

ND PSC Case No. PU-13-136

Crude Oil Pipeline, McKenzie, Williams, Mountrail Counties

Consolidated Siting Application



Hiland Crude, LLC
302 N Independence St. STE 100
Enid, Oklahoma 73701

March 2014

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF THE COMBINED
APPLICATION OF HILAND CRUDE, LLC,
FOR A CERTIFICATE OF CORRIDOR
COMPATIBILITY AND ROUTE PERMIT
FOR HILAND CRUDE, LLC'S CRUDE OIL
PIPELINE PROJECT IN MCKENZIE,
WILLIAMS, AND MOUNTRAIL
COUNTIES, AND REQUEST FOR WAIVER
OF PROCEDURES

CASE NO. PU-13-136

**Application of Hiland Crude, LLC,
for Waiver or Reduction of Procedures and Time Schedules**

In connection with its submission of a consolidated application for a Certificate of Corridor Compatibility and Route Permit ("Consolidated Application") for an 8-inch crude oil pipeline project, approximately 197 miles in length, all of which will be located in McKenzie, Williams, and Mountrail Counties, North Dakota (the "Project"), Hiland Crude, LLC ("Hiland"), submits to the North Dakota Public Service Commission ("Commission") this application for a waiver or reduction of procedures and time schedules set forth in Chapter 49-22 of the North Dakota Century Code ("Siting Act") and Article 69-06 of the North Dakota Administrative Code ("Siting Rules"). In accordance with Section 49-22-07.2 of the North Dakota Century Code and Chapter 69-06-06 of the North Dakota Administrative Code, Hiland requests that the Commission waive the following requirements:

1. That the Commission hold a separate hearing on a waiver request, a Certificate of Corridor Compatibility (Corridor Certificate) application, and a Route Permit application, as may be required by Sections 49-22-07.2, 49-22-08, 49-22-08.1, and 49-22-13 of the North Dakota Century Code and Chapter 69-06-01-02 of the North Dakota Administrative Code. Hiland requests that the Commission hold a

single consolidated hearing on this waiver request and its Consolidated Application. Hiland also requests that the Commission shorten the three-month period specified in Section 49-22-08(5) of the North Dakota Century Code, and the six-month period specified in Section 49-22-08.1(5) of the North Dakota Century Code.

2. That the Commission waive the requirements of Sections 49-22-08 and 49-22-08.1 of the North Dakota Century Code insofar as these sections may require the separate filing of applications for a Corridor Certificate and a Route Permit, and insofar as they require separate publication of notices and filing separate applications.
3. That the Commission waive the requirements of Section 69-06-05-01(2)(f) of the North Dakota Administrative Code insofar as this section may require a corridor width of ten percent of the corridor's length with a maximum width of six miles, reducing the required corridor width to between one and two miles for the Project.
4. That the Commission waive the requirements of Section 49-22-13 of the North Dakota Century Code insofar as this section requires separate hearings to be held in each of the counties affected by the Project, and instead hold only one hearing addressing all affected counties.

Consistent with the Commission's Energy and Transmission Facility Siting Guidelines ("Commission's Guidelines"), Hiland provides the following information in support of its waiver requests:

A. Description of Proposed Project.

1. **Type:** The Project will require installation of an underground steel pipeline that will transport crude oil. Surface structures will include seven automated mainline valve sets, pig launchers and receivers, and cathodic protection equipment.

2. **Product:** The Project will transport crude oil.

3. **Size and Design:** The proposed Project will have a maximum temperature rating of 120 degrees Fahrenheit and a maximum allowable operating pressure (MAOP) of 1,440 psig. The Project will typically operate at 60 degrees Fahrenheit and between 200 to 1,440 psig. The proposed Project will have a maximum daily output of 65,000 bpd. The steel pipeline used for the Project will meet United States Department of Transportation regulations, specifically the designed criteria outlined in 49 CFR Part 195, Subpart C. The Project will be constructed, operated, and maintained in accordance with 49 CFR Part 195.

