

June 28, 2012

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JUN 28 2012

PUBLIC SERVICE COMMISSION

HAND-DELIVERED

Mr. Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505

**RE: Hiland Operating, LLC's Ten-Year Plan for 2012-2022
Case No. PU-12-___**

Dear Mr. Nitschke:

Please find enclosed herewith for filing an original and ten copies of the following:

1. Hiland Operating, LLC's Ten-Year Plan: 2012-2022;
2. Hiland Operating LLC's Notice of Filing Ten Year Plan: 2012-2022; and
3. Affidavit of Service of Ten-Year Plan.

A CD containing a copy of each of the above-referenced documents in PDF format is also enclosed. Should you have any questions, please advise.

Sincerely,


JILLIAN RUPNOW

JRR/jjj
Enclosures

cc: Mike Higgins – (w/encl. – via e-mail)

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Attorneys & Advisors / Fredrikson & Byron, P.A.
main 70
fax 70
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PU-12-431
2012 Ten year plan

Filed: 6/28/2012

Pages: 12

TEN YEAR PLAN: 2012-2022

Hiland Operating, LLC

July 2012

In accordance with Section 49-22-04 of the North Dakota Century Code and Chapter 69-06-02 of the North Dakota Administrative Code, Hiland Operating, LLC (Hiland Operating), submits the following Ten Year Plan for years 2012 through 2022.

- (1) A description of the general location, size, and type of all facilities to be owned or operated by the utility during the ensuing ten years, as well as those facilities to be removed from service during the ten-year period.

Hiland Operating currently owns and operates a 25 million standard cubic feet per day (mmscfd) natural gas processing plant located near McGregor in Divide County, North Dakota, that gathers and processes natural gas from Williams, Divide, and Burke Counties in North Dakota. From this natural gas processing plant, the processed liquids (Y-Grade) are trucked to Hiland Operating's liquids fractionation plant near Sidney, Montana, and the residue gas is delivered into a 6.6 mile 6-inch steel pipeline that terminates at a Williston Basin Interstate Pipeline Company (WBI) transmission pipeline interconnect in Burke County, North Dakota.

Hiland Operating also currently owns and operates a 40 mmscfd natural gas processing and nitrogen rejection plant located near Rhame, North Dakota. The plant removes the nitrogen (which constitutes approximately seventy percent) from the gas stream, and the remaining approximately thirty percent of the gas stream is processed and fractionated into natural gas liquids (NGLs), which are either sold locally or transported via truck to Hiland Operating's Sidney, Montana, processing plant for additional processing.

In addition, Hiland Operating currently owns and operates a 90 mmscfd natural gas processing plant approximately four miles north and eight miles east of Cartwright, North Dakota. The plant produces pipeline quality natural gas, propane and butane mixture (*i.e.*, Liquefied Petroleum Gas (LPG)), and NGLs. The pipeline-quality natural gas produced is primarily methane with some ethane and trace amounts of heavier petroleum compounds.

Hiland Operating also owns and operates an approximately 5.1-mile-long, 8-inch natural gas main and lateral pipeline project located in McKenzie County, North Dakota. The approximately 5.1-mile-long main line originates at the Hiland Operating plant near Cartwright, North Dakota, and terminates at an interconnect to Northern Border Pipeline Company's (Northern Border) transmission pipeline at the Hiland Partners-Northern Border Tap Site, approximately five miles north of Cartwright, North Dakota. The approximately 1,500-foot-long lateral line extends off of the project main line and interconnects to a WBI transmission pipeline at a point approximately one-half mile from the project main line's point of termination at the Northern Border transmission pipeline.

Hiland Operating also owns an approximately 6.5-mile-long, 6-inch natural gas pipeline located in Divide and Burke Counties in North Dakota. The line originates at Hiland Operating's gas plant in Divide County, North Dakota, and terminates at an interconnect to WBI's transmission pipeline in Burke County, North Dakota.

