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PUBLIC SERVICE COMMISSION

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February 25, 2009

Mr. Patrick Fahn
Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480

RE: Arrow Midstream Holding's gathering facility and pipeline project

Mr. Fahn,

To clarify your conversation with Kim Newman on Tuesday February 24, 2009, on behalf of Arrow Midstream Holdings, here is a description of their gathering pipeline project:

Arrow Midstream Holdings, LLC (AMHP) is proposing to construct and operate an oil, gas and water gathering system on the Fort Berthold Indian Reservation to gather oil and gas from wells on the Reservation. Developments have been proposed on 14.5 miles of tribal land held in trust by the United States in McKenzie and Dunn Counties, North Dakota and on 4.5 miles of fee surface in McKenzie County, ND. The U.S. Bureau of Indian Affairs (BIA) is the surface management agency for potentially affected tribal lands and individual allotments. The Environmental Assessment is currently being prepared and reviewed by the BIA. The proposed ROW will start in the NENW of Section 16, T149N R93W. The Arrow Midstream Holdings' pipeline (AMHP) route will head west roughly following BIA road 12, on the south side of the road, and then head north, on the west side of, Highway 22. At the junction of Highway 22 and Highway 73 the pipeline route then turns west again and follows the south side of Highway 73 off the Reservation and ends in the NWNW of Section 19, T150N R96W at a central gathering facility. Please see attached map.

The gathering facility is located in NWNW of Section 19 T150N R95W on the south side of Highway 73 outside the Reservation boundary. The facility is about 5 acres in size and is located in a cultivated field directly adjacent to the Highway. Oil at the storage facility will be stabilized prior to truck transport for sales to a midstream company. The midstream company may treat the oil and then has all rights to the product. Gas at the facility will be separated, metered and then transferred to a Bear Paw facility via a short pipeline lateral to the north side of the Highway. The water will be hauled off to an injection site. The storage facility will include the PIG receiver, oil and gas separators, oil storage tanks, water storage tanks, a control room, a product load-out rack, an oil heater treator, vapor recovery unit and an emergency flare. The emergency flare will be used in situations when the pipeline system needs to be depressurized. Examples include times when the Bear Paw system is shutdown and when maintenance is needed. Pressure safety valves at the facility will allow gas to be sent to the flare, thus

depressurizing the facility to avoid catastrophic pressure vessel failure. There will be space left at the facility to install a small compressor and additional storage should it be needed in the future.

Per Chapter 49-22 12(b) "This subdivision does not apply to an oil and gas pipeline gathering system. For the purposes of this chapter, a gathering system includes the pipelines and associated facilities used to collect oil from the lease site to the first pipeline storage site where pressure is increased for further transport, or pipelines and associated facilities used to collect gas from the well to the gas processing facility." We feel that our proposed gathering pipeline meets this exception and would not be considered a transmission facility; therefore, we would not need a certificate of site capability, certificate of corridor capability, or permit for the construction of a transmission facility.

Per Chapter 49-03.1-02(2), we do not feel that this gathering pipeline would fall into the Utility Franchise category due to the fact that Arrow Midstream Holdings is not furnishing its product or services to the public generally. The gas will be transferred to a Bear Paw facility where they then have all rights to the product. The oil will be trucked off to treatment facilities owned and operated by other companies. Once trucked off site, the other companies have all rights to their product. The gas and oil in its rawest form is of no use to the general public, it has to be treated and processed from this form to be utilized by the public.

Based on the description above, please let us know if this project would fall into your jurisdiction and if there is any permitting that we may need to prepare for the Public Utility Commission.

Please feel free to call me at 307-672-8090 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Christi Haswell". The signature is written in black ink and is positioned above the typed name and title.

Christi B. Haswell
Regulatory Project Manager

Encl: Area map of pipeline