

March 26, 2013

HAND DELIVERED

Mr. Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
600 East Boulevard Avenue
Dept. 408
Bismarck, ND 58505-4080



Dear Mr. Nitschke:

RE: Letter of Intent to Submit a Combined Application for a Certificate of Corridor Compatibility and a Route Permit for Hiland Crude, LLC's Crude Oil Pipeline Project, and Request for a Waiver of One-Year Notice Period

Dear Mr. Nitschke:

Hiland Crude, LLC ("Hiland Crude"), a North Dakota limited liability company, is filing this Letter of Intent ("LOI") to submit a combined application for a Certificate of Corridor Compatibility and a Route Permit for a crude oil pipeline, pursuant to Chapter 49-22 of the North Dakota Century Code and Article 69-06 of the North Dakota Administrative Code. Hiland Crude's pipeline project transports crude oil along several segments of pipeline located in McKenzie and Williams Counties, North Dakota.

Siting was not required for the initial construction and operation of this pipeline, because the pipeline currently constitutes a gathering line pursuant to Section 49-22-03(12)(b) of the North Dakota Century Code. However, due to the increased volume of crude oil being transported through the pipeline, it is necessary for Hiland Crude to install storage tanks along the pipeline, converting the line into a transmission line that must be sited under Chapter 49-22 of the North Dakota Century Code and Article 69-06 of the North Dakota Administrative Code.

Waiver Request

Hiland Crude requests a waiver from Section 69-06-03-01 of the North Dakota Administrative Code, which establishes a one-year notice period between filing this LOI and filing a combined application for a Certificate of Corridor Compatibility and a Route Permit. Pursuant to Section 69-06-03-01, the Commission may approve a shorter notice period, and Hiland Crude requests that the one-year notice period be shortened from one year to 30 days. In other words, Hiland Crude seeks permission to file its combined application for a Certificate of Corridor Compatibility and Route Permit 30 days after filing this LOI. Hiland Crude requests a waiver of the one-year notice period because the pipeline has already been constructed and is currently in operation.

As required by Section 69-06-03-02 of the North Dakota Administrative Code, Hiland Crude provides the following information regarding the proposed pipeline project:

Size and Type of Facility

The crude oil pipeline project was constructed in six separate segments. The six segments are discussed below.

Tioga Segment: The “Tioga Segment” of the crude oil pipeline project currently consists of approximately 21 miles of 8.625-inch outside diameter pipe, as well as block valves, check valves, pumping stations, and pig launching and receiving stations. Following siting and construction, the pipeline system will also consist of a storage tank located at the McGregor Station. The project extends from the McGregor Station, near McGregor, North Dakota, to the Tioga Terminal near Tioga, North Dakota.

Plains Delivery Segment: The “Plains Delivery Segment” of the crude oil pipeline project currently consists of approximately 68 miles of 8.625-inch outside diameter pipe, as well as block valves, check valves, pumping stations, and pig launching and receiving stations. Following siting and construction, the pipeline system will also consist of 4 storage tanks located at the Epping Injection Station, Bethel Injection Station, Trenton Station, and Bainville Injection Station. The project extends from the Dore Junction, near Alexander, North Dakota, to the Epping Injection Station near Epping, North Dakota.

Musket Lateral Segment: The “Musket Lateral Segment” of the crude oil pipeline project currently consists of approximately 16 miles of 8.625-inch outside diameter pipe, as well as block valves, check valves, pumping stations, and pig launching and receiving stations. The project extends from the Dore Junction, near Alexander, North Dakota, to the Dore Terminal near Dore, North Dakota.

Epping to Tioga Segment: The “Epping to Tioga Segment” of the crude oil pipeline project currently consists of approximately 23 miles of 8.625-inch outside diameter pipe, as well as block valves, check valves, pumping stations, and pig launching and receiving stations. Following siting and construction, the pipeline system will also consist of one storage tank

located at the Epping Injection Station. The project extends from the Epping Injection Station, near Epping, North Dakota, to the Tioga Terminal near Tioga, North Dakota.

Johnsons Corner Segment: The “Johnsons Corner Segment” crude oil pipeline project currently consists of approximately 63 miles of 8.625-inch outside diameter pipe, as well as block valves, check valves, pumping stations, and pig launching and receiving stations. Following siting and construction, the pipeline system will also consist of 4 storage tanks located at the Camp Creek Injection, Watford Injection, East Camp Creek Injection and Johnsons Corner sites. The project extends from the Dore Junction, near Alexander, North Dakota, to the Johnsons Corner Station, near Johnsons Corner, North Dakota.

