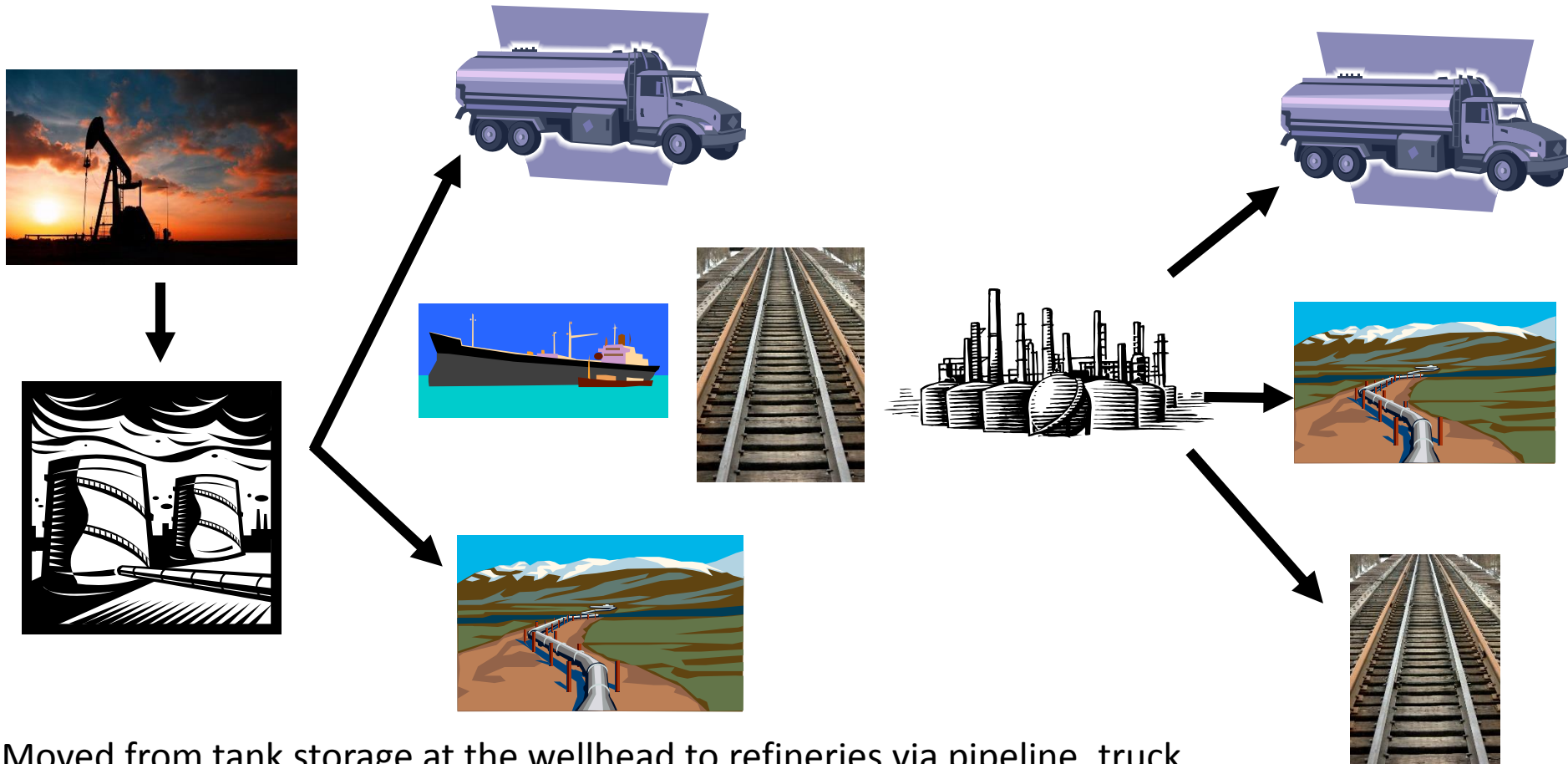
- 4 project areas: Wahpeton, Lawrence, Mack, and Hartman
- 31 new wells (gross)



Source: Continental Resources March Investor Presentation, Permission granted

How is Crude Moved and Why?

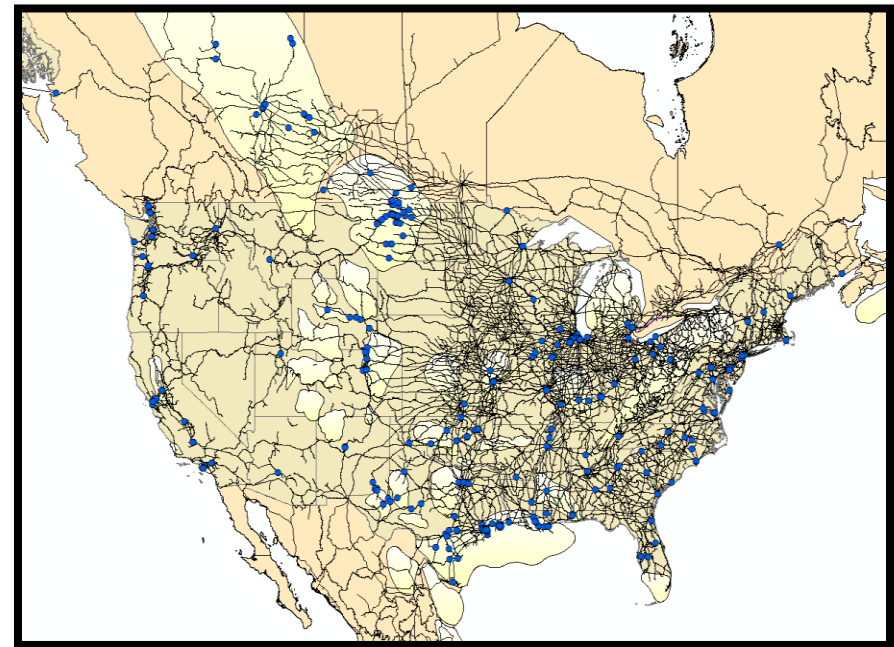
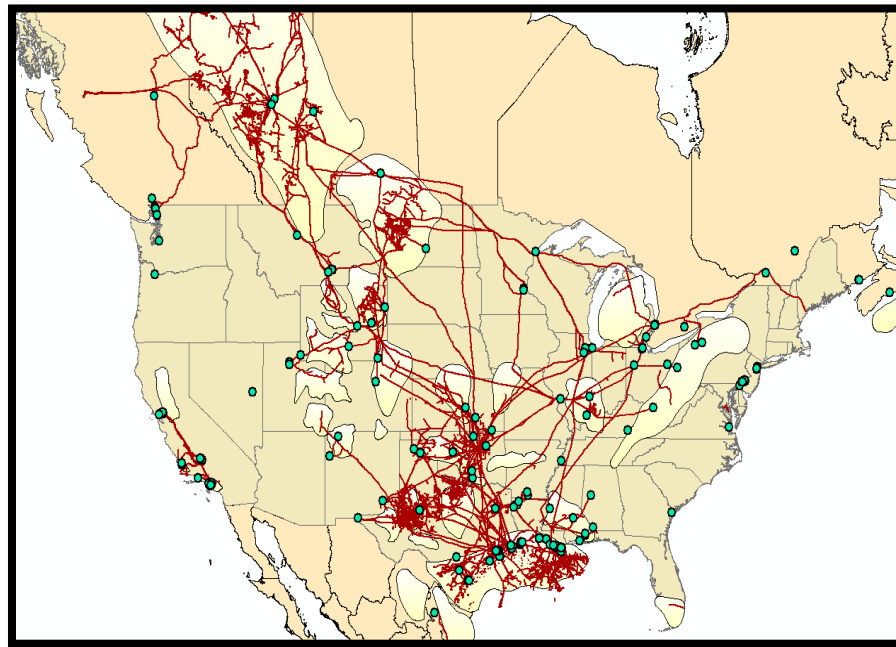
Transportation Methods of Crude Oil and Petroleum Products



Moved from tank storage at the wellhead to refineries via pipeline, truck, rail, barge, or all four methods in combination

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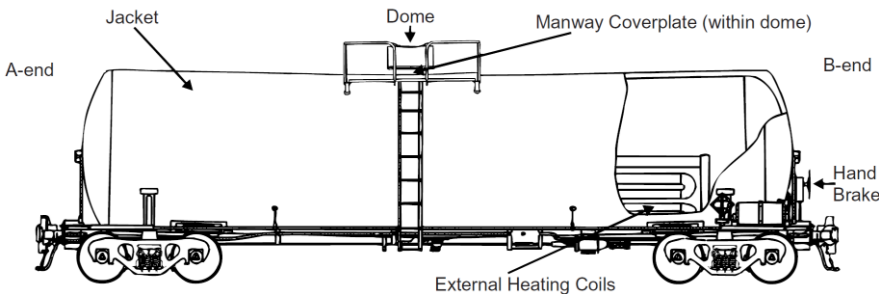
Why transport crude oil via rail?



Source: EPRINC Maps using Hart Energy data and ArcGIS Mapping software

How much crude oil does a tank car hold?

- One tank car holds about 700 barrels of crude oil (might be more or less depending on design, thickness of tank, heated tank car for bitumen, etc.)
- Unit Train = 120 tank cars of one product (scalability to maximize efficiency and reduce cost) = 84,000 barrels
- Manifest Train = Less than 100 tank cars, can be multiple commodities, not as economic, but used widely in beginning of crude by rail movement because some refineries and facilities were already equipped to handle manifest train shipments



Source: DOT 111, Wikipedia

Pipeline vs. Rail Costs

Pipeline Tolls for Light Oil (US\$ per barrel)

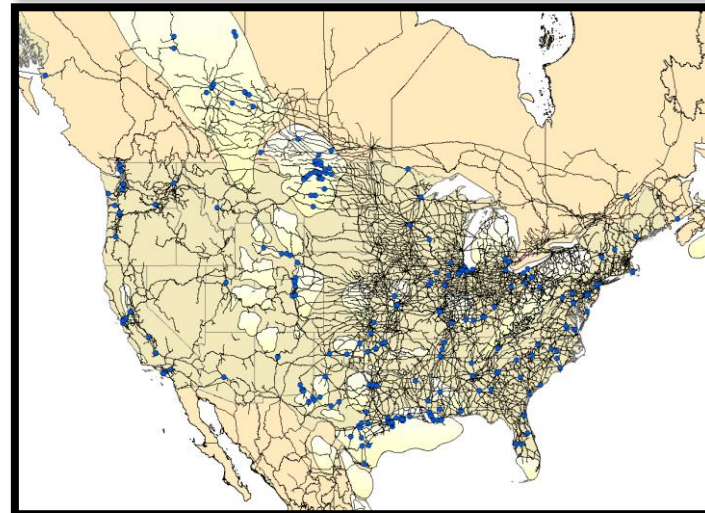
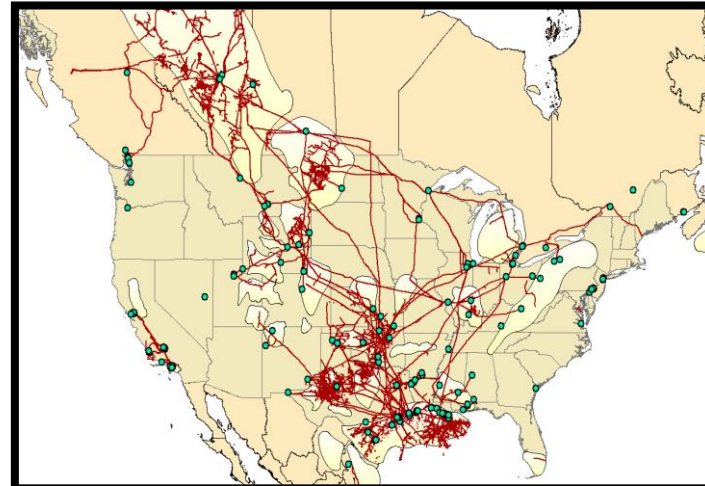
Edmonton to	
Burnaby (Trans Mountain)	2.55
Anacortes (Trans Mountain/Puget)	2.80
Sarnia (Enbridge)	4.00
Chicago (Enbridge)	3.60
Wood River (Enbridge/Mustang/Capwood)	5.00
USGC (Enbridge/Spearhead/Seaway)	7.65*
Hardisty to	
Guernsey (Express/Platte)	1.60*
Wood River (Express/Platte)	1.95*
Wood River (Keystone)	4.70**
USGC (Keystone/TC Gulf Coast)	7.00**
USEC to Montréal (Portland/Montréal)	1.50
St. James to Wood River (Capline/Capwood)	1.25

Pipeline Tolls for Heavy Oil (US\$ per barrel)

Hardisty to:	
Chicago (Enbridge)	4.05
Cushing (Enbridge/Spearhead)	5.20
Cushing (Keystone)	6.15**
Cushing (Keystone)	6.50*
Wood River (Enbridge/Mustang/Capwood)	5.85
Wood River (Keystone)	5.35**
Wood River (Express/Platte)	2.40*
USGC (Enbridge/Spearhead/Seaway)	8.65*
USGC (Keystone/TC Gulf Coast)	7.95**

Notes 1) Assumed exchange rate = 0.92 US\$ / 1C\$ (May 2014 average)
 2) Tolls rounded to nearest 5 cents
 3) Tolls in effect July 1, 2014

* 10-year committed toll
 **20-year committed toll



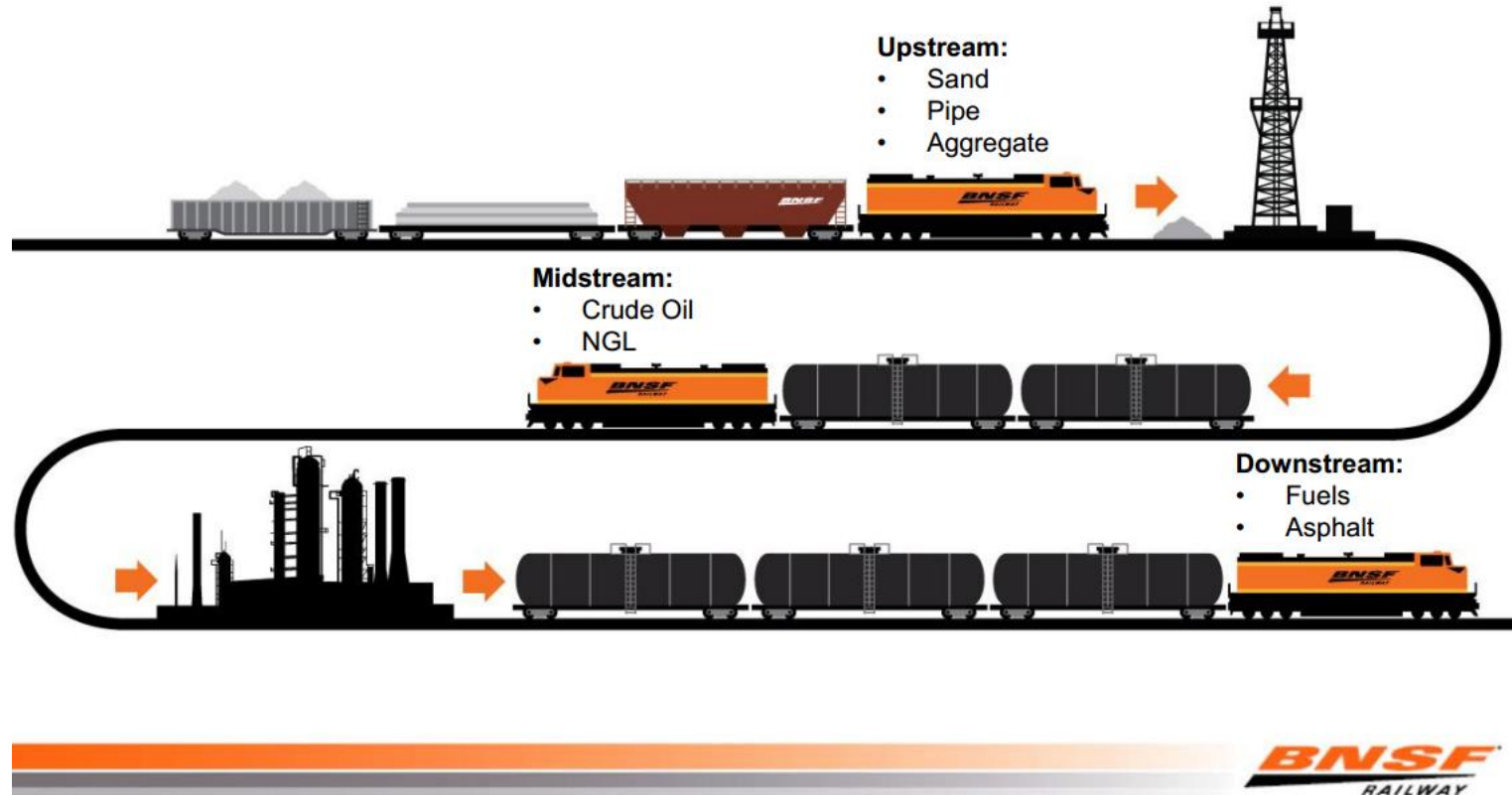
- From Bakken to Coasts between \$10 - \$15
- Slight increases due to fees by railroads for older tank cars and testing fees
- From Alberta to Gulf \$20

Source: EPRINC Maps using Hart Energy data and ArcGIS Mapping software

Source: CAPP 2014 Forecast

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Role of rail in upstream, midstream, and downstream



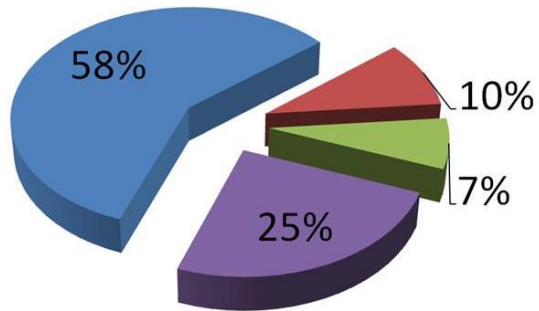
Source: BNSF Presentation, Sept 2013, via DOT website