Hiland Operating plans to construct, own, and operate an approximately 13.5-mile-long, 6-inch NGLs pipeline to be located in McKenzie County, North Dakota, approximately 9 miles northeast of Cartwright, North Dakota. The proposed project will transport NGLs from Hiland Operating's natural gas plant near Cartwright, North Dakota, to Hiland Operating's proposed rail loading facility along the Yellowstone Valley Railroad.

Over the next ten years, Hiland Operating plans to aggressively pursue the expansion of its North Dakota facilities with the connection of new wells from dedicated and undedicated producers. However, other than the proposed 6-inch NGLs pipeline, specific expansion plans have not yet been developed.

Hiland Operating does not own or operate any facilities that it plans to remove from service during the next ten years.

- (2) An identification of the location of the tentative preferred site for all energy conversion facilities and the tentative location of all transmission facilities on which construction is intended to be commenced within the ensuing five years and such other information as may be required by the commission. The site and corridor identification shall be made in compliance with the criteria published by the commission pursuant to section 49-22-05.1.

As noted above, Hiland Operating proposes to construct, own, and operate an approximately 13.5-mile-long, 6-inch NGLs pipeline project to be located in McKenzie County, North Dakota. The proposed project will transport NGLs from Hiland Operating's natural gas plant near Cartwright, North Dakota, to Hiland Operating's proposed rail loading facility along the Yellowstone Valley Railroad. Hiland is in the process of obtaining a modification to the approved route and corridor. A map showing the approved and proposed modified corridor (Certificate of Corridor Compatibility No. 125) and route (Route Permit No. 134) of the proposed pipeline project is attached hereto as **Exhibit A**. The proposed pipeline is anticipated to be operational before the end of 2012.

- (3) A description of the efforts by the utility to coordinate the plan with other utilities so as to provide a coordinated regional plan for meeting the utility needs of the region.

After thorough research of the Williston Basin Region, Hiland Operating determined that there was insufficient gathering, processing, and transmission infrastructure to handle the current drilling plans in the basin. This conclusion led Hiland Operating to actively pursue producers with drilling plans in the region who are willing to dedicate their production to Hiland

Operating's existing and proposed facilities, which will enable produced natural gas to be gathered, processed, and delivered to market.

Hiland Operating has also entered into an arrangement with Bear Paw Energy, LLC (Bear Paw), to transport approximately 15 to 20 mmscfd of natural gas to Hiland Operating's plant in McKenzie County, North Dakota. This arrangement between Hiland Operating and Bear Paw enables the processing and utilization of natural gas that would otherwise be flared.

- (4) A description of the efforts to involve environmental protection and land-use planning agencies in the planning process, as well as other efforts to identify and minimize environmental problems at the earliest possible stage in the planning process.

Hiland Operating works diligently to protect the environment, home to its employees and customers. Protection of the environment is an integral element of Hiland Operating's operations, and environmental protection efforts span every phase of each of Hiland Operating's projects, from planning through construction, restoration, and into full operation. When planning projects, Hiland Operating also works closely with local and state land-use planning authorities to try to address land-use planning concerns.

With respect to Hiland Operating's proposed 6-inch NGLs pipeline project, Hiland Operating employed a qualified environmental consulting firm to conduct a study of and identify avoidance and exclusion areas within the corridor and route selected, in accordance with Chapter 49-22 of the North Dakota Century Code and Section 69-06-08-02 of the North Dakota Administrative Code. Additional information regarding the environmental analysis conducted as part of the corridor and route selection process for the proposed pipeline project may be found in Hiland's Consolidated Certificate of Corridor Compatibility and Route Permit Application, and the Commission's Findings of Fact, Conclusions of Law, and Order (*see* Case No. PU-10-554).

- (5) A statement of the projected demand for the service rendered by the utility for the ensuing ten years and the underlying assumptions for the projection, with that information being as geographically specific as possible, and a description of the manner and extent to which the utility will meet the projected demands.