New Town Delivery Segment: The “New Town Delivery Segment” of the crude oil pipeline project currently consists of approximately 33 miles of 8.625-inch outside diameter pipe, as well as block valves, check valves, pumping stations, and pig launching and receiving stations. Following siting and construction, the pipeline system will also consist of 2 storage tanks located at the New Town Injection Station and White Earth Injection Station. The project extends from the Tioga Station near Tioga, North Dakota to the New Town Injection Station near New Town, North Dakota.

The crude oil pipeline project as a whole is referred to as the Market Center Pipeline.

Area to be Served

Tioga Segment: The pipeline delivers approximately 11,000 barrels per day of crude oil from the McGregor Station to the Tioga Terminal. From there, the crude oil is transported via the Enbridge Pipeline to out-of-state markets.

Plains Delivery Segment: The pipeline delivers approximately 30,000 barrels per day of crude oil from the injection points to Dore Junction, Savage Rail Terminal, Plains All American Pipeline, and COLT Rail Terminal. From there, the crude oil is transported via third-party pipe and rail to out-of-state markets.

Musket Lateral Segment: The pipeline delivers approximately 14,000 barrels per day of crude oil from the Dore Junction to the Dore Terminal. From there, the crude oil is transported via rail to out-of-state markets.

Epping to Tioga Segment: The pipeline delivers approximately 13,000 barrels per day of crude oil from the Epping Injection Station to the Tioga Terminal. From there, the crude oil is transported via rail or third-party pipeline to out-of-state markets.

Johnsons Corner Segment: The pipeline delivers approximately 20,000 barrels per day of crude oil from the injection points to Dore Junction and the Johnsons Corner Station. From there, the crude oil is transported via pipeline to out-of-state markets.

New Town Delivery Segment: The pipeline delivers approximately 8,000 barrels per day of crude oil from the injection points to Plains’ Manitou Rail Terminal. From there, the crude oil is transported via rail to out-of-state markets.

Map of the Study Area for the Proposed Corridor

Exhibit A is a map that depicts the proposed study area for the pipeline corridor.

Estimated Construction and Operation Schedule

Hiland Crude anticipates that the storage tanks will be operational by August 2013. Hiland Crude proposes to develop the storage tanks on the following schedule:

- **May 2013** — File a combined application with the Commission for a Certificate of Corridor Compatibility and Route Permit. In addition, Hiland Crude will, as needed, file applications for conditional use permits with local permitting authorities (county and/or municipal).
- **July 2013** — The Commission and local permitting authorities grant appropriate certificates and permits.
- **July 2013** — Begin construction of the storage tanks.
- **August 2013** — Complete construction of the storage tanks.

Estimated Total Cost of Construction

Tioga Segment: The total cost of the Tioga Segment of the pipeline project is estimated to be approximately \$7.08 million.

Plains Delivery Segment: The total cost of the Plains Delivery Segment of the pipeline project is estimated to be approximately \$20.52 million.


Musket Lateral Segment: The total cost of the Musket Lateral Segment of the pipeline project is estimated to be approximately \$3.44 million.

Epping to Tioga Segment: The total cost of the Epping to Tioga Segment of the pipeline project is estimated to be approximately \$6.01 million.

Johnsons Corner Segment: The total cost of the Johnsons Corner Segment of the pipeline project is estimated to be approximately \$11.7 million.

New Town Delivery Segment: The total cost of the New Town Delivery Segment of the pipeline project is estimated to be approximately \$7.50 million.

Ten (10) copies of this letter, as well as a CD containing this letter in electronic format, are enclosed. We look forward to working with the Commission on this matter. If you have any questions regarding the proposed pipeline project or this Letter of Intent, please do not hesitate to contact me.