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Infrastructure and Pricing

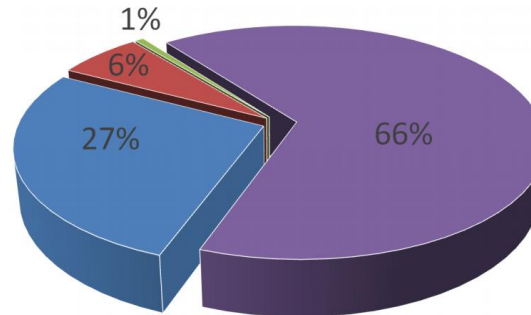
North Dakota Crude Oil Transport

January 2012 Estimates



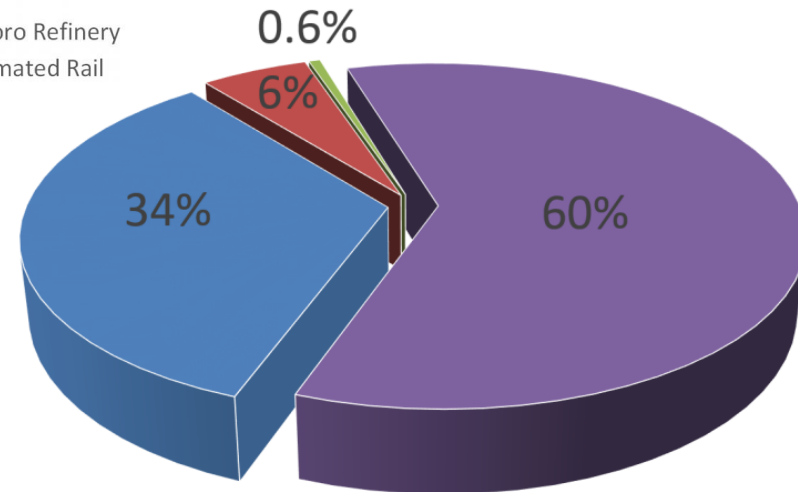
- Pipeline Export
- Tesoro Refinery
- Truck to Canadian Pipelines
- Estimated Rail

March 2014 Estimates



- Estimated Pipeline Export
- Tesoro Refinery
- Truck to Canadian Pipelines
- Estimated Rail

Aug 2014 Estimates



- Estimated Pipeline Export
- Tesoro Refinery
- Truck to Canadian Pipelines
- Estimated Rail

Source: North Dakota Pipeline Authority

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July 2014 Williston Basin Crude Transportation

Williston Basin Production: 1.2 mbd
North Dakota: 1,132,331 b/d
South Dakota: 4,675 b/d
Eastern Montana: 75,162 b/d



Tesoro Refinery: 68,000 b/d



Truck to Canadian Pipeline: 8,000 b/d

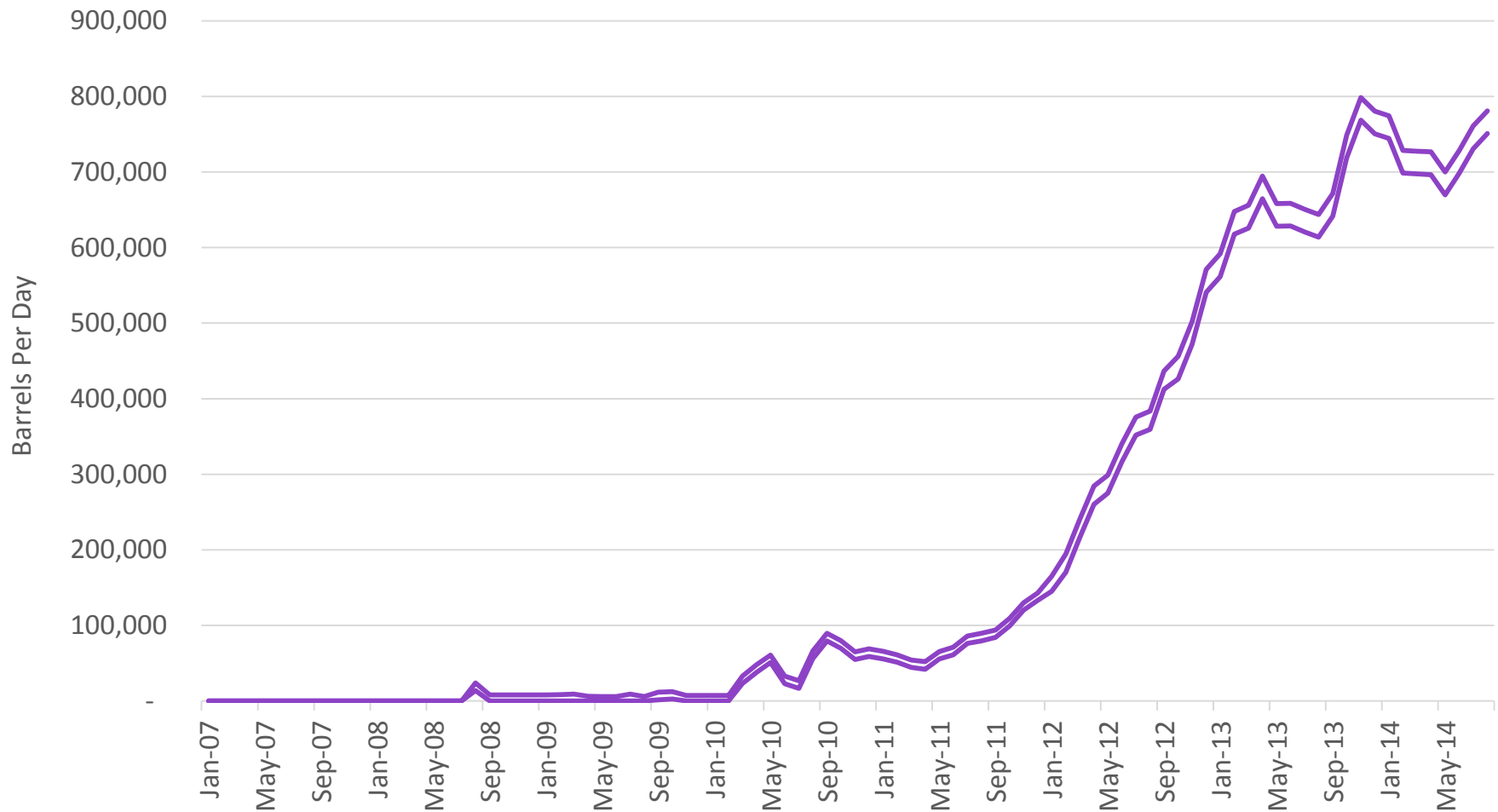


Rail: 766,000 b/d



Pipeline: 432,168 b/d

Williston Basin Rail Estimates

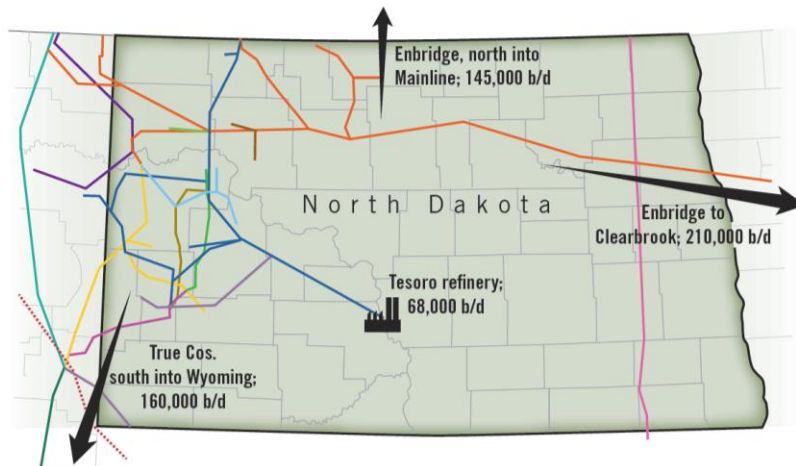


Source: NDPA

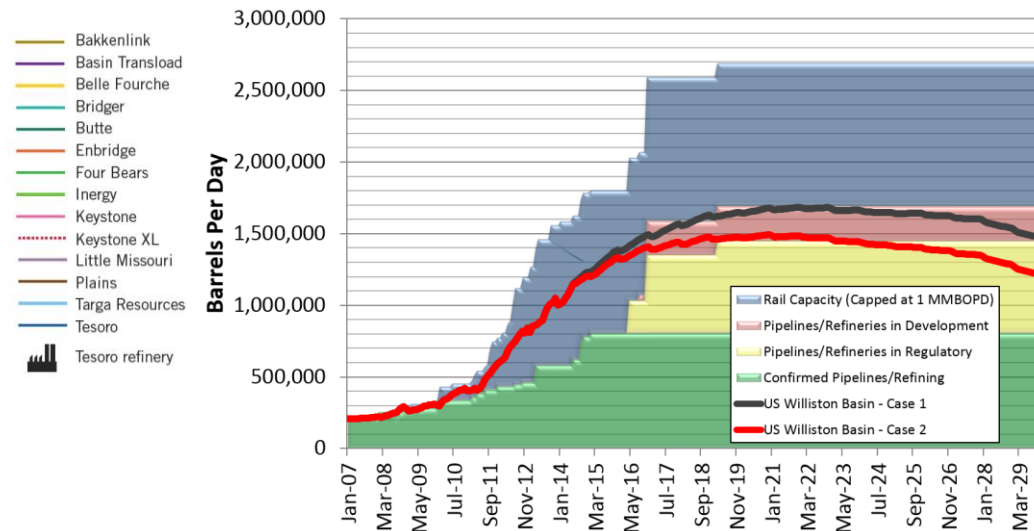
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Pipeline Capacity Ample

- Plenty of pipeline capacity *now*, but if more crude should move back to pipe (continued rail concerns regarding Dec regulation uncertainty) could see prices further decline in Clearbrook and in Wyoming

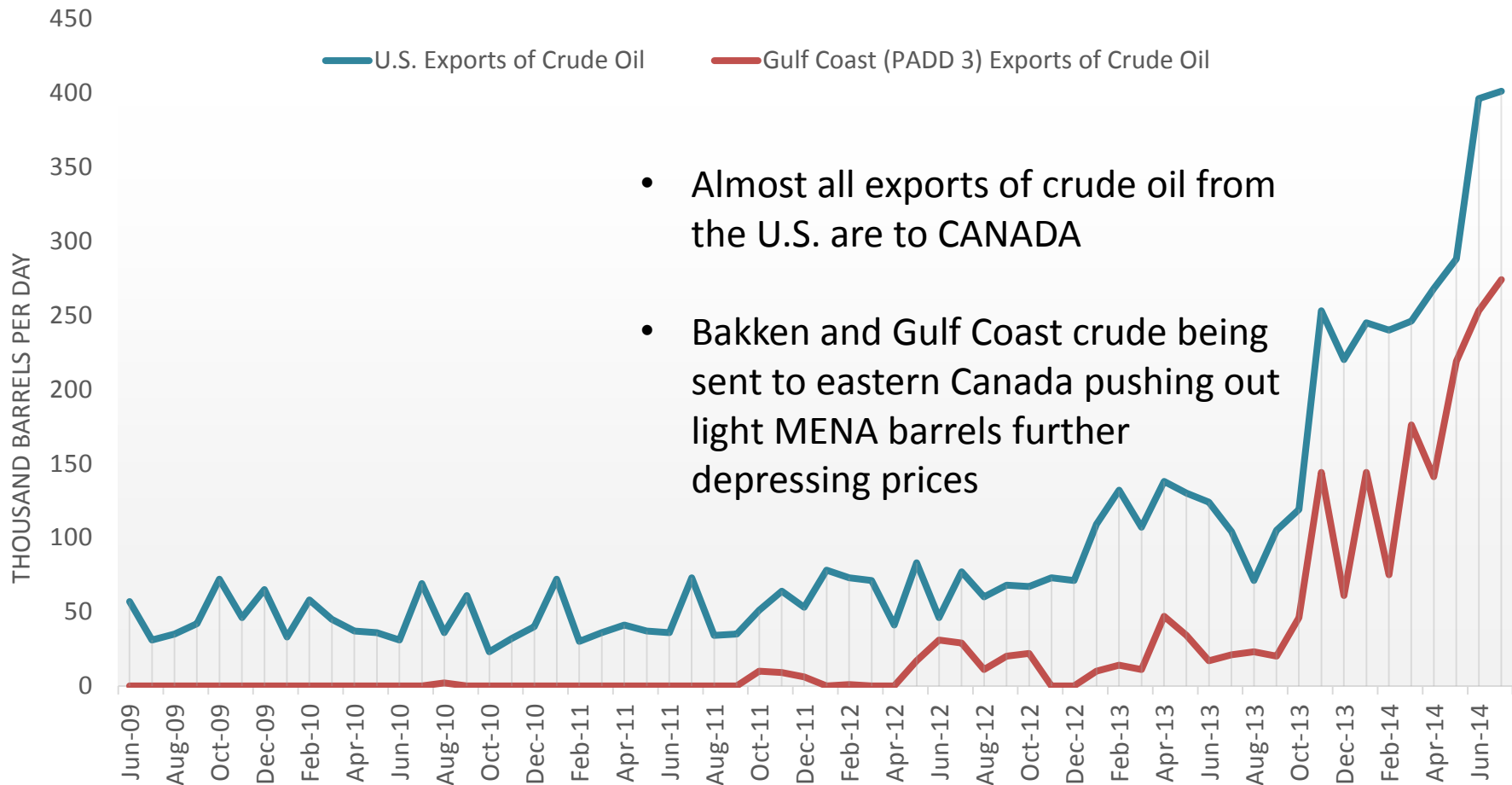


Source: North Dakota Pipeline Authority, EPRINC



Source: EPRINC's article in Oil and Gas Journal March 2014

U.S. Crude Oil Exports...from PADD III

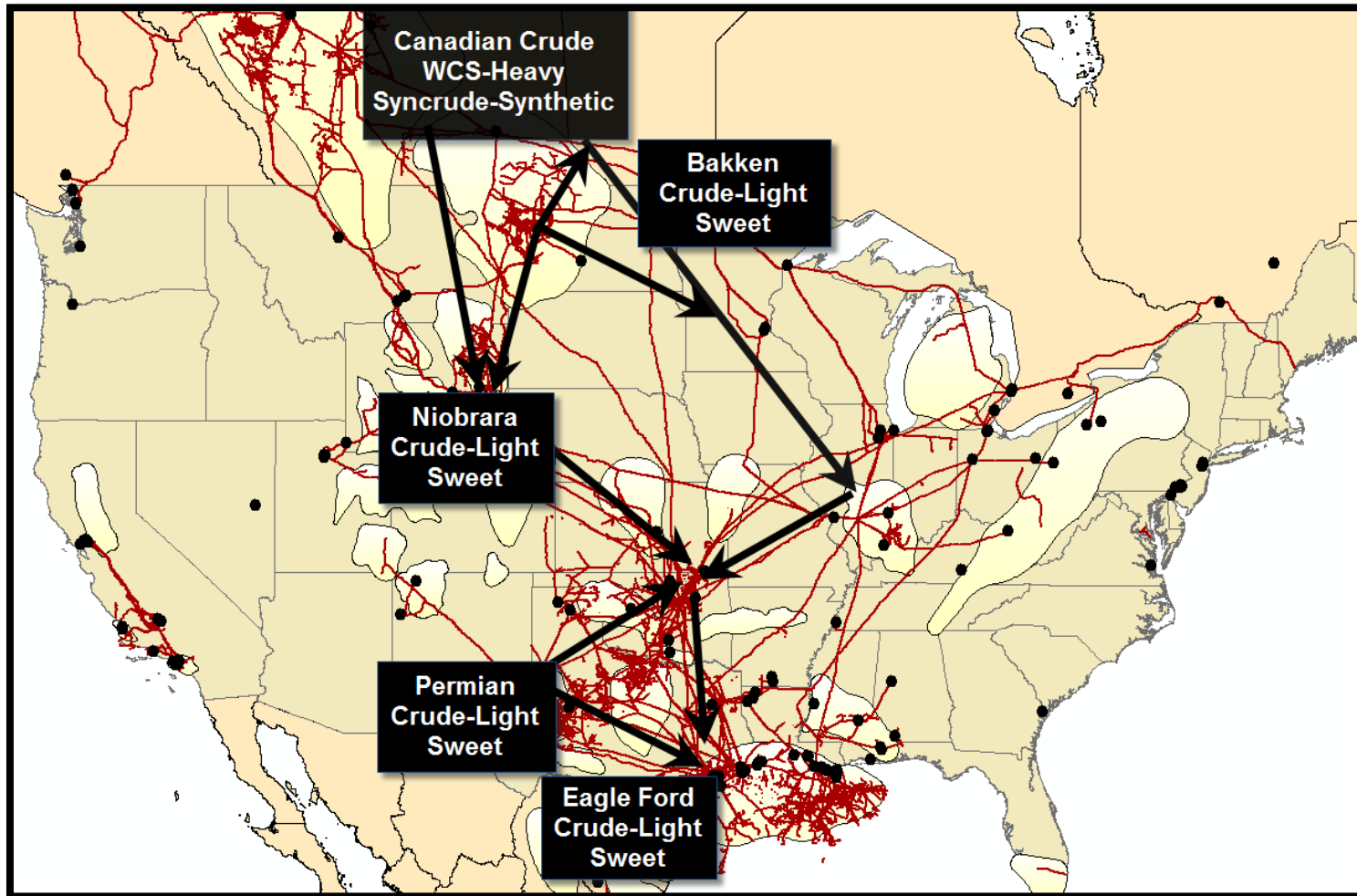


- Almost all exports of crude oil from the U.S. are to CANADA
- Bakken and Gulf Coast crude being sent to eastern Canada pushing out light MENA barrels further depressing prices