According to the North Dakota Industrial Commission records, North Dakota pumped a record 152 million barrels of oil in 2011, shattering the high set a year earlier by 39 million barrels.¹ The state also produced a record 159 billion cubic feet of natural gas in 2011, up from

¹ NDIC, "North Dakota Annual Oil Production." Available at: <https://www.dmr.nd.gov/oilgas/stats/annualprod.pdf> (accessed June 25, 2012).

113 billion cubic feet the year before.² At the end of April 2012, per the latest North Dakota Industrial Commission statistics, 39% of natural gas produced in North Dakota was flared as an unmarketable byproduct of oil production.³

Hiland Operating's existing natural gas processing and pipeline facilities are an essential part of the infrastructure needed to ensure that a North Dakota natural resource is efficiently utilized. Hiland Operating's natural gas processing plant near McGregor, North Dakota, provides a means to process natural gas from Williams, Divide and Burke Counties in North Dakota. Via Hiland Operating's 6-inch residue gas pipeline, residue gas is transported from the plant to a WBI transmission pipeline interconnect and, from there, to markets served by the WBI transmission pipeline.

Hiland Operating's natural gas processing plant near Cartwright, North Dakota, also provides a means of processing natural gas produced in northwestern North Dakota. Hiland Operating's 6-inch natural gas pipeline, in turn, connects the natural gas processing plant to existing natural gas transmission systems via the Northern Border and WBI transmission pipelines. The 6-inch natural gas pipeline project enables transportation of natural gas produced in northwestern North Dakota to two markets: (1) local markets via WBI's Transmission System; and (2) markets in eastern Illinois and western Indiana via Northern Border's Transmission System. This market flexibility is critical to assure the best overall value is obtained for North Dakota's natural gas production. In addition, the proposed 6-inch NGLs pipeline project will connect the natural gas processing plant to Hiland Operating's rail loading facility along the Yellowstone Valley Railroad, which, in turn, will transport NGLs to markets served by the railroad.

Hiland Operating's projects provide (or will provide) needed capacity to transport increased production of processed natural gas from the Bakken and Three Forks formations. In addition, to accommodate the ever-increasing Bakken development in northwestern North Dakota, the construction of even more processing and transmission infrastructure will be required, and Hiland Operating anticipates that it will develop additional facilities to address this need within the next ten years. However, other than the proposed 8-inch NGLs pipeline, specific expansion plans have not yet been developed.

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² NDIC, "North Dakota Monthly Gas Production and Sales." Available at: <https://www.dmr.nd.gov/oilgas/stats/Gas1990ToPresent.pdf> (accessed June 25, 2012).

³ *Id.*



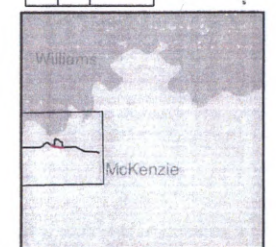
2011 Aerial Photography

Hiland 6" NGL Pipeline 200' Corridor Map PU-10-554

(With Requested Re-route)
(Revised April 17, 2012)

Legend

- Requested Reroute Corridor
- Approved and Unchanged Corridor
- Approved Route Corridor



Hiland Operating, LLC
205 West Maple, Suite 1100
Enid, Oklahoma 73701
580-616-2080

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Case No. PU-12-_____

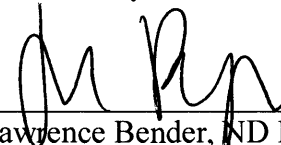
IN THE MATTER OF THE FILING OF A TEN
YEAR PLAN BY HILAND OPERATING, LLC

**NOTICE OF FILING TEN YEAR PLAN
2012-2022**

PLEASE TAKE NOTICE that Hiland Operating, LLC, has, this date, in accordance with Section 49-22-04 of the North Dakota Century Code and Chapter 69-06-02 of the North Dakota Administrative Code, filed with the North Dakota Public Service Commission and the McKenzie County Auditor a Ten Year Plan for the years 2012 through 2022, which discusses its proposed pipeline project to be located in Burke, Divide, and Williams Counties, North Dakota.