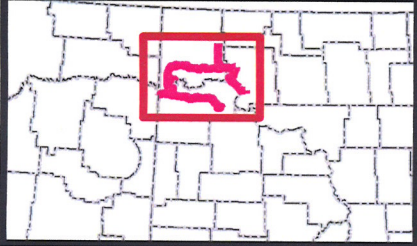
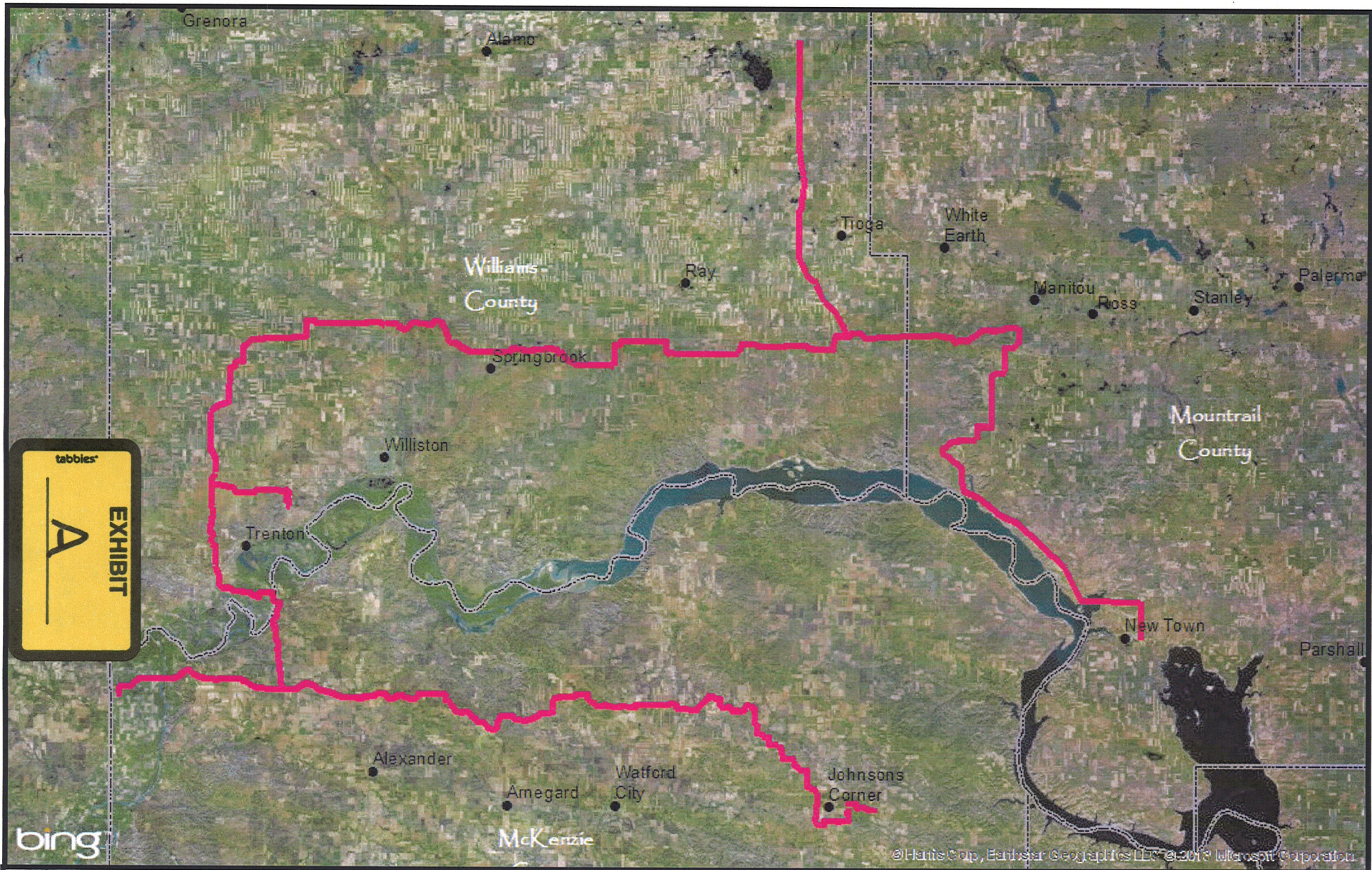
Sincerely,

LAWRENCE BENDER

LB/jrr

Enclosure

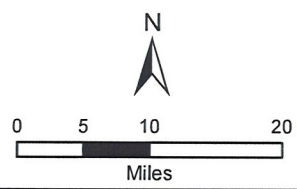
cc: Jim Suttle (*via e-mail w/ encl.*)
Kathye Spilman (*via e-mail w/ encl.*)

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Legend

- Market Center Centerline
- North Dakota Cities
- Counties



Date: 3/11/2013

**Market Center Pipeline
March 2013**