Source: HPDI Aug 2014

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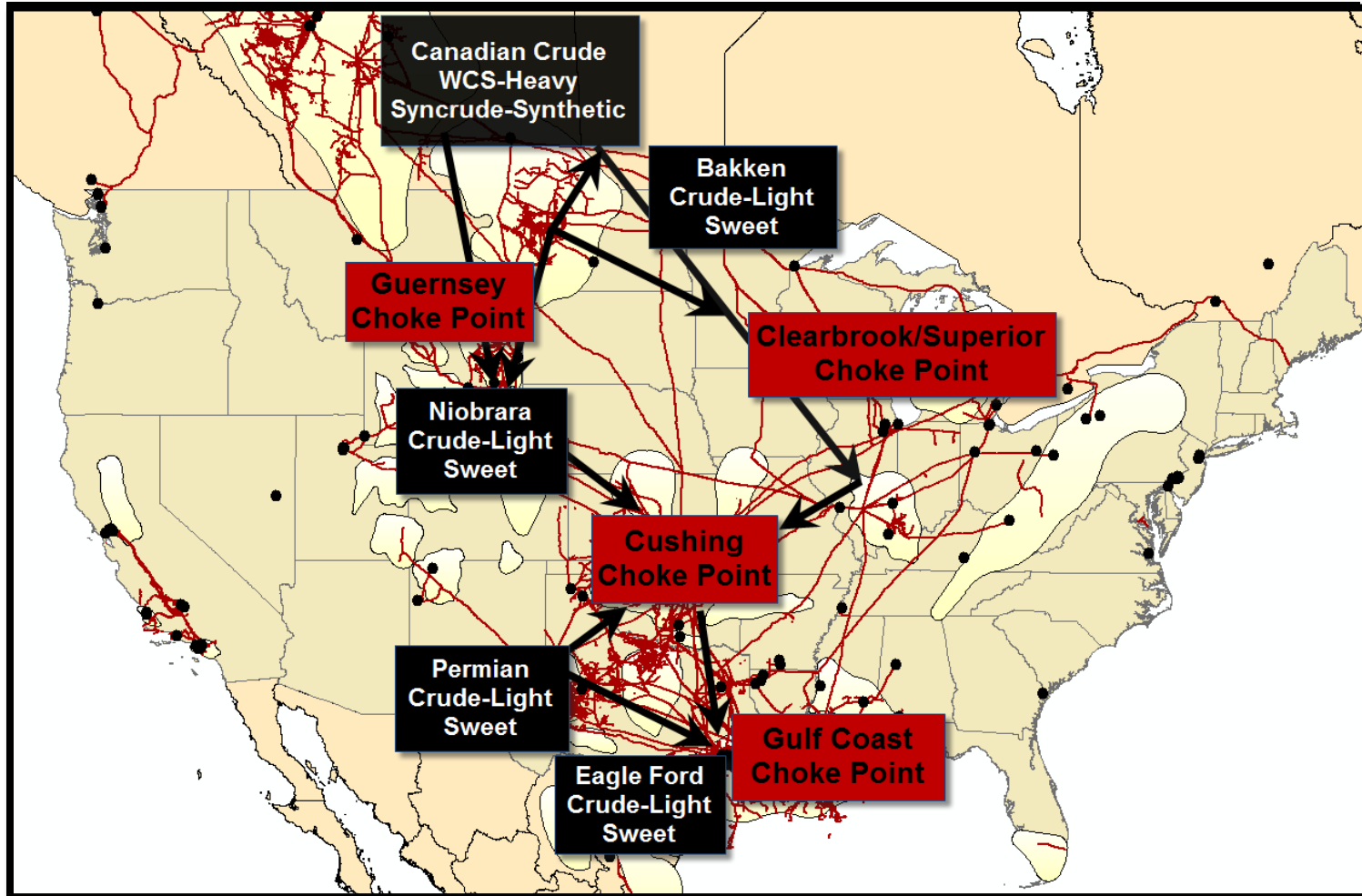
Major Canadian and Shale Oil Crude Flows



Source: EPRINC Choke Point Map using Hart ArcGIS Mapping software

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Pipeline Choke Points

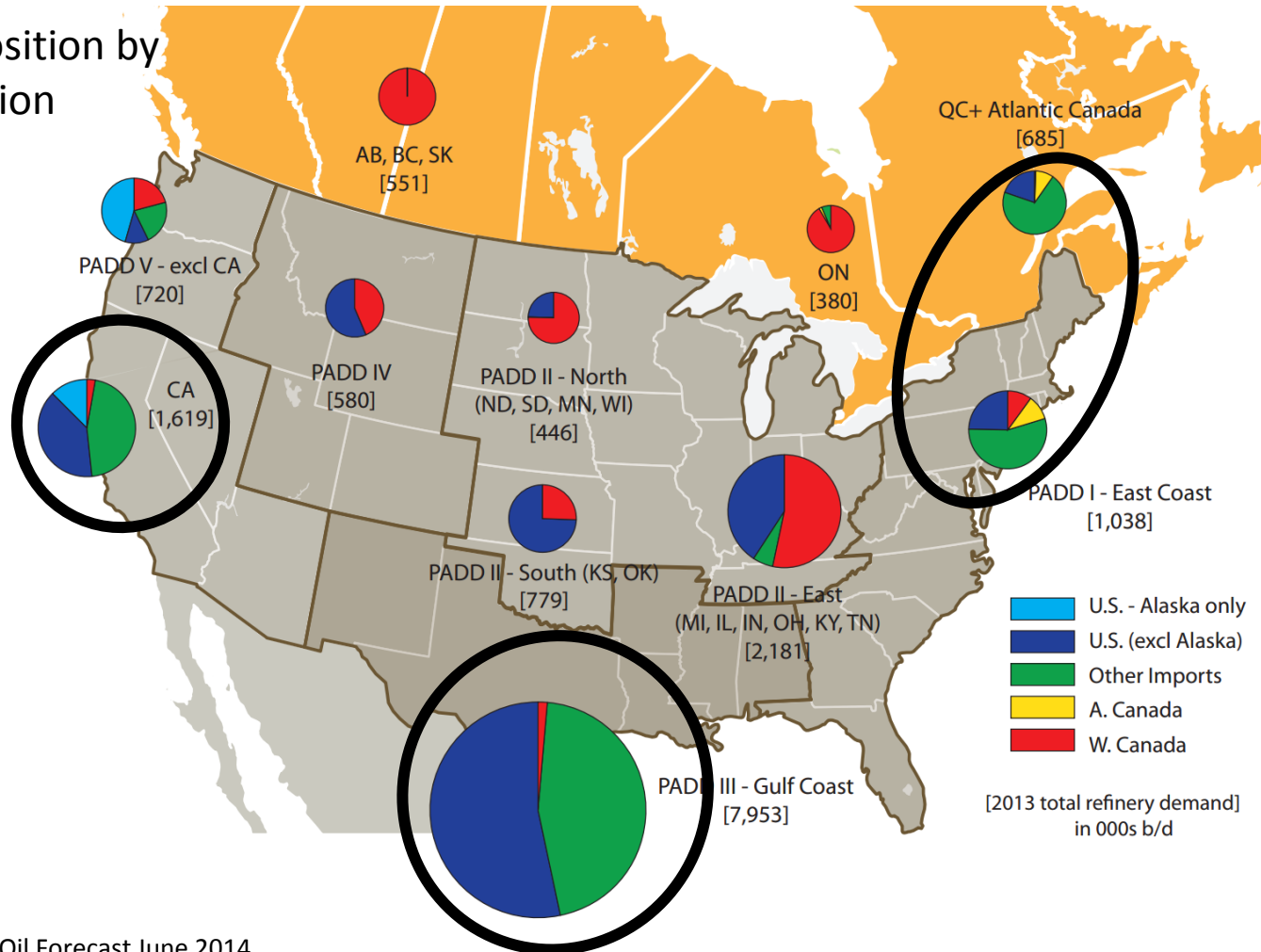


Source: EPRINC Choke Point Map using Hart ArcGIS Mapping software

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No place to go....

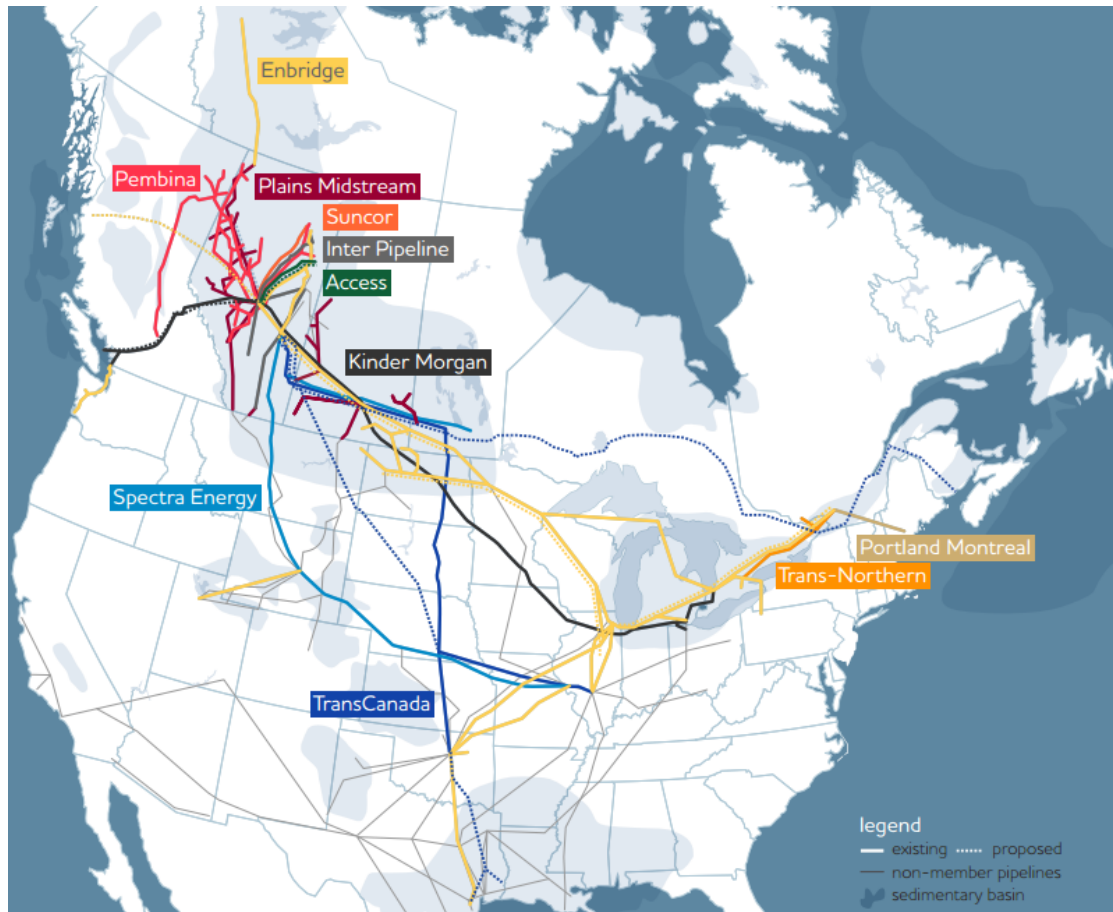
Crude disposition by refinery region



Source: CAPP Crude Oil Forecast June 2014

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All Canadian Pipeline Export Options are Full

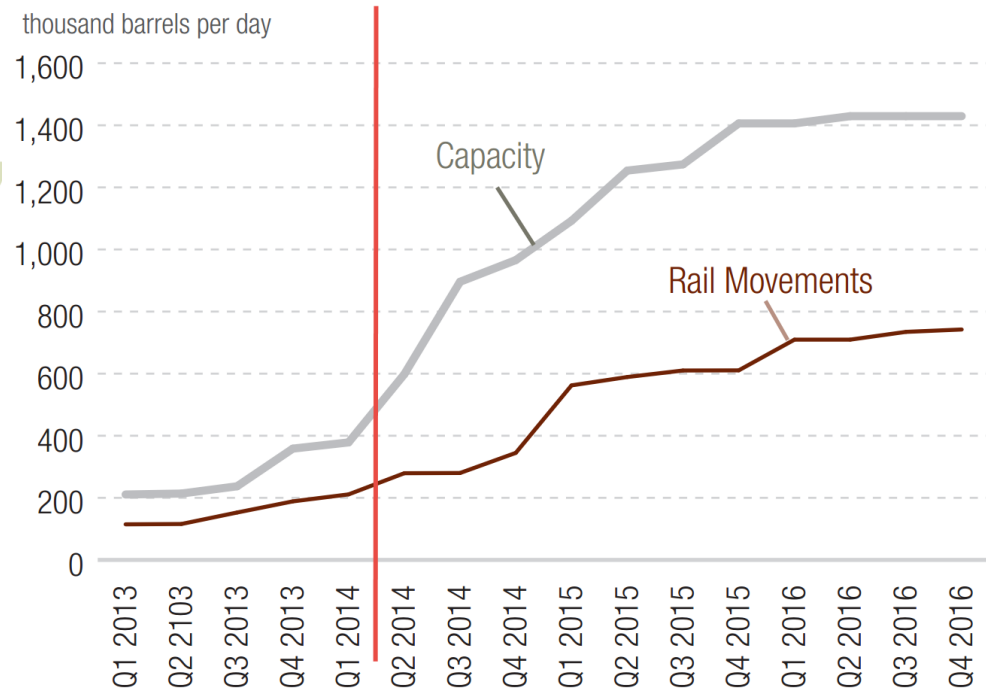
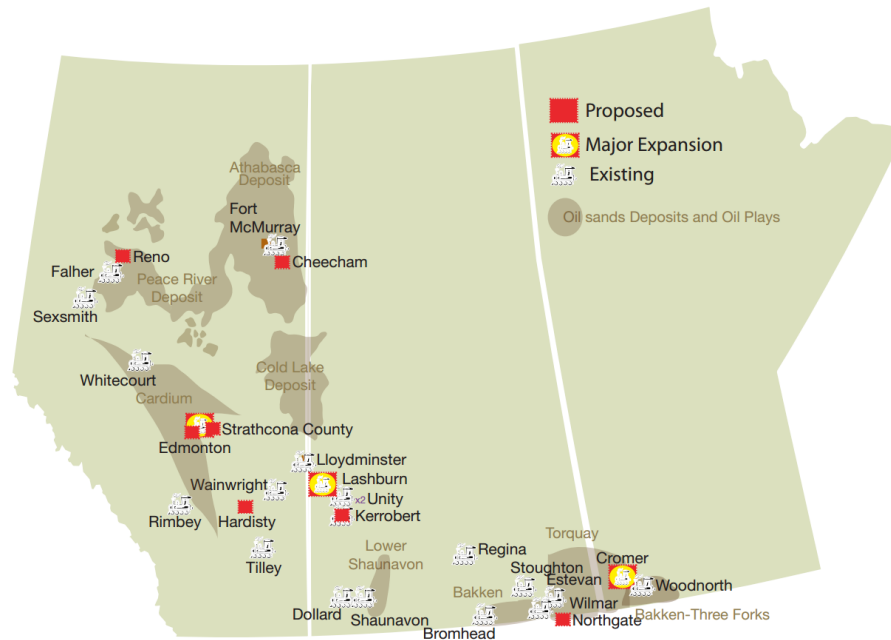


- **Kinder Morgan's** Transmountain line off BC coast - currently 300,000 b/d capacity- planned expansion up to 800,000 b/d (early 2017)
- **(Now Spectra)** Platte line to Wood River 280,000 b/d-full
- **Enbridge** mainline system currently transporting over 1.5 mbd with potential capacity around 2.5 mbd—Northern Gateway off BC coast planned 525,000 b/d, several other planned expansions, light oil access +400,000 b/d to eastern U.S. and Canada
- **TransCanada's** Keystone 581,000 b/d-full—XL would add 700,000 b/d, Energy East Pipeline Project 1.1 mbd

Source: Canadian Energy Pipeline Association

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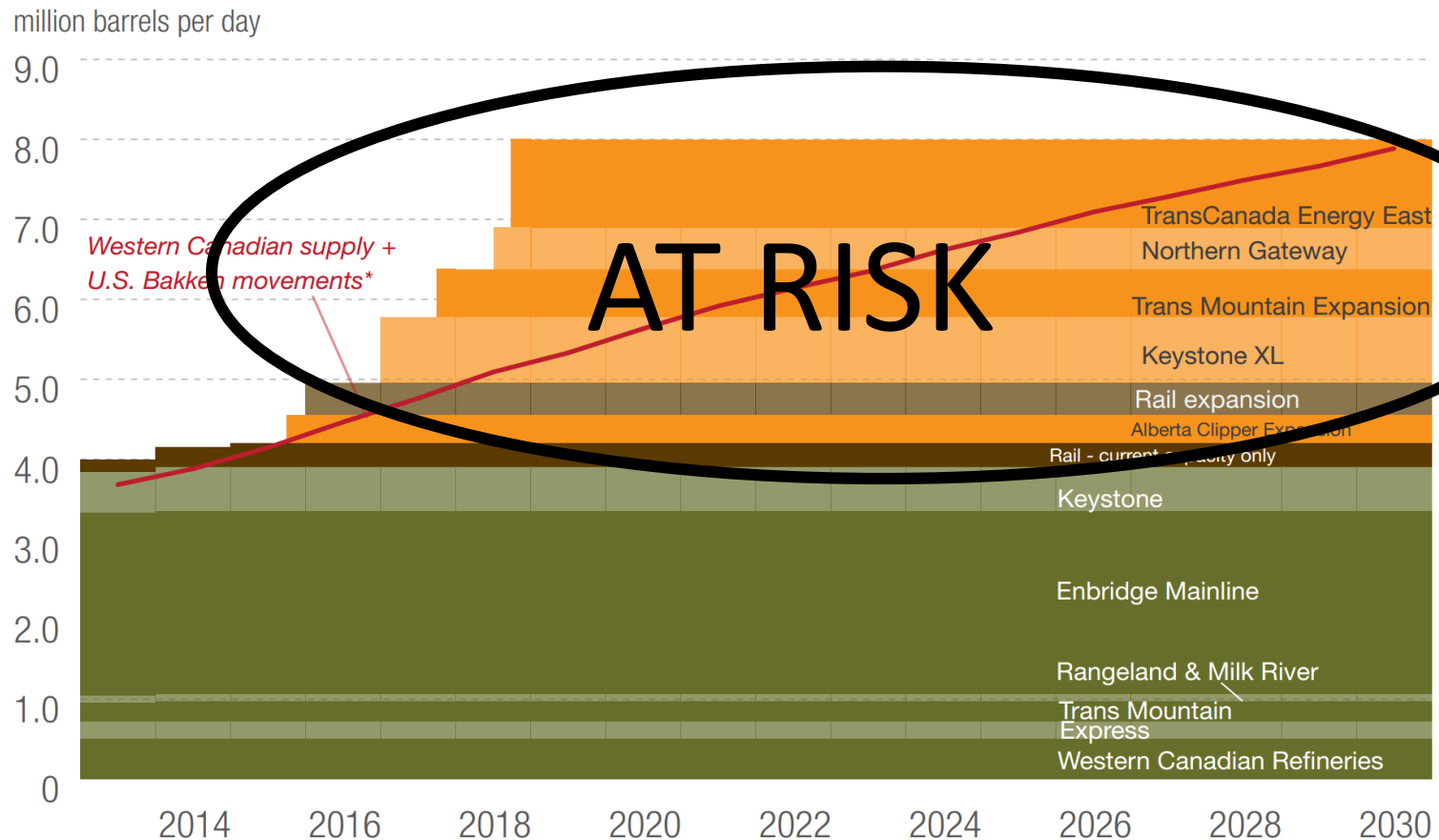
Canadian Crude by Rail Movements