4. **Location:** The total length of the Project is approximately 197 miles, all of which is located in McKenzie, Williams, and Mountrail Counties, North Dakota. The pipeline will transport crude oil from Williams, McKenzie, and Mountrail Counties to major markets via (1) Enbridge's pipeline using a connection at Beaver Lodge; (2) COLT Rail Hub using a connection near Epping, North Dakota; (3) Plains' Bakken North Pipeline at Trenton Station, Savage Rail Station, and Enbridge Trenton Station using connections near Trenton, North Dakota; (4) Musket Rail using a loading station near Dore, North Dakota with a potential connection to Hiland's proposed Double H pipeline at this location; and (5) Bridger's Four Bears pipeline using a connection near Johnson's Corner. Maps of the proposed project are provided in the Consolidated Application, submitted herewith.

5. **Geographic Service Area:** As noted above, the Project will take crude oil from Williams, McKenzie, and Mountrail Counties to major markets via (1) Enbridge's pipeline using

a connection at Beaver Lodge; (2) COLT Rail Hub using a connection near Epping, North Dakota; (3) Plains' Bakken North Pipeline at Trenton Station, Savage Rail Station, and Enbridge Trenton Station using connections near Trenton, North Dakota; (4) Musket Rail using a loading station near Dore, North Dakota with a potential connection to Hiland's proposed Double H pipeline at this location; and (5) Bridger's Four Bears pipeline using a connection near Johnson's Corner. The immediate area served by the Project will be western North Dakota; however, the crude oil will ultimately be distributed throughout the United States.

6. Time Schedule: Hiland has a target in-service date for the Project of June 2014.

Hiland proposes to develop the Project on the following schedule:

- March 2014 — Hiland files with the Commission a consolidated application for a Corridor Certificate and Route Permit.
- May 2014 — The Commission issues a Corridor Certificate and Route Permit for the Project.
- May 2014 — Hiland will begin construction of the Project.
- June 2014 — Hiland will complete construction of the Project.

7. Future Plans: At this time, Hiland has no specific plans for additions to or modifications of the Project.

B. Need for the Project.

The development of hydrocarbon production in the Williston Basin has increased significantly in recent years due to advancements in deep horizontal directional drilling techniques and subsequent oil extraction in the Bakken and Three Forks shale formations. The total recoverable amount of Bakken and Three Forks oil reserves is subject to interpretation and speculation. Studies conducted by the North Dakota Department of Mineral Resources

(NDDMR)¹ and the U.S. Geological Survey² in 2008 and 2010 indicate that 4.0 to 6.3 billion barrels of recoverable reserves are available in North Dakota's Bakken and Three Forks formations. Information from the NDDMR indicates that oil production has increased dramatically over the past five years from approximately 130,000 bpd in November 2007 to nearly 740,000 bpd in November 2012,³ and production is expected to continue to increase dramatically.⁴

The major constraint in transporting oil from North Dakota to refining centers is the lack of pipeline capacity. Several major projects have been planned to address the growing volumes of crude oil, but pipeline capacity is not expected to keep pace with production until early 2014 at the earliest, leaving incremental volumes to find alternative transportation methods, primarily rail.⁵

With the constraints to the existing transportation infrastructure in the Project area, construction of the Project will provide Hiland with a safe and efficient mechanism to transfer crude oil. Additionally, transporting crude oil in western North Dakota currently involves significant movement of crude oil by tanker truck over public roadways, a public safety issue that the Project will prevent. The Project will provide the needed capacity to transport crude oil

¹ Bohrer, M., Fried, S., Helms, L., Hicks, B., Juenker, B., McCusker, D., Anderson, F., LeFever, J., Murphy, E., and Nordeng, S. North Dakota Department of Mineral Resources. State of North Dakota Bakken Resources Study Project 23 (2008).

² United State Geological Survey. Assessment of Undiscovered Oil Resources in the Devonian-Mississippian Bakken Shale Formation, Williston Basin Province, Montana and North Dakota (2008). Web access in March, 2011 at: <http://geology.com/usgs/bakken-formation-oil.shtml>.

³ North Dakota Department of Mineral Resources. North Dakota Monthly Oil Production Statistics. Web access in January 2013 at: <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf>.

⁴ North Dakota Department of Mineral Resources. 2012 Williston Basin Petroleum Convention, Williston Basin Outlook, ND. Web access in Sept. 2013 at: <http://www.ndoil.org/?id=279&page=2012+WBPC+Presentations>.