Dated this 28th day of June, 2012.

Fredrikson & Byron, P.A.

By  _____
Lawrence Bender, ND Bar #03908
Jillian R. Rupnow, ND Bar #06937
Attorneys for Hiland Operating, LLC
200 North 3rd Street, Suite 150
P. O. Box 1855
Bismarck, ND 58502-1855
(701) 221-4035

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the following document:

NOTICE OF FILING TEN-YEAR PLAN: 2012-2022

was on the 28th day of June, 2012 served by placing the same in the United States mail, postage prepaid, properly addressed to the following:

North Dakota Aeronautics Commission
P.O. Box 5020
Bismarck, ND 58502-5020

North Dakota Office of Attorney General
State Capitol
600 E. Boulevard Ave.
Dept. 125
Bismarck, ND 58505

North Dakota Dept. of Agriculture
600 E. Boulevard Ave.
Dept. 602
Bismarck, ND 58505-0020

North Dakota Dept. of Health
600 E. Boulevard Ave.
Bismarck, ND 58505-0200

Dept. of Human Services
600 E. Boulevard Ave.
Dept. 325
Bismarck, ND 58505-0250

North Dakota Dept. of Labor
600 E. Boulevard Ave.
Dept. 406
Bismarck, ND 58505-0340

Department of Vocational Education
c/o Career and Technical Education
State Capitol, 15th Floor
600 E. Boulevard Ave., Dept. 270
Bismarck, ND 58505-0610

Economic Development and Finance Commission
North Dakota Dept. of Commerce
PO Box 2057
Bismarck, ND 58502-2057

Energy Development Impact Office
North Dakota State Land Dept.
P.O. Box 5523
Bismarck, ND 58506-5523

North Dakota Game and Fish Department
100 N. Bismarck Expressway
Bismarck, ND 58501-5095

North Dakota Geological Survey
600 E. Boulevard Avenue
Bismarck, ND 58505-0840

Office of Governor Jack Dalrymple
State of North Dakota
600 E. Boulevard Ave.
Bismarck, ND 58505-0001

North Dakota State Highway Department
115 D Street
Richardton, ND 58652

North Dakota Department of Transportation
608 E. Boulevard Ave.
Bismarck, ND 58505-0700

State Historical Society
of North Dakota
612 E. Boulevard Ave.
Bismarck, ND 58505-0830

North Dakota Indian Affairs Commission
600 E. Boulevard Ave.
1st Floor - Judicial Wing, Rm. 117
Bismarck, ND 58505-0300

Job Service North Dakota
P.O. Box 5507
Bismarck, ND 58506-5507

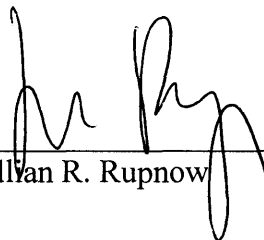
North Dakota State Land Dept.
1707 North 9th Street
P.O. Box 5523
Bismarck, ND 58506-5523

North Dakota Parks and Recreation Dept.
1600 E. Century Ave., Suite 3
Bismarck, ND 58503-0649

Division of Community Services
Dept. of Commerce
1600 E. Century Ave., Suite 2
PO Box 2057
Bismarck, ND 58502-2057

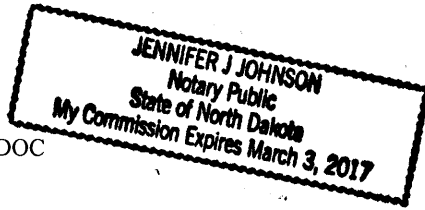
North Dakota State Soil Conservation Committee
c/o NDSU Extension Service
2718 Gateway Ave., Suite 104
Bismarck, ND 58503

North Dakota State Water Commission
900 E. Boulevard Ave., Dept. 770
Bismarck, ND 58505-0850



Jillian R. Rupnow

Subscribed and sworn to before me this 24th day of June, 2012.



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Notary Public