Source: CAPP 2014, "Crude Oil Forecast. Markets, and Transportation"

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Supply vs. Take-Away Capacity is Risky at Best

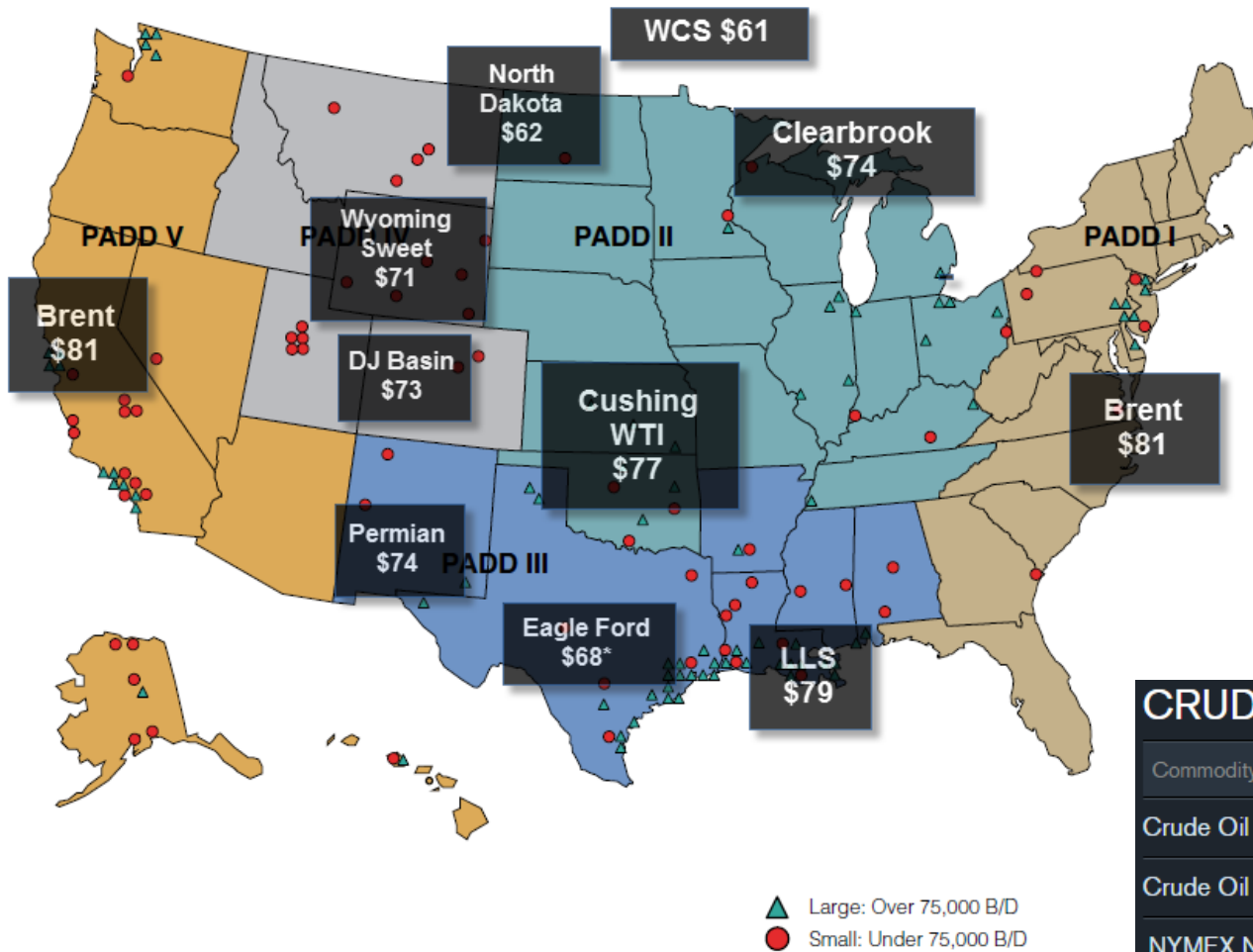


**Refers to the portion of U.S. Bakken production that is also transported on the Canadian pipeline network. Capacity shown can be reduced by temporary operating and physical constraints.*

Source: CAPP 2014, "Crude Oil Forecast. Markets, and Transportation"

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Regional Pricing Disparities

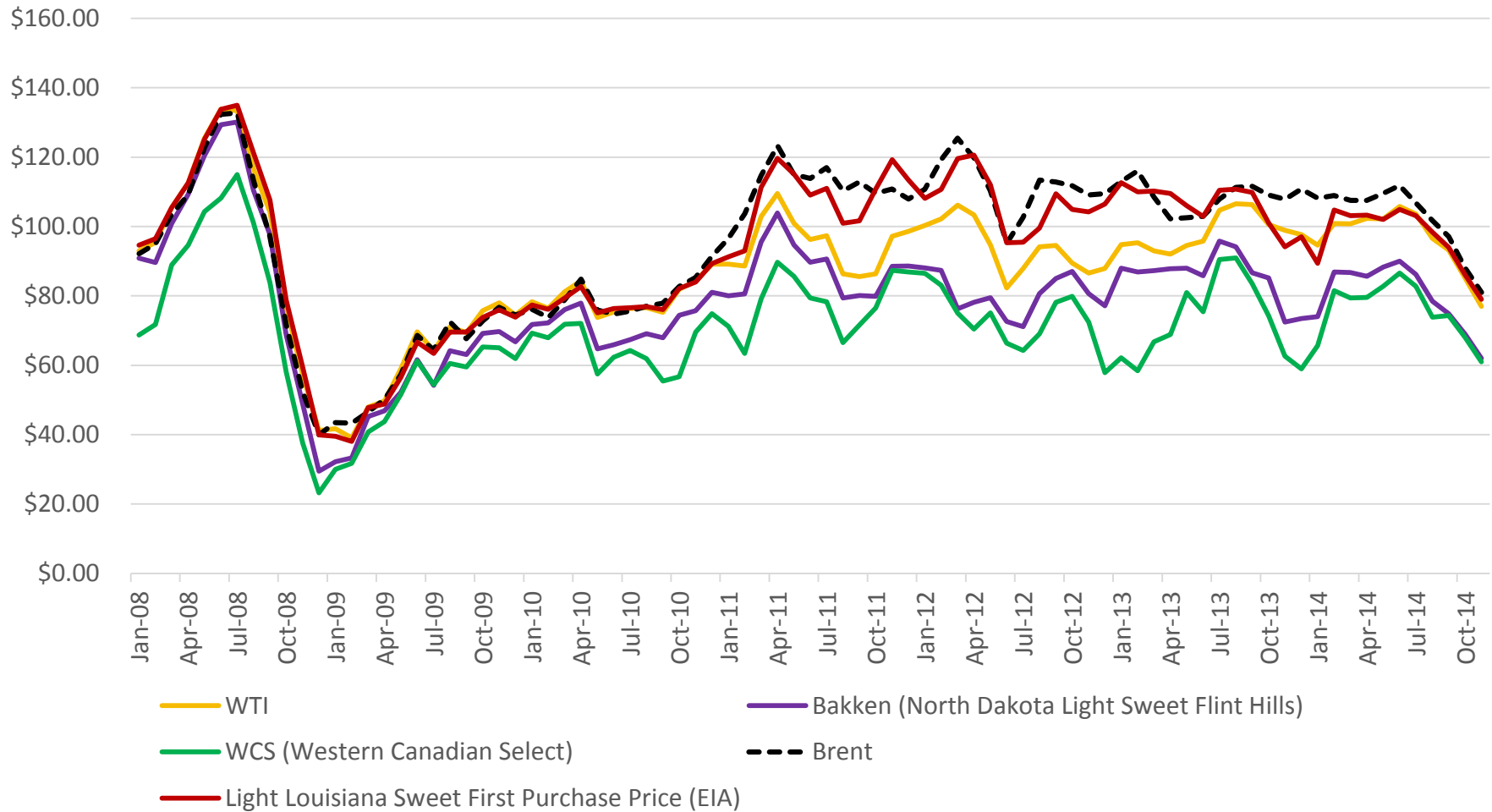


CRUDE OIL & NATURAL GAS		
Commodity	Units	Price
Crude Oil (WTI)	USD/bbl.	77.48
Crude Oil (Brent)	USD/bbl.	81.26
NYMEX Natural Gas	USD/MMBtu	4.19

Source: Map from AFPM, Flint Hills, EIA, CME Group, and estimates

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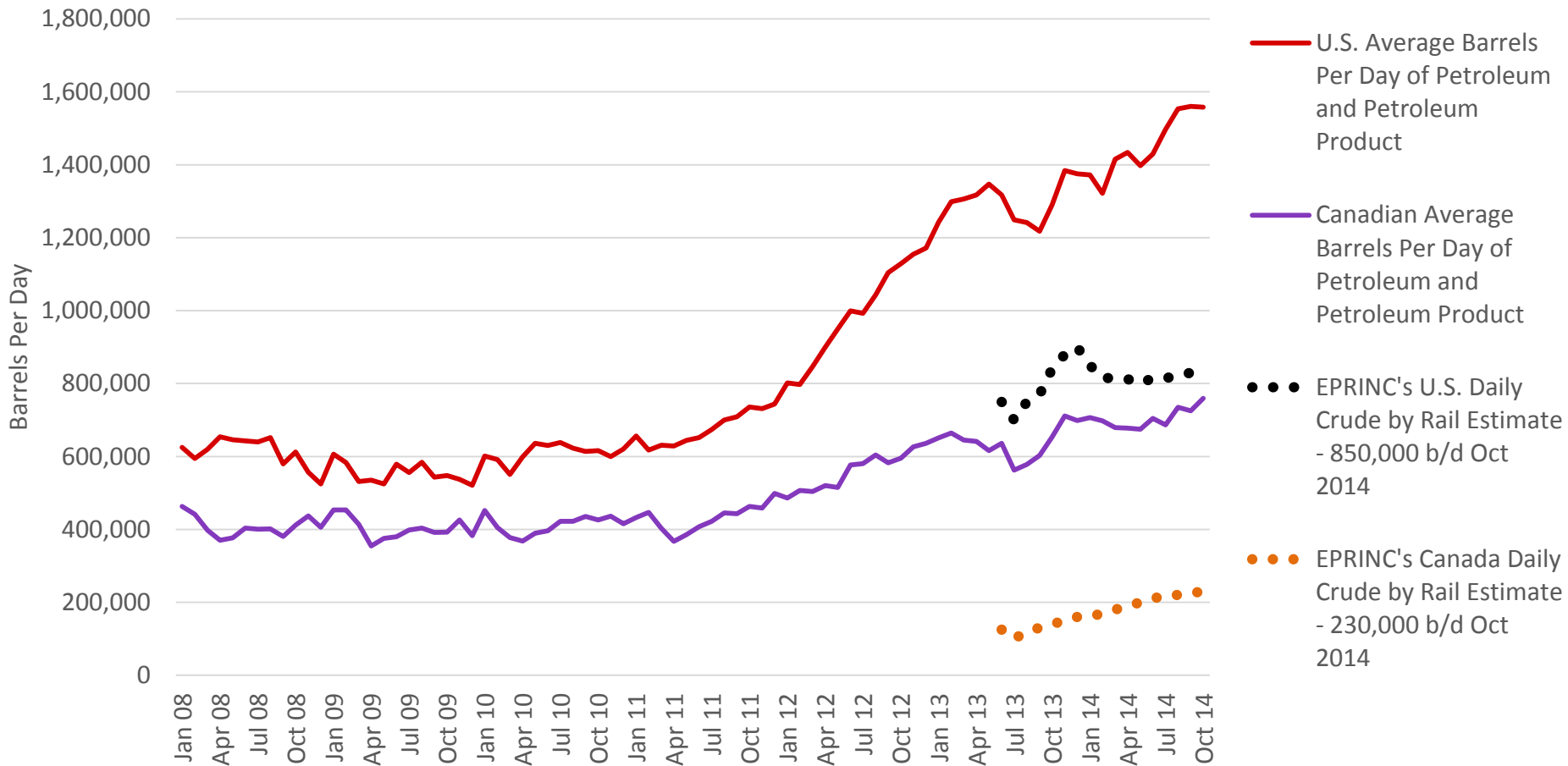
Price Comparison



Source: EIA, Flint Hills, CME Group,, Bloomberg

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Daily Crude by Rail Shipments in the U.S. and Canada

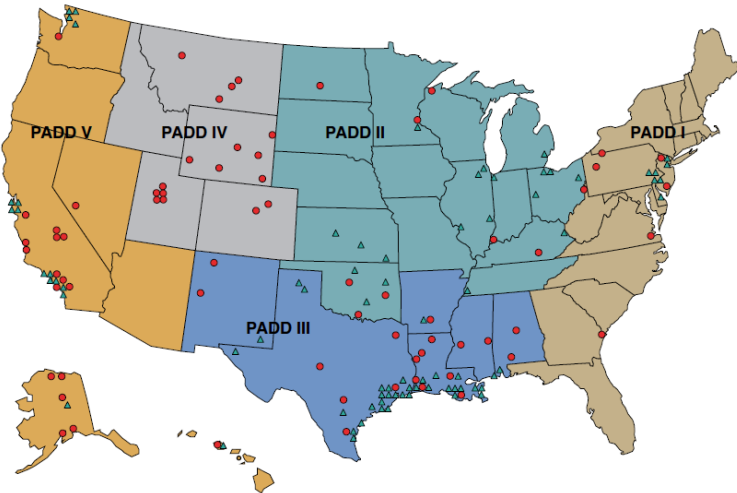


Source: AAR; Crude and petroleum product includes liquefied gases, asphalt, fuel oil, lubricating oil, jet fuel, etc. U.S. operations exclude U.S. operations of CN and CP. Canadian operations include CN and CP and their U.S. operations. One carload holds 30,000 gallons (or 714.3 barrels).

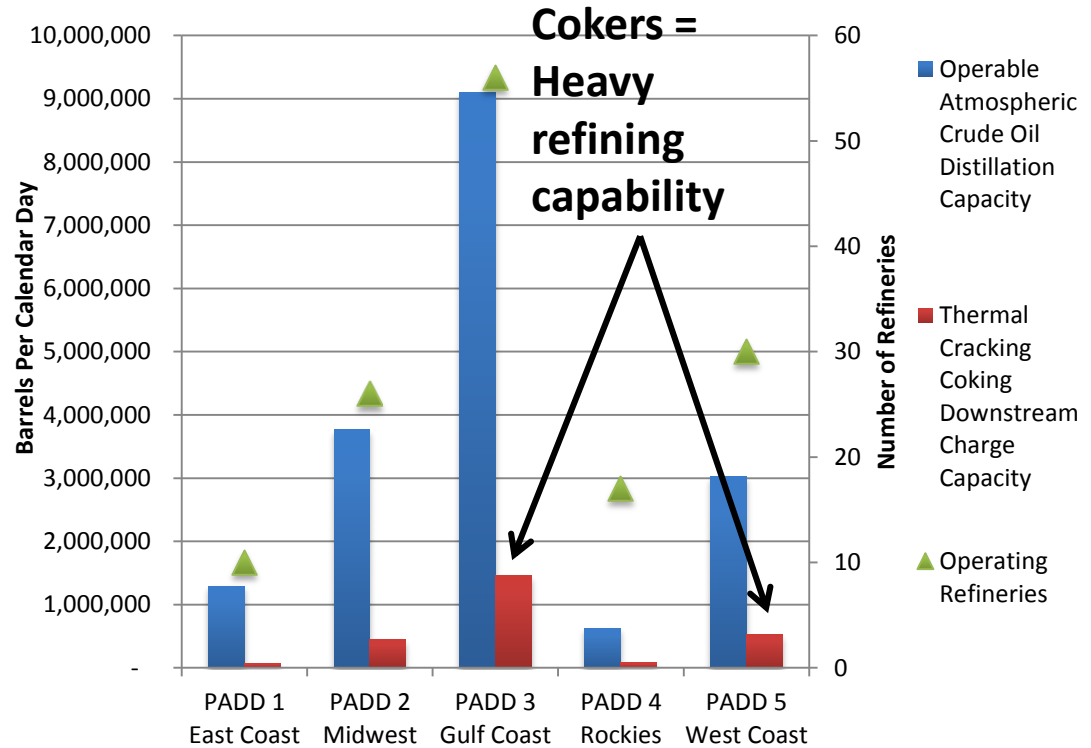
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Refineries and all that light sweet crude....