⁵ North Dakota Pipeline Authority. 2012 Williston Basin Petroleum Convention, Williston Basin Export Capacity. Web access in Sept. 2013 at: <http://www.ndoil.org/?id=279&page=2012+WBPC+Presentations>.

production safely and economically from the Bakken and Three Forks formations to facilities with access to major markets.

For additional analysis of the need for the Project, including a discussion of alternatives evaluated, please see Section C.1 of Hiland's Consolidated Application, which accompanies this waiver application.

C. Cost.

Hiland estimates that it will cost approximately \$55.3 million to develop the Project.

D. Waiver Request.

Hiland requests that the Commission grant the waivers requested herein because said waivers are needed to prevent potentially significant delays to the Project. As noted above, the Project is needed to provide a safe and economical means of transporting crude oil from Williams, McKenzie, and Mountrail Counties to major markets via (1) Enbridge's pipeline using a connection at Beaver Lodge; (2) COLT Rail Hub using a connection near Epping, North Dakota; (3) Plains' Bakken North Pipeline at Trenton Station, Savage Rail Station, and Enbridge Trenton Station using connections near Trenton, North Dakota; (4) Musket Rail using a loading station near Dore, North Dakota with a potential connection to Hiland's proposed Double H pipeline at this location; and (5) Bridger's Four Bears pipeline using a connection near Johnson's Corner. Utilizing the Project will eliminate the need to transport the crude oil to rail facilities or other pipeline facilities via truck, which, in turn, will reduce truck traffic on North Dakota roads and highways. Without the waivers of time schedules and procedures requested, completion of the Project will be delayed and the Project will not be able to satisfy the immediate need for a safer, more efficient means of transporting crude oil to facilities that have access to major markets.

Section 49.22-07.2 of the North Dakota Century Code provides that the Commission may waive procedures and time schedules upon a finding that “the proposed facility is of such length, design, location, or purpose that it will produce minimal adverse effects.” Based upon the investigation and analysis set forth in Hiland’s Consolidated Application, granting the waivers requested is appropriate because the proposed facility will produce minimal adverse effects due to its length (only approximately 197 miles), its design (an underground, small-diameter pipeline with few above-ground appurtenances), its location (crossing pasture and farmland in rural Dunn and Stark Counties and avoiding Exclusion and Avoidance Areas), and its purpose (underground transportation of crude oil).

In determining whether the proposed facility will result in adverse impacts on the environment, Hiland evaluated the Project using the criteria set forth in the Siting Act, the Siting Rules, and the Commission’s Guidelines. More specifically, Hiland evaluated the impacts of the Project considering the siting criteria set forth in Section 69-06-08-02 of the North Dakota Administrative Code and the factors set forth in Section 49-22-09 of the North Dakota Century Code. Impacts associated with the Project, and mitigation measures that will be taken with respect to said impacts, are summarized in Sections 3.1 to 3.18 of the Consolidated Application. Based upon Hiland’s siting criteria evaluation, and the factors set forth in the Guidelines, the Project will have minimal adverse effects.

Accordingly, Hiland respectfully requests that the Commission grant the requested waivers and render an expeditious decision.

Dated this 21st day of March, 2014.

FREDRIKSON & BYRON, P.A.

By

A handwritten signature in blue ink, appearing to be 'L. Bender', written over a horizontal line.

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Consolidated Application Contents

Request for Waiver or Reduction of Procedures and Time Schedules

Definitions

Map for Publication of Public Notice

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Corridor Certificate Application Document

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Corridor Certificate Application Exhibits

- Appendix 2.A Bentek Energy LLC "The Williston Basin: Greasing the Gears of Growth"
North Dakota Forecast Study – July 2012 – pp. 47-49 only
- Appendix 2.B ND Pipeline Authority – Slides from ND Oil & Gas Research Council
Presentation – May 23, 2013 – pp. 1-24 only

TAB 3

Route Application Document

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Route Application Exhibits

- Appendix 4.A Archaeological and Cultural Assessment Report
(Beaver Creek Archaeology)
- Appendix 4.B Maps of Exclusion and Avoidance Areas
- Appendix 4.C Landowner List
- Appendix 4.D State Sensitive Species & Rankings

TAB 5 – Environmental Mitigation Plan