Where the light and heavy need to go....or should go



Total Coking Capacity vs. Atmospheric Crude Distillation Capacity by PADD

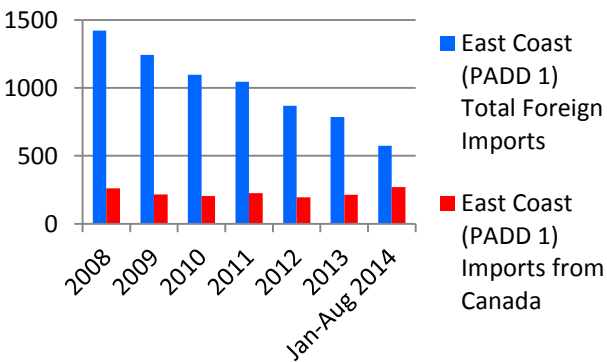


Source: AFPM map, EIA data for graph

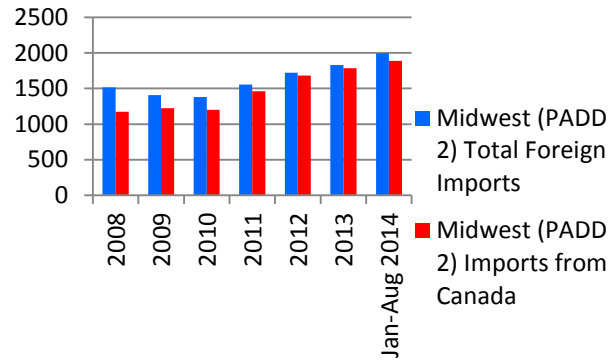
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Share of Canadian Imports by PADD - RED

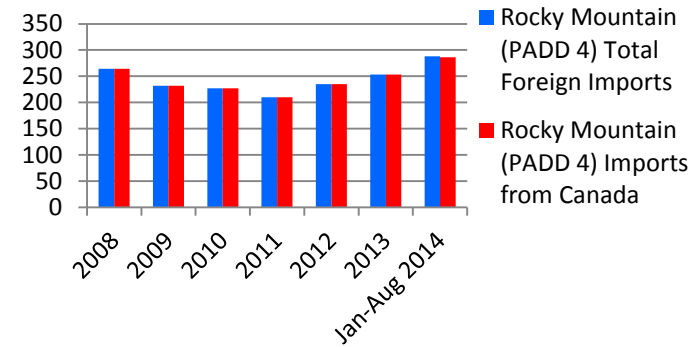
PADD I



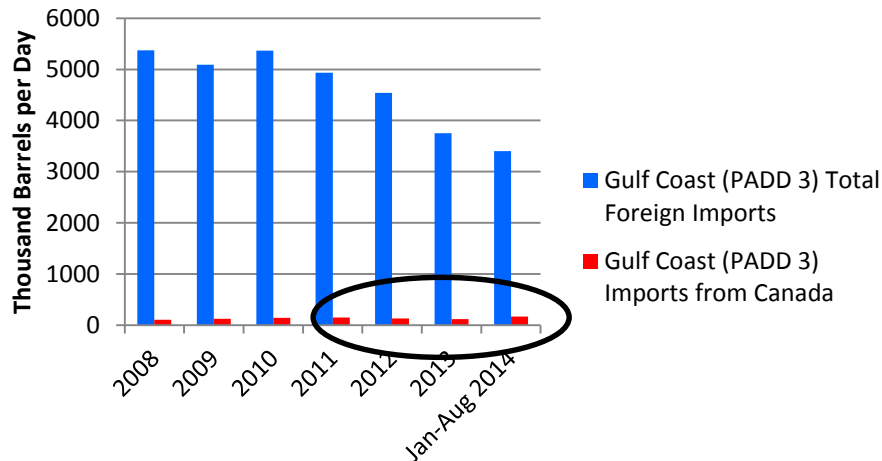
PADD II



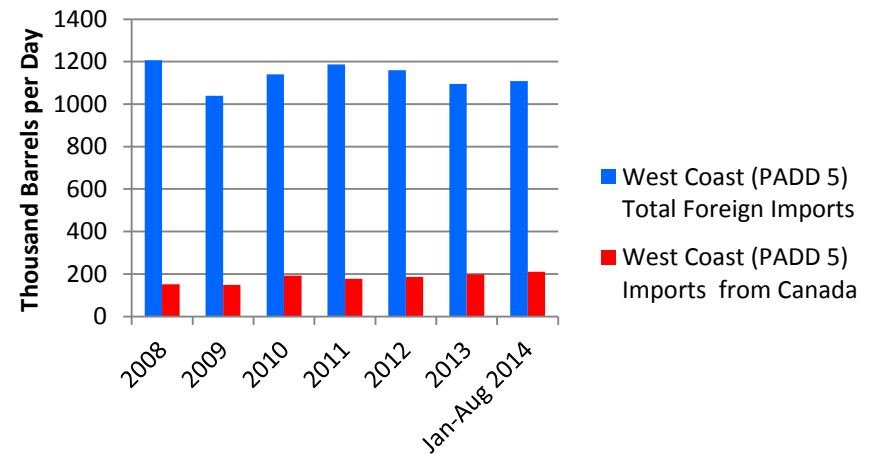
PADD IV



PADD III



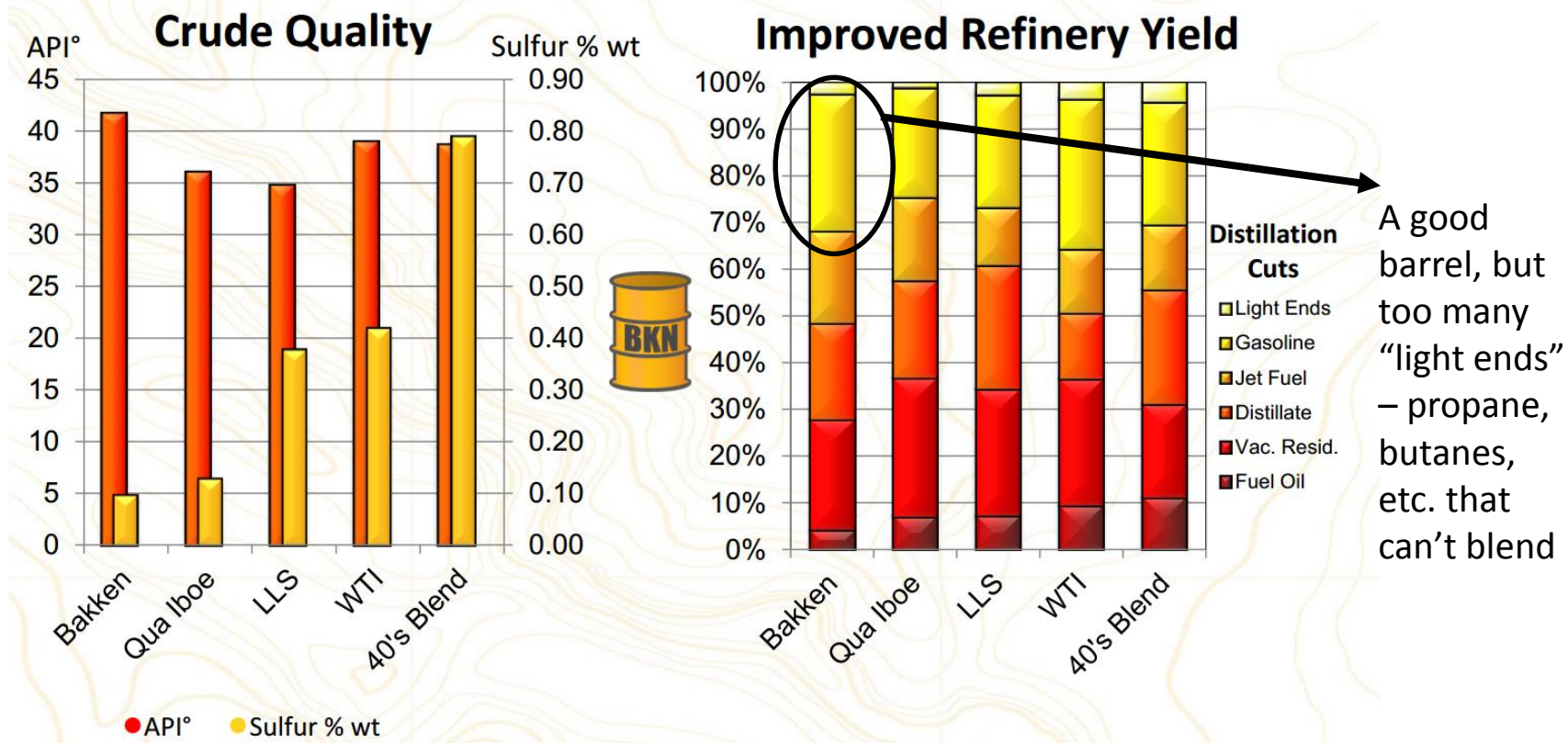
PADD V



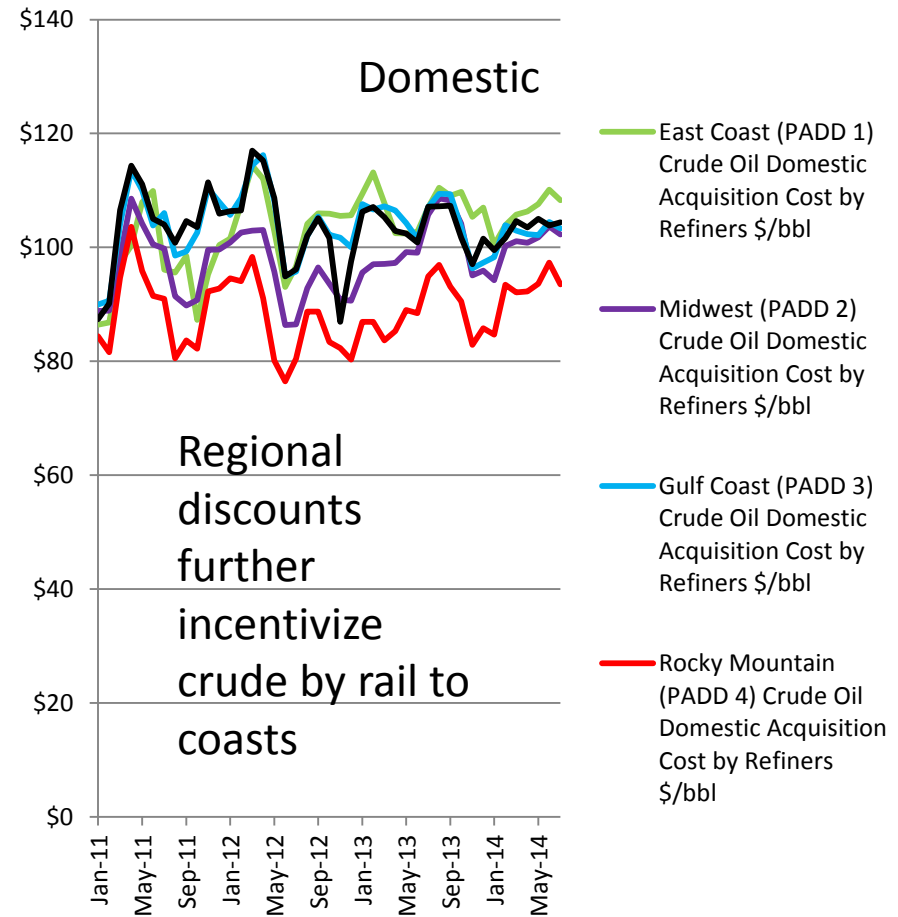
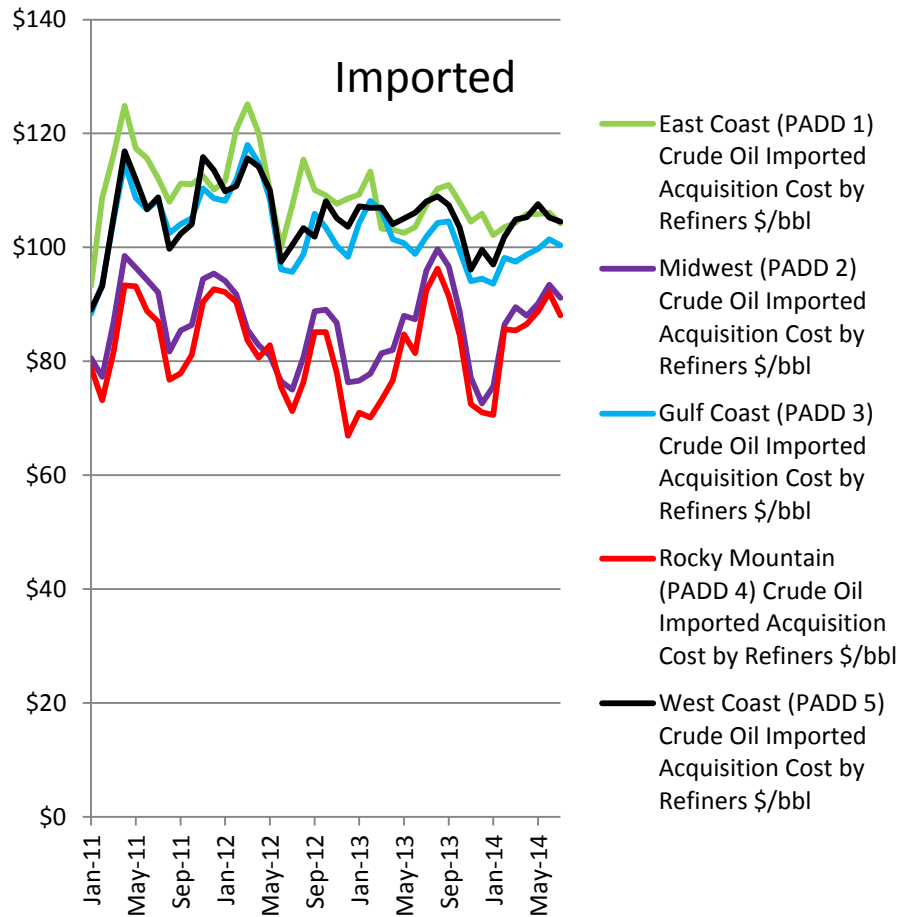
Source: EIA Data

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Bakken Quality Comparison



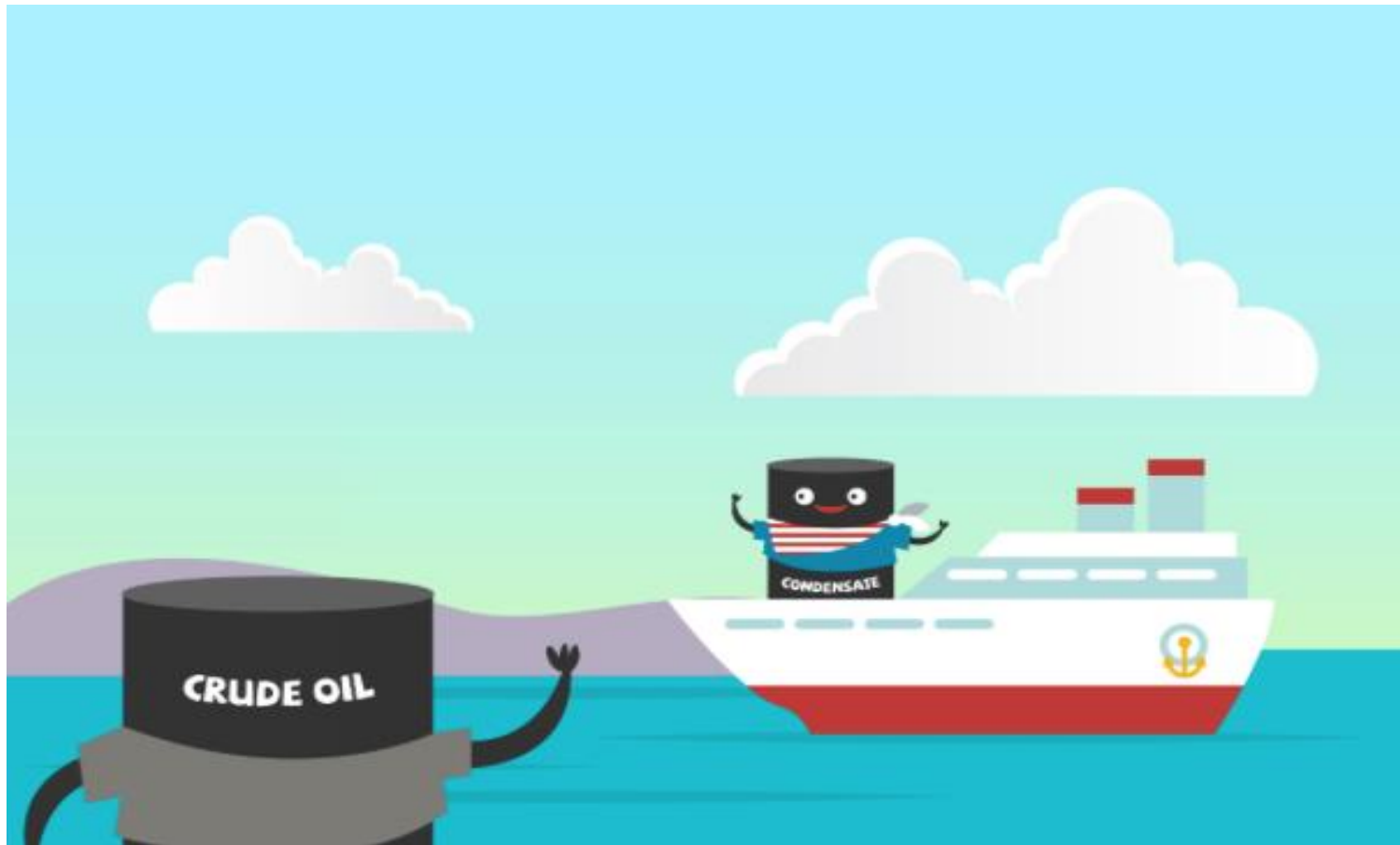
Refinery Acquisition Costs (RAC)



Source: EIA

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Oil...I mean condensate exports

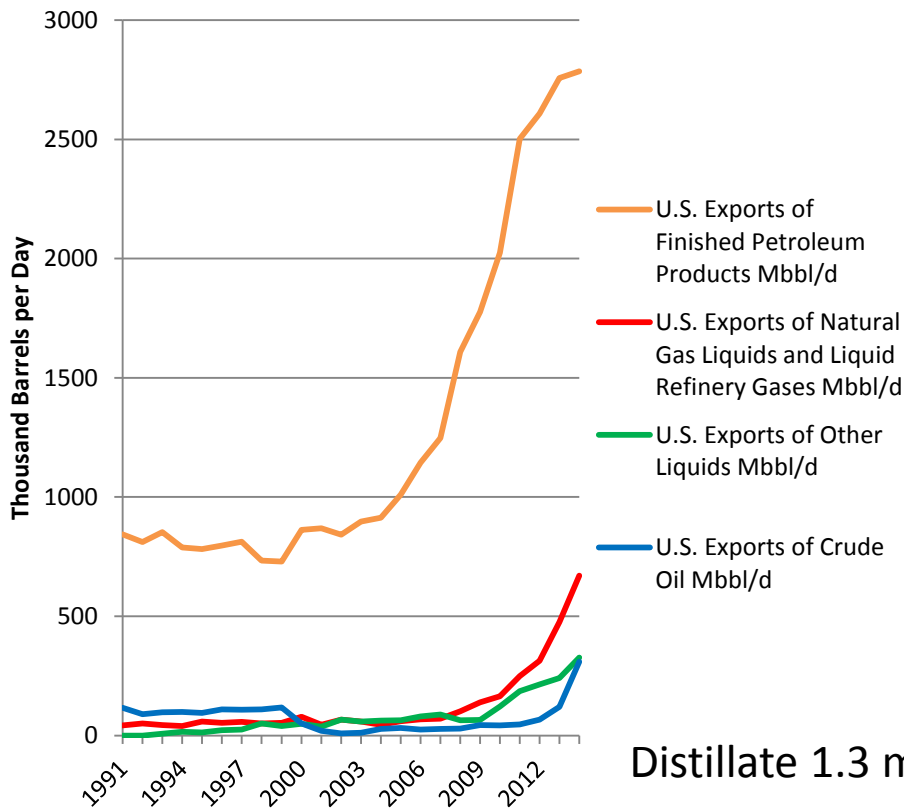


Source: Drilling Info

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U.S. Annual Exports

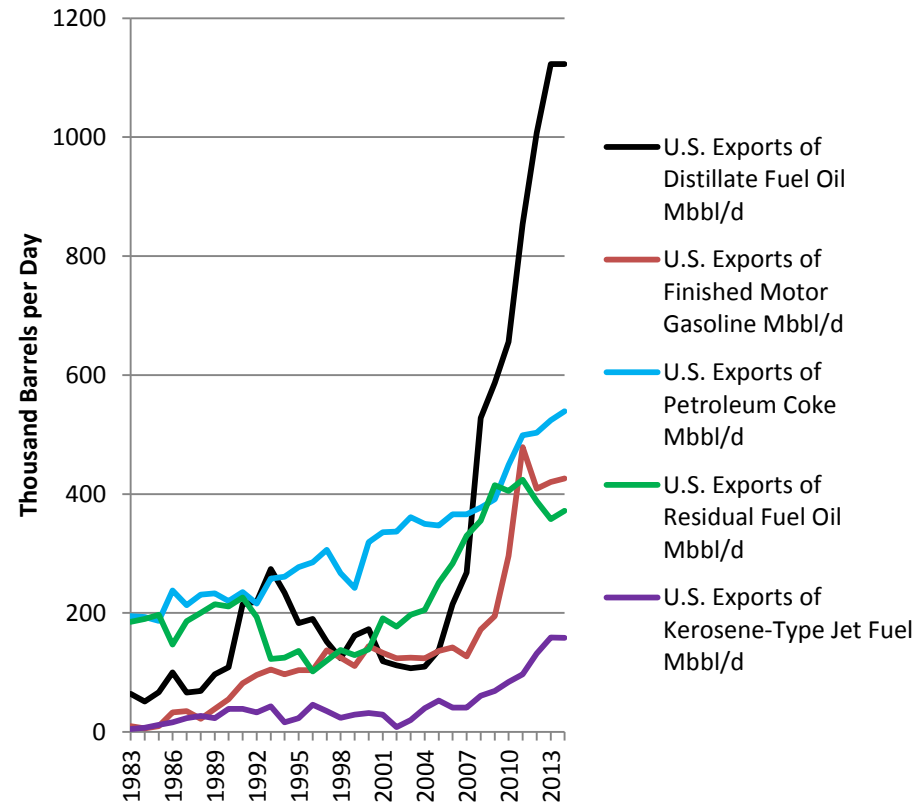
U.S. Exports



Distillate 1.3 mbd

Gasoline 400,000 b/d

U.S. Petroleum Products Exports



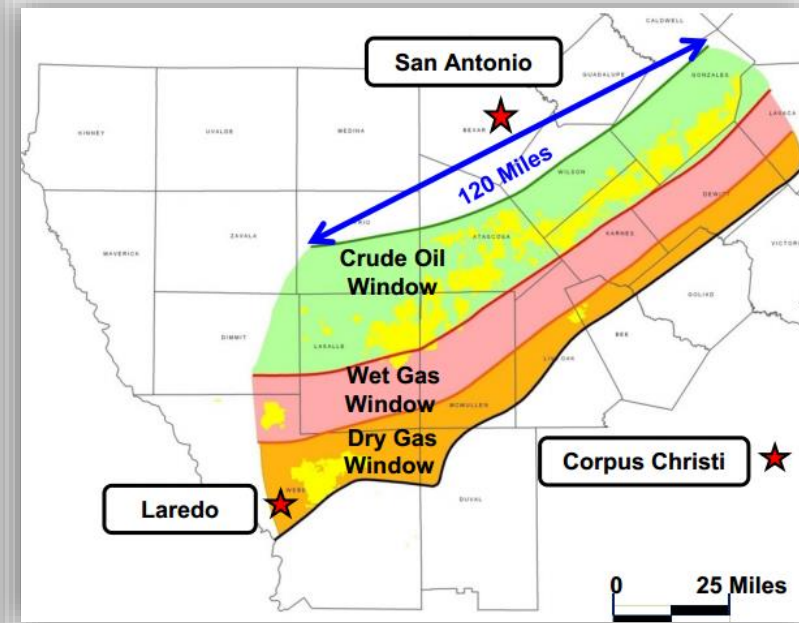
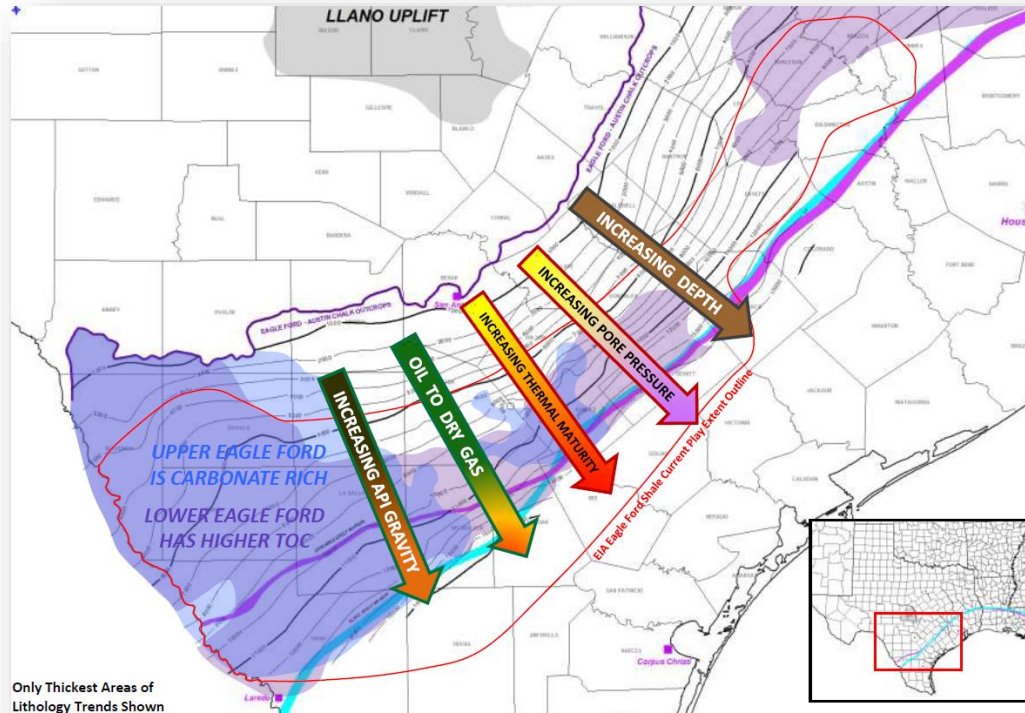
Condensate Processing

Processing Options Distillation

<u>Field Condensate Stabilizer</u>	<u>USGC Crude Stabilizer</u>	<u>Condensate Splitter</u>
<p>Capacity: : ~5 mbbbl/day Cap. Cost: ~ Several million \$ Op. Cost: \$0.50-\$1.00/B Construction: ~12 months</p>	<p>Capacity: 100 mbbbl/day Cap. Cost: \$150 - 200 MM Op. Cost: \$0.75-\$1.00/B Construction: 12-18 months</p>	<p>Capacity: 100 mbbbl/day Cap. Cost: \$300-400 MM Op. Cost: \$1.00 to \$1.50/B Construction: 18-24 months</p>



Geology of the Eagle Ford = Varying Liquid Grades



Source: Momentum Oil and Gas LLC, DUG Eagle Ford Conference Presentation Oct 2011; EOG Investor Presentation Feb 2014;

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These differences have been impacting prices

FLINT HILLS RESOURCES CRUDE OIL POSTINGS P.O. BOX 2917, WICHITA, KS 67201

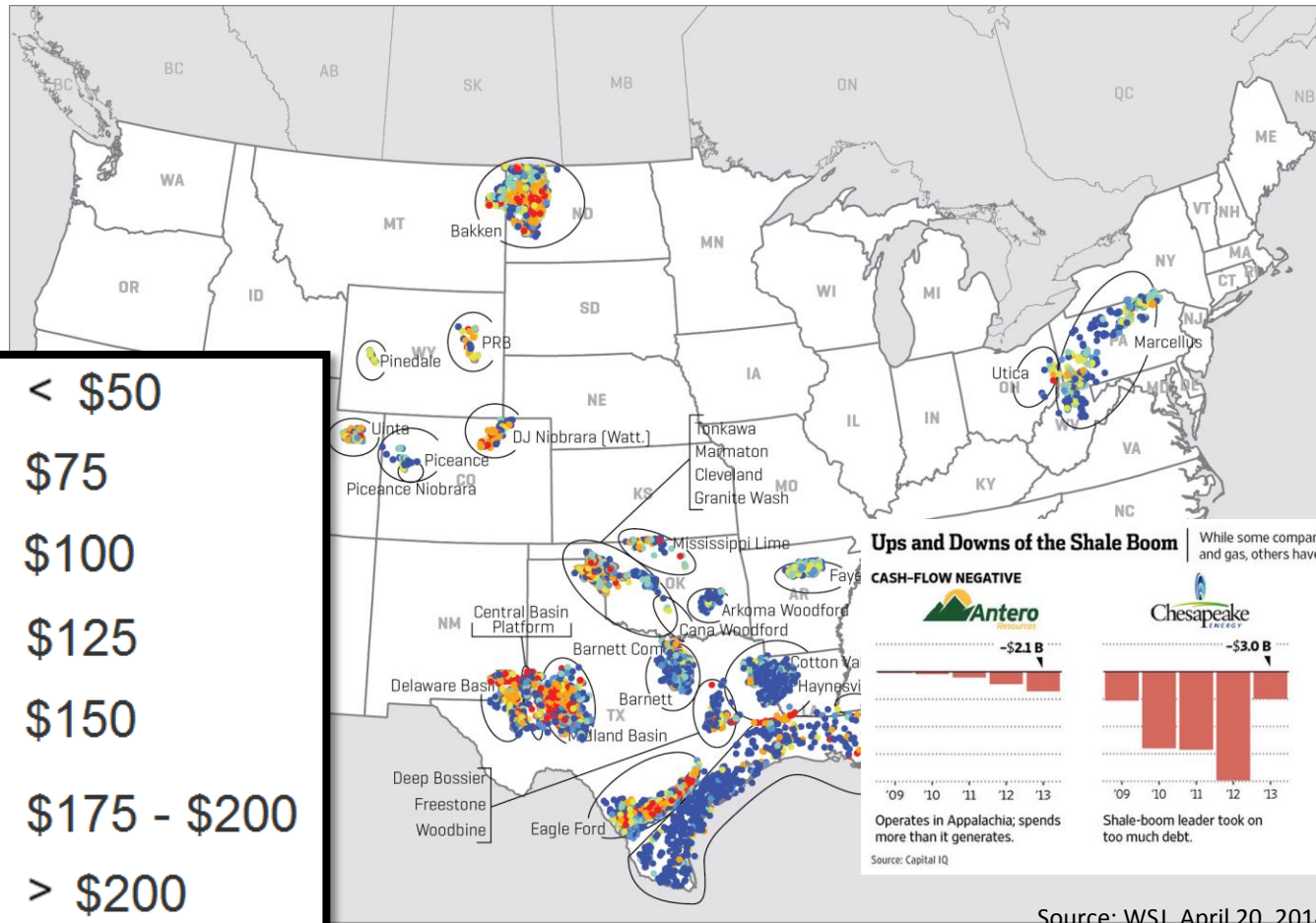
Effective 7:00 A.M., on dates shown below, and subject to its division orders as amended and supplemented, contracts and other agreements, FLINT HILLS RESOURCES, LP will pay the following prices per barrel of 42 U.S. gallons for merchantable crude oil purchased and delivered into pipelines or facilities authorized by FLINT HILLS RESOURCES, LP, in the fields or area designated below. The following prices are for informational purposes only, do not constitute an offer, and are subject to change or revisions without notice.

Effective Date	11/01/14	11/03/14	11/04/14	11/05/14	11/06/14	11/07/14	11/10/14	
Bulletin	20140188	20140189	20140190	20140191	20140192	20140193	20140194	EDQ
TEXAS								
Eagle Ford Condensate, equal to or greater than 60 API	64.7500	63.0000 *	61.5000 *	63.0000 *	62.2500 *	63.0000 *	61.7500 *	79.7500 *
Eagle Ford Light, equal to or greater than 50 API and less than 60 API	69.7500	70.5000 *	64.0000 *	68.0000 *	67.2500 *	68.0000 *	66.7500 *	84.7500 *
Eagle Ford Sour	68.2500 *	66.5000 *	65.0000 *	66.5000 *	65.7500 *	66.5000 *	65.2500 *	83.7500 *
Eagle Ford West Condensate, equal to or greater than 60 API	64.7500	63.0000 *	61.5000 *	63.0000 *	62.2500 *	63.0000 *	61.7500 *	79.7500 *
Eagle Ford West Light, equal to greater than 50 API and less 60 API	69.7500	70.5000 *	64.0000 *	68.0000 *	67.2500 *	68.0000 *	66.7500 *	84.7500 *
Eagle Ford West Sour	68.2500 *	66.5000 *	65.0000 *	66.5000 *	65.7500 *	66.5000 *	65.2500 *	86.2500 *
Eagle Ford West, crude oil less than 50 API	71.2500	72.0000 *	65.5000 *	69.5000 *	68.7500 *	69.5000 *	68.2500 *	89.2500 *
Eagle Ford, crude oil less than 50 API	71.2500	72.0000 *	65.5000 *	69.5000 *	68.7500 *	69.5000 *	68.2500 *	89.2500 *
Giddings Sweet Texas	75.0000	73.2500 *	71.7500 *	73.2500 *	72.5000 *	73.2500 *	72.0000 *	89.0000 *
Gulf Coast Mix	75.0000	73.2500 *	71.7500 *	73.2500 *	72.5000 *	73.2500 *	72.0000 *	86.2500 *
Pearsall Sweet	74.7500	73.0000 *	71.5000 *	73.0000 *	72.2500 *	73.0000 *	71.7500 *	86.2500 *
South Texas Heavy	71.2500	69.5000 *	68.0000 *	69.5000 *	68.7500 *	69.5000 *	68.2500 *	83.7500 *
South Texas Light Sweet	71.2500	69.5000 *	68.0000 *	69.5000 *	68.7500 *	69.5000 *	68.2500 *	86.2500 *
South Texas Sour	68.2500 *	66.5000 *	65.0000 *	66.5000 *	65.7500 *	66.5000 *	65.2500 *	89.2500 *
South Texas Sweet	71.2500	69.5000 *	68.0000 *	69.5000 *	68.7500 *	69.5000 *	68.2500 *	89.2500 *
South Texas Valley Sweet	75.0000	73.2500 *	71.7500 *	73.2500 *	72.5000 *	73.2500 *	72.0000 *	89.5000 *
Upper Texas Gulf Coast	75.2500	73.5000 *	72.0000 *	73.5000 *	72.7500 *	73.5000 *	72.2500 *	91.2500 *
West Texas/New Mexico Intermediate	77.0000	75.2500 *	73.7500 *	75.2500 *	74.5000 *	75.2500 *	74.0000 *	

09/16/14
20140160

Nov 11th, 2014
WTI \$77
Brent \$81
Nat Gas \$4.25

Regional Discounts Matter with High Cost Production

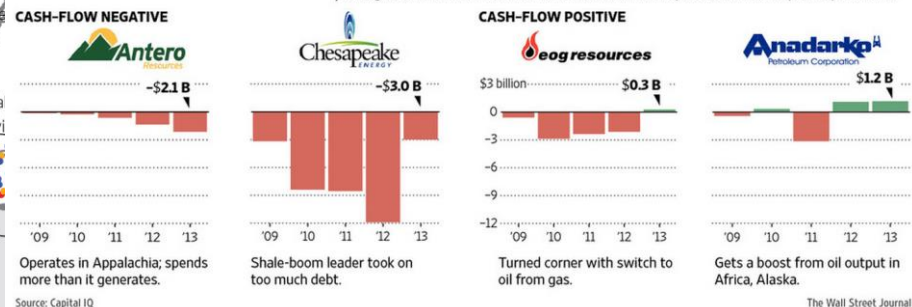


Source: ITG IR, raw data provided by didesktop and state agencies

Source: ITG Investment Presentation Nov 2012

Ups and Downs of the Shale Boom

While some companies are generating more cash than they are spending in the hunt for oil and gas, others haven't been as fortunate. Cash from operations minus capital expenditures:



Source: WSJ, April 20, 2014, Russel Gold Theo Francis "The New Winners and Losers America's Shale Boom"

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Accidents and Regulations

Recent Crude by Rail Accidents

- July 6, 2013, a run-away train crashed and exploded in Lac-Mégantic, Quebec, killing 47 people and destroying parts of the town
- November 8, 2013, about 12 cars derailed in a unit train of 90 cars carrying crude oil near Aliceville, Alabama (45 miles SW Tuscaloosa). Nobody was injured, but three of the cars exploded.
- December 30, 2013, a train hauling grain derailed near Casselton, (SE) ND hitting a 106 car unit train of crude oil which caused 18 crude tank cars to derail causing a massive explosion and fireball
- January 7, 2014, a Canadian National train jumped tracks in Plaster Rock, New Brunswick. 15 cars derailed and caught fire. The train was carrying propane and crude oil from Western Canada
- January 20, 2014, a CSX train derailed in Pennsylvania on a railroad bridge and close a busy expressway (Schuylkill), but did not leak any crude oil.
- April 30, 2014, oil tanks cars on CSX derailed and caught fire in Lynchburg, VA (3 of 15 cars that derailed caught fire). Nobody was injured by 300 people were evacuated temporarily

Table 3—Major Crude Oil/Ethanol Train Accidents in the U.S.

Location	Date(MM/YY)	Number of tank cars derailed	Number of crude oil/ethanol cars penetrated	Speed at derailment in miles per hour(mph)	Material and type of train	Product loss (gallon of crude or ethanol)	Fire	Type of train accident or cause of train accident
LaSalle, CO	05/14	5	1	9	Crude Oil(unit)	5,000	No	To Be Determined (TBD).
Lynchburg, VA	04/14	17	2	23	Crude Oil(unit)	30,000	Yes	TBD.
Vandergrift, PA	02/14	21	4	31	Crude Oil	10,000	No	TBD.
New Augusta, MS	01/14	26	25	45	Crude Oil	90,000	No	TBD.
Casselton, ND	12/13	20	18	42	Crude Oil(unit)	476,436	Yes	Collision.
Aliceville, AL	11/13	26	25	39	Crude Oil(unit)	630,000	Yes	TBD.
Plevna, MT	08/12	17	12	25	Ethanol	245,336	Yes	TBD.
Columbus, OH	07/12	3	3	23	Ethanol	53,347	Yes	TBD—NTSB Investigation.
Tiskilwa, IL	10/11	10	10	34	Ethanol	143,534	Yes	TBD—NTSB Investigation.
Arcadia, OH	02/11	31	31	46	Ethanol(unit)	834,840	Yes	Rail Defect.
Rockford/Cherry Valley, IL	06/09	19	13	19	Ethanol(unit)	232,963	Yes	Washout.
Painesville, OH	10/07	7	5	48	Ethanol	76,153	Yes	Rail Defect.
New Brighton, PA	10/06	23	20	37	Ethanol(unit)	485,278	Yes	Rail Defect.

Source: PHMSA proposed rules; <http://www.regulations.gov/#!documentDetail;D=PHMSA-2012-0082-0180>

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Crude by Rail Accidents



LAC MAGENTIC: AP PHOTO/THE CANADIAN PRESS, PAUL CHIASSON

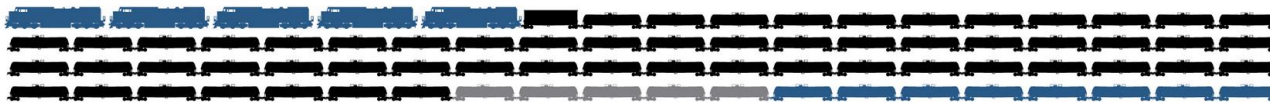


http://usnews.nbcnews.com/_news/2013/12/30/22113442-mile-long-train-carrying-crude-oil-derails-explodes-in-north-dakota?lite

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Lac Magentic Crude by Rail Accident

THE TRAIN Parked pointing downhill in Nantes, Que., roughly a kilometer and a half long. The 71 tank cars—filled with North Dakota crude oil destined for a refinery in New Brunswick—weighed between 122–128 tonnes each. Led by five diesel engines and a “buffer car,” the whole train totaled around 10,600 tonnes.



THE EXPLOSION When the unmanned train made its 101 km/h entrance into Lac-Magentic, experts believe it had gained billions of kilojoules of energy—turning the runaway locomotive into the equivalent of 900 tonnes of TNT.

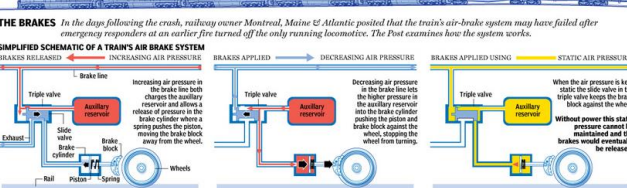
THE NIGHT A TRAIN DESTROYED A TOWN

In the aftermath of the Lac-Magentic train derailment that levelled the downtown, and killed 47 people, the National Post takes an in-depth look at the inner workings of a runaway train, its path and impact and what could have been done to stop it.

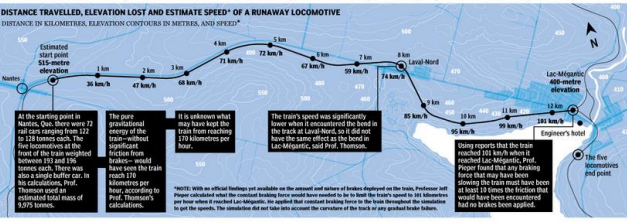
THE TIMELINE IN NANTES

- 1 Sometime around 11 p.m. on July 6, engineer Tom Harding parks the New Brunswick-bound train in Nantes on a routine stopover. According to the railway operator—Montreal, Maine & Atlantic Rail (MMA)—Mr. Harding turns off but the lead engine to ensure the air brake system continues to operate.
- 2 Tail driver Andre Torrette arrives at the train to pick up Mr. Harding and drive him to Lac-Magentic, Que. Torrette presses the train driver on the potential environmental hazard of the smoking locomotive, Mr. Harding says he's following company directives.
- 3 During their ride to Lac-Magentic, Mr. Torrette presses the train driver on the potential environmental hazard of the smoking locomotive, Mr. Harding says he's following company directives.
- 4 The number of hand brakes engaged on the train is in dispute. Each railcar is outfitted with the manually operated system—the equivalent to a car's emergency brake. MMA officials initially reported that Mr. Harding activated 11 hand brakes, but chairman Edward Barkham said later that his car account was implausible.
- 5 The train left on a main rail line—because another train before 11:20 p.m. and rail emergency services. According to French-language radio station CHM-FM, passing motorists were forced to slow down as they drove through black paths of oil and dust and smoke from the train.
- 6 Residents in Nantes see smoke billowing from the unmanned train before 11:20 p.m. and call emergency services. According to French-language radio station CHM-FM, passing motorists were forced to slow down as they drove through black paths of oil and dust and smoke from the train.
- 7 The Nantes fire department arrives on scene approximately 15 minutes later. The cause of the fire is reportedly a ruptured oil fuel line on the only running locomotive. According to First Chief Patrick Lambert, firefighters power down the engine before attempting to the flames—they wanted to do so in joint training with MMA staff.
- 8 The fire is reported to rail traffic control at approximately 12:50 a.m., according to the Transportation Safety Board of Canada. MMA dispatches a track maintenance employee to the scene.
- 9 The fire is completely extinguished by 12:15 a.m. The crew of 12 firefighters departs shortly after, leaving the train in custody of the MMA representatives. “MMA told the leading fire officer that everything was OK, the fire was out, everything was secure, you guys can leave,” says Chief Lambert.
- 10 Firefighters and MMA employees have vacated the scene by 12:58 a.m., when the train starts to move. “I felt the vibration of the train moving down the track,” says nearby resident Andre Cordeiro. “I tried to see the train move by without its lights on.”

THE BRAKES In the days following the crash, railway owner Montreal, Maine & Atlantic posted that the train's air-brake system may have failed after emergency responders cut an earlier fire turned off the only running locomotive. The Post examines how the system works.



THE SPEED Using data provided by the National Post, mechanical engineering professor Jeff Pieper at the University of Calgary and David Thomson, a Queen's University mathematician, have worked to create a general simulation of the train's path from Nantes to Lac-Magentic.



THE OIL TANKS

Class 111A tank cars, built to DOT-11A specifications in the United States or TC or CTC-11A specifications in Canada, are used to transport flammable liquids, acids and other materials. They often fail during derailments.

DOT-11A Top Hoopings are not effective in resisting the forces of a rail-to-rail collision and often crack off.

VULNERABLE TOP HOOPINGS

DOT-11A Bottom Operating Handles have become faulty in the past and caused valves to open. And the handles were found to be broken and did not break free during derailment.

VULNERABLE BOTTOM OPERATING HANDLES

Data collected by the TSB in accidents suggest 60% of instances of DOT-11A tank cars were through damaged top hoopings, over 23% were due to broken bottom operating handles, and about 17% of releases were through damaged bottom hoopings.

VULNERABLE TANK THICKNESS

DOT-11A tank cars are made of steel and are not as strong as newer DOT-112A tank cars. In October 2013, the new standard for DOT-11A tank cars requires thicker tanks and thicker bottom hoopings. It also requires that tanks and shells be constructed of steel that has been tested down to its minimum critical temperature.

MOVING CRUDE OIL THROUGH CANADA

There are an estimated 100 million tonnes of oil in Canada in the form of oil tank cars. The amount of oil moved by rail in Canada is barely 3% of the amount moved by pipeline each year, but movement by rail has increased dramatically.

CRUDE OIL MOVEMENT

By pipeline: 250 million tonnes
By rail: 7.5 million tonnes

SAFETY MEASURES THAT COULD HAVE SAVED LIVES

- In normal operation, the tapered wheels keep the train on the rails.
- A derailer lifts one wheel above track level.
- The truck shifts to one side which then derails off the track. The motion of the tank and containers should stop the train even without brake power.
- Hand brakes: These are applied by hand and are on every car and locomotive. They lock the wheels in place to prevent the train from moving.
- RESET SAFETY CONTROLS: Will automatically stop a train if it is equipped with an auto-reset point at any given point on a track. The U.S. has passed legislation to have PTCs installed on all corridors on which passenger or hazardous materials are transported by 2015.



THE CRASH Applying principles of mechanical engineering and topography, experts at the University of Calgary, University of British Columbia attempted to pinpoint the factors involved in the train's derailment.

The engine entered the town at 101 km/h, well above the authorized speed.

The five hand engines did not drain. They continue along the track, past a set of stationary railcars. This increases the lower centre of gravity that the tank cars top-top, sideways.

From aerial photography this appears to be the buffer carriage on its side. The buffer carriage is an industry mandated carriage between the

6.5 million litres of oil spill or burns during the crash. Explosions destroyed buildings in the downtown core.

SOURCE: NATIONAL POST, JAKE EDMISTON AND ANDREW BARR, MIKE FAILLE, JONATHAN RIVAIT, RICHARD JOHNSON | July 12, 2013 | Last Updated: Aug 7 5:36 PM ET

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Canadian TSB finds 18 causes and contributing factors



Source: TSB, <http://www.tsb.gc.ca/eng/rapports-reports/rail/2013/r13d0054/r13d0054-r-es.asp>

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Emergency Orders and Recommendations beginning May 2014

United States Department of Transportation

Emergency Order

UNITED STATES DEPARTMENT OF TRANSPORTATION

Petroleum Crude Oil Railroad Carriers

Docket No. DOT-OST-2014-0067

EMERGENCY RESTRICTION/PROHIBITION ORDER

This notice (Order) by the Department of Transportation (DOT) requires railroad carriers to transport United States oil, Class 3, from the Bakken Basin (Bakken) railroad carriers (SERC) for each gallon or more movement of notification shall be commonwealth, Virginia, which the tra

4910-06-P

DEPARTMENT OF TRANSPORTATION

Federal Railroad Administration

[Safety Advisory 2014-01]

Pipeline and Hazardous Materials Safety Administration

[Docket No. PHMSA-2014-0049; Notice No. 14-07]

RECOMMENDATIONS FOR TANK CARS USED FOR THE TRANSPORTATION OF PETROLEUM CRUDE OIL BY RAIL

AGENCY: Federal Railroad Administration (FRA) and Pipeline and Hazardous Materials Safety Administration (PHMSA), Department of Transportation (DOT).

ACTION: Notice of Safety Advisory.

SUMMARY: This safety advisory provides notice to all persons who offer for transportation, or transport, in tank cars by rail in commerce to, from or within the United States, a bulk quantity of UN 1267, petroleum crude oil, Class 3, that originates in or is sourced from the Bakken formation in the Williston Basin (Bakken crude oil). The purpose of this advisory is to encourage offerors and rail carriers to take additional precautionary measures to enhance the safe shipment of bulk quantities of Bakken crude oil by rail throughout the United States. Specifically, in light of recent accidents involving the shipment of Bakken crude oil by rail, the Federal Railroad Administration (FRA) and the Pipeline and Hazardous Materials Administration (PHMSA) urge offerors

United States Department of Transportation

Home > Briefing Room

DOT Issues Emergency Order Requiring Stricter Standards to Transport Crude Oil by Rail

Today's action marks the 4th emergency order or safety advisory on crude oil in the last seven months

EDITOR'S NOTE: As of March 6, 2014, this article amended Emergency Order that supercedes the e

WASHINGTON – The U.S. Department of Transportation issued an Emergency Order requiring all shippers to test Bakken region to ensure the proper classification of crude transported by rail, while also prohibiting the transport of the lowest-strength packing group.

"Today we are raising the bar for shipping crude oil on families and communities along rail lines nationwide — move crude oil by rail, then you must test and classify appropriately," said DOT Secretary Anthony Foxx. "And it, you must follow the requirements for the two strong groups. From emergency orders to voluntary agreements every tool at our disposal to ensure the safe transporta

United States Department of Transportation

Home > Briefing Room

U.S. DOT Announces Comprehensive Proposed Rulemaking for the Safe Transportation of Crude Oil, Flammable Materials

Releases new data on Bakken crude oil to support increased safety measures

WASHINGTON – The U.S. Department of Transportation today released the details of its comprehensive rulemaking proposal to improve the safe transportation of large quantities of flammable materials by rail - particularly crude oil and ethanol - in the form of a Notice of Proposed Rulemaking (NPRM) and a companion Advanced Notice of Proposed Rulemaking (ANPRM).

The NPRM proposes enhanced tank car standards, a classification and testing program for mined gases and liquids and new operational requirements for high-hazard flammable trains (HHFT) that include braking controls and speed restrictions. Specifically, within two years, it proposes the phase out of the use of older DOT 111 tank cars for the shipment of packing group I flammable liquids, including most Bakken crude oil, unless the tank cars are retrofitted to comply with new tank car design standards. The ANPRM seeks further information on expanding comprehensive oil spill response planning requirements for shipments of flammable materials. Both the NPRM and ANPRM are available for review here and will be open for 60 days of public comment. Given the urgency of the safety issues addressed in these proposals, PHMSA does not intend to extend the

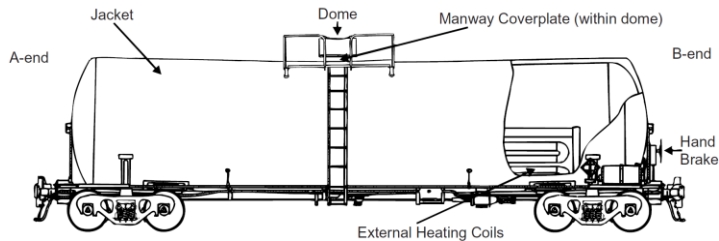
Comprehensive Regulation Proposals by PHMSA

Table 4—Rulemaking Provisions and Safety Justifications

Provision	Justification
Rail Routing	PHMSA is proposing routing requirements to reduce the risk of a train accident. This proposal requires railroads to balance the risk factors to identify the route that poses the lower risk. As such, they may, in certain cases, choose a route that eliminates exposure in areas with high population densities but poses a risk for more frequent events in areas with very low densities. In other cases the risk of derailment may be so low along a section of track that, even though it runs through a densely populated area, it poses the lowest total risk when severity and likelihood are considered.
Classification of Mined Gas and Liquid	PHMSA is proposing to require a sampling and testing program for mined gas and liquid, such as crude oil. PHMSA expects the proposed requirements would reduce the expected non-catastrophic damages and ensure that materials are properly classified in accordance with the HMR.
Notification to SERCs	PHMSA is proposing to codify the May 7, 2014, DOT issued an Emergency Restriction/Prohibition Order in Docket No. DOT-OST-2014-0067 (EO or Order). Recent accidents have demonstrated the need for action in the form of additional communication between railroads and emergency responders to ensure that the emergency responders are aware of train movements carrying large quantities of crude oil through their communities.
Speed Restrictions	PHMSA is proposing to restrict the speed of HHFTs. Speed is a factor that may contribute to derailments. Speed can influence the probability of an accident, as lower speeds may allow for a brake application to stop the train before a collision. Speed also increases the kinetic energy of a train, resulting in a greater possibility of the tank cars being punctured in the event of a derailment. The proposed restrictions will reduce the frequency and severity of train accidents.
Braking	To reduce the number of cars and energy associated with train accidents, PHMSA is proposing to require alternative brake signal propagation systems: Distributed power (DP), or two-way end of train devices (EOT); for tank car Option 1, electronic controlled pneumatic brakes (ECP)
Tank Car Specifications	PHMSA is proposing a new DOT Specification 117 tank car to address the risks associated with the rail transportation of ethanol and crude oil and the risks posed by HHFTs. All tank car Options for the DOT Specification 117 incorporate several enhancements to increase puncture resistance; provide thermal protection to survive a 100-minute pool fire; and protect top fitting (new construction only) and bottom outlets during a derailment. Under all Options, the proposed system of design enhancements would reduce the consequences of a derailment of tank cars carrying crude oil or ethanol. There would be fewer car punctures, fewer releases from the service equipment (top and bottom fittings), and delayed release of flammable liquid from the tank cars through the pressure relief devices.

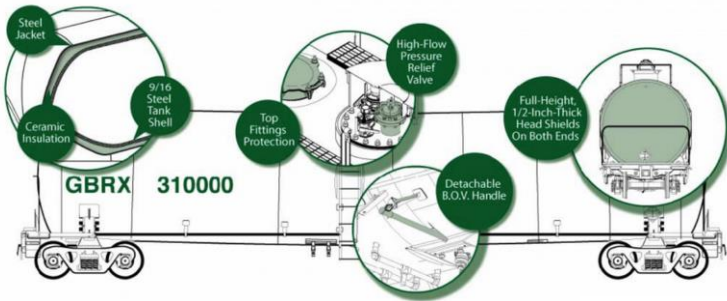
Source: PHMSA proposed rules; <http://www.regulations.gov/#!documentDetail;D=PHMSA-2012-0082-0180>

The Tank Car



Source: DOT 111, Wikipedia

- Regulations designed to retrofit older DOT 111 tank cars and set standards for new tank cars, but specification and retrofitting requirements have yet to be implemented/determined.
- Some tank car manufacturing companies have moved ahead in anticipation of regs and are building higher strength tank cars above expected regulations.



Source: “Tank Car of the Future,” Greenbrier presentation via RBN Energy

Tank car	Bottom outlet handle	GRL(lbs)	Head shield type	Pressure relief valve	Shell thickness	Jacket	Tank material *	Top fittingsprotection **	Thermalprotectionsystem	Braking
Option 1: PHMSA and FRA Designed Tank Car	Bottom outlet handle removed or designed to prevent unintended actuation during a train accident	286k	Full-height, 1/2inch thick head shield	Reclosing pressure relief device	9/16inch Minimum	Minimum 11-gauge jacket constructed from A1011 steel or equivalent. The jacket must be weather-tight	TC-128 Grade B, normalized steel	TIH Top fittings protection system and nozzle capable of sustaining, without failure, a rollover accident at a speed of 9 mph	Thermal protection system in accordance with § 179.18	ECP brakes.
Option 2: AAR 2014 Tank Car	Bottom outlet handle removed or designed to prevent unintended actuation during a train accident	286k	Full-height, 1/2inch thick head shield	Reclosing pressure relief device	9/16inch Minimum	Minimum 11-gauge jacket constructed from A1011 steel or equivalent. The jacket must be weather-tight	TC-128 Grade B, normalized steel	Equipped per AAR Specifications Tank Cars, appendix E paragraph 10.2.1	Thermal protection system in accordance with § 179.18	In trains with DP or EOT devices.
Option 3: Enhanced CPC 1232 Tank Car	Bottom outlet handle removed or designed to prevent unintended actuation during a train accident	286k	Full Height 1/2inch thick head shield	Reclosing pressure relief device	7/16inch Minimum	Minimum 11-gauge jacket constructed from A1011 steel or equivalent. The jacket must be weather-tight	TC-128 Grade B, normalized steel	Equipped per AAR Specifications Tank Cars, appendix E paragraph 10.2.1	Thermal protection system in accordance with § 179.18	In trains with DP or EOT devices.
DOT 111A100W1 Specification (Currently Authorized)	Bottom Outlets are Optional	263K	Optional: Bare Tanks half height; Jacket Tanks full height	Reclosing pressure relief valve	7/16inch Minimum	Jackets are optional	TC-128 Grade B, normalized steel.	Not required, but when Equipped per AAR Specifications Tank Cars, appendix E paragraph 10.2.1	Optional	Not required.

Source: PHMSA proposed rules; <http://www.regulations.gov/#!documentDetail;D=PHMSA-2012-0082-0180>

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How many tank cars?

Tank car category	Population
Total # of Tank Cars	334,869
Total # of DOT 111	272,119
Total # of DOT 111 in Flammable Liquid Service	80,500
Total # of CPC 1232 in Flammable Liquid Service	17,300
Total # of Tank Cars hauling Crude Oil	42,550
Total # of Tank Cars Hauling Ethanol	29,780
CPC 1232 (Jacketed) in Crude Oil Service	4,850
CPC 1232 (Jacketed) in Ethanol Service	0
CPC 1232 (Non-Jacketed) in Crude Oil Service	9,400
CPC 1232 (Non-Jacketed) in Ethanol Service	480
DOT 111 (Jacketed) in Crude Oil Service	5,500
DOT 111 (Jacketed) in Ethanol Service	100
DOT 111 (Non-Jacketed) in Crude Oil Service	22,800
DOT 111 (Non-Jacketed) in Ethanol Service	29,200

Source: PHMSA proposed rules; <http://www.regulations.gov/#!documentDetail;D=PHMSA-2012-0082-0180>

Many Entities Involved

Issues

- labeling
- volatility
- rail safety
- tank car strength

Groups Involved

- producers
- truckers
- shippers
- marketers
- refineries
- railroads
- tank car manufacturers

Not necessarily on the same page

THE WALL STREET JOURNAL

U.S. NEWS

Bakken Crude Is Highly Volatile, Oil Study Shows

Data Released by Refiners Group Confirm Earlier Findings on Petroleum From Shale Deposit

By LYNN COOK

May 14, 2014 7:56 p.m. ET

Instead, attention should shift to the rail industry's safety record, said Charles Drevna, president of the oil-refiner trade group, some of whose members have made big investments in crude-by-rail infrastructure such as tank cars. "The debate should now focus on the remaining issues—track integrity and maintenance and training for rail operators and responders," Mr. Drevna said."

"Kari Cutting, vice president of the North Dakota Petroleum Council, said she didn't know what had changed since her group met with PHMSA last week... 'Our Bakken characterization study is not indicating that Bakken crude oil is more hazardous than other crude oil, and we're thinking that Bakken crude oil is being singled out for political reasons,' Cutting said in an interview yesterday. ENews, "DOT crude by rail orders close in on Bakken oil," May 8 2014

Rail executives, including Mr. Harrison, have criticized the moves, warning that such regulation could prove costly and onerous. "Those bureaucrats have no transportation experience," he said, adding that reducing speed further for all cargo, including crude and other hazardous materials, as has been proposed, would be a "nightmare" for the railroad.

WSJ, "CP's Boss: A Too-Tough Love?," David George-Cosh, May 13, 2014

THE WALL STREET JOURNAL

U.S. NEWS

U.S. Transportation Dept. Says Energy Companies Not Sharing Test Data on Bakken Oil

Government Is Seeking Data on the Crude After a Series of Railroad Accidents in Which Oil Exploded

By RUSSELL GOLD

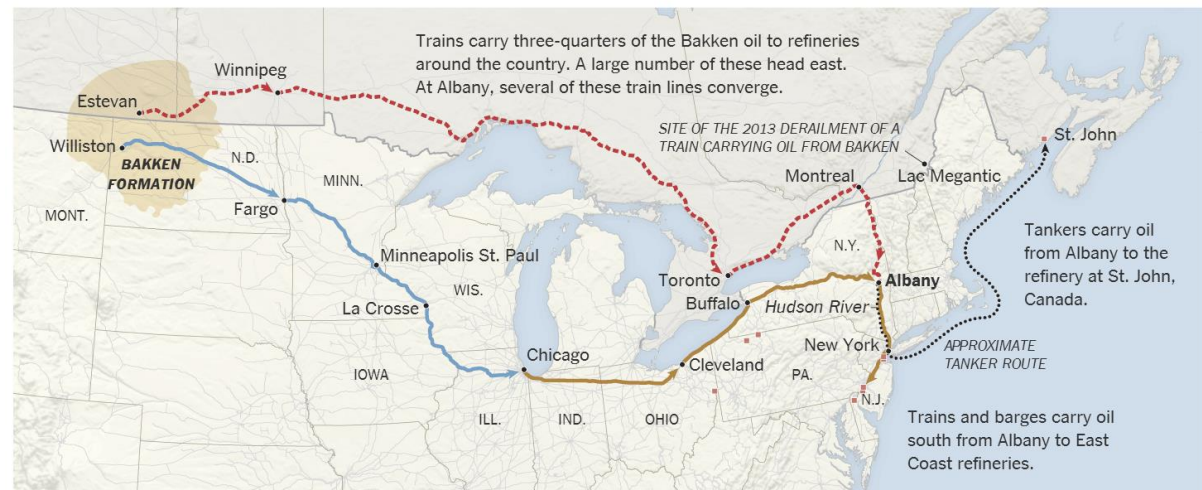
Updated May 2, 2014 5:10 p.m. ET

New York Moratorium

- NY's Albany County placed a moratorium on crude oil processing expansions in the Port of Albany until health investigations and environmental impacts could be assessed
- Global Partners and Buckeye in Albany hub
- Global had received permits to double facility in 2012
- In January 2014 Gov Cuomo signed order for top bottom safety review of crude by rail and water and writes letter to Obama

MAJOR NORTHEAST BOUND OIL TRANSPORT ROUTES

RAILROAD LINES — BNSF TANKER/BARGE ■ OPERATING EAST COAST OIL REFINERIES — OTHER RAIL LINES
 - - - - - Canadian Pacific
 — CSX

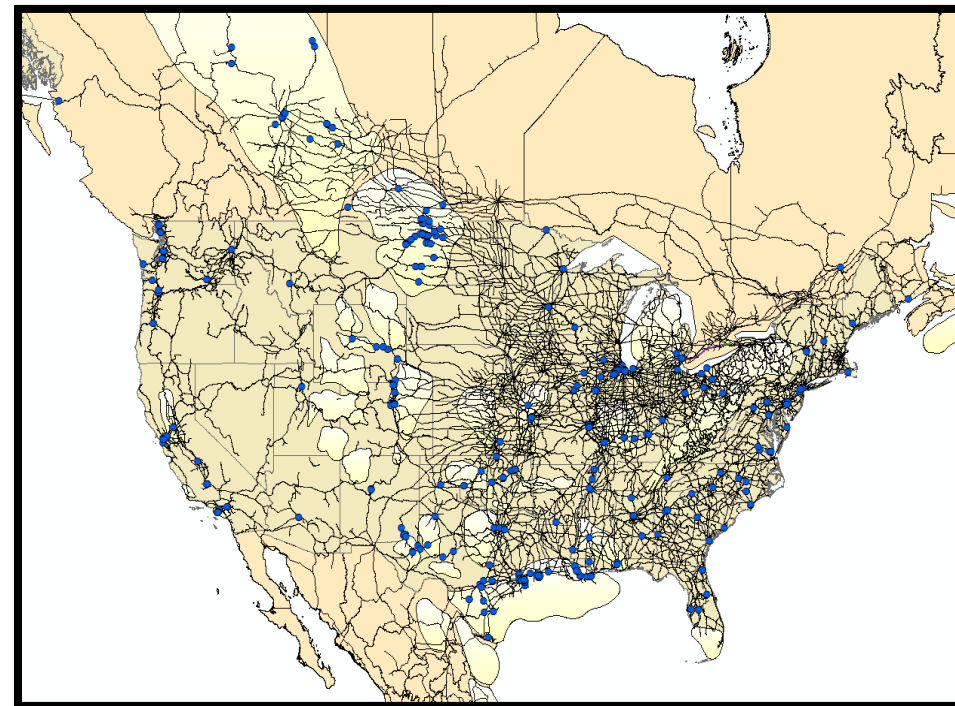
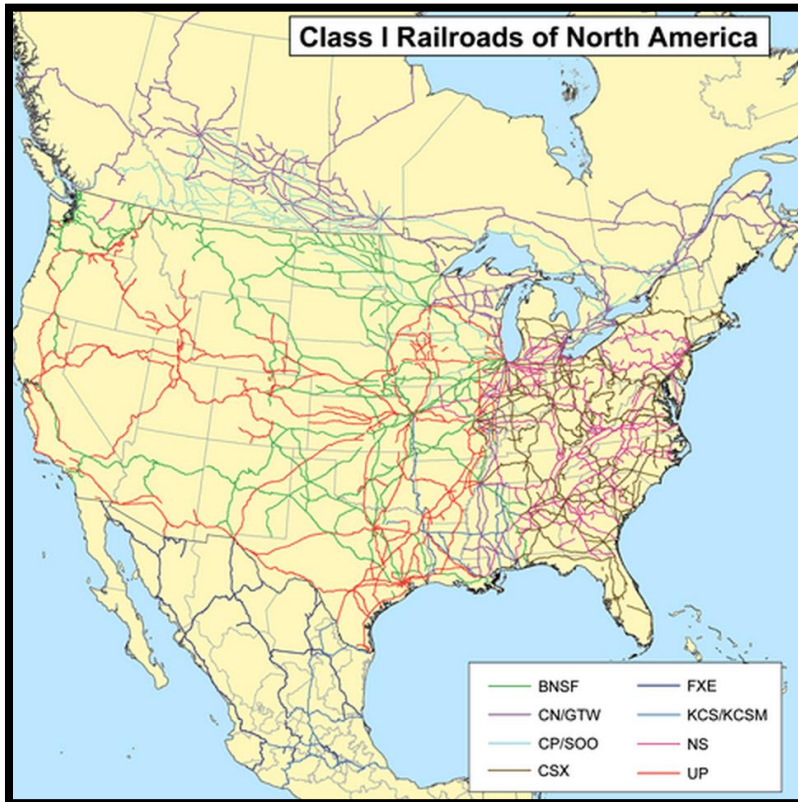


GRAPHIC BY GUILBERT GATES AND JOE BURGESS

Sources: Energy Information Administration; BNSF; Canadian Pacific; CSX

Source: New York Times, Jad Mouawad, "Bakken Crude, Rolling Through Albany," Feb 27, 2014

Class 1 vs. Shortline Railroads



Source: Wikipedia; EPRINC Maps using Hart Energy data and ArcGIS Mapping software

Bakken Crude Volatility

Under Pressure

Investigators are looking into how fast North Dakota crude emits gases and how that contributes to oil-train explosions.

Select types of crude oil that are commonly run in U.S. refineries, by average Reid Vapor Pressure*

TYPE	ORIGIN	VOLATILITY
North Dakota Sweet	North Dakota	8.56 psi
Brent	North Sea	6.17
Basrah Light	Iraq	4.80
Thunder Horse	Gulf of Mexico	4.76
Arabian Extra Light	Saudi Arabia	4.72
Urals	Russia	4.61
Louisiana Light Sweet	Louisiana	3.33
Forcados	Nigeria	3.16
Oriente	Ecuador	2.83
Cabinda	Angola	2.66

*Reid Vapor Pressure is a common measurement of how quickly a liquid fuel evaporates and emits gases.

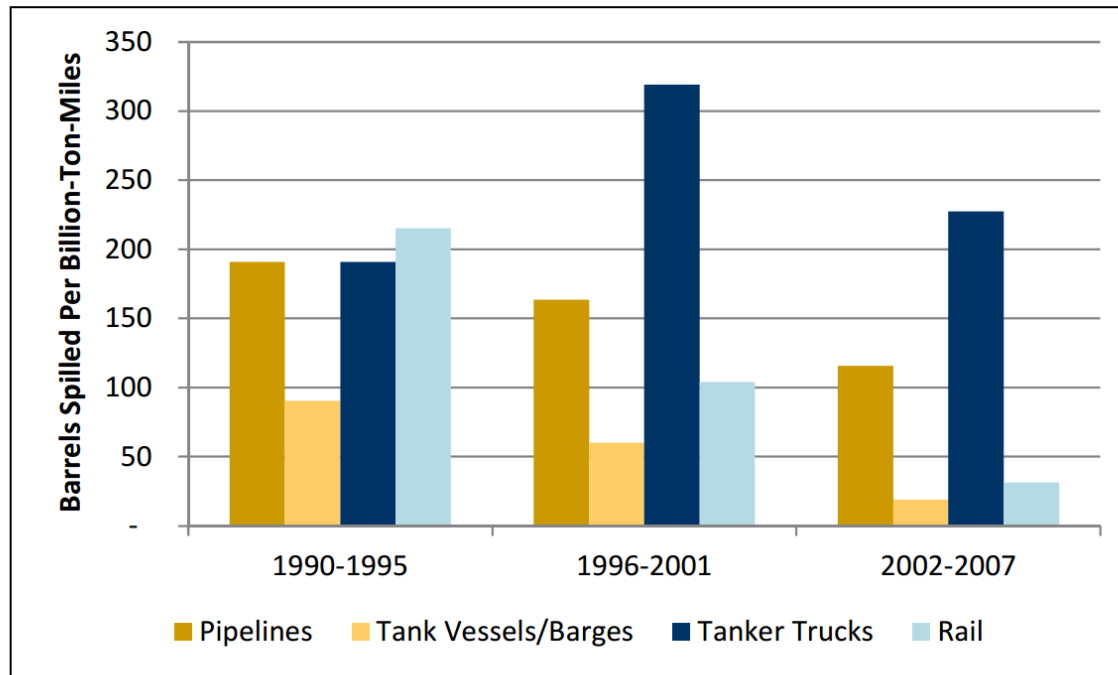
Source: Wall Street Journal analysis of Capline Pipeline data

The Wall Street Journal

Source: WSJ, Russel Gold, "Bakken Shale Carries High Combustion Risk," Feb 23, 2014

Spill volume of rail through 2007

Figure 3. Oil Spill Volume per Billion-Ton-Miles
Crude Oil and Petroleum Products during Domestic Transportation



Sources: Prepared by CRS; oil spill volume data from Dagmar Etkin, *Analysis of U.S. Oil Spillage*, API Publication 356, August 2009; ton-mile data from Association of Oil Pipelines, *Report on Shifts in Petroleum Transportation: 1990-2009*, February 2012.

Notes: Pipelines include onshore and offshore pipelines. The time periods were chosen based on the available annual data for both spill volume and ton-miles. The values for each time period are averages of annual data for each six-year period.

Source: CRS Rail Transportation of Crude Oil, May 2014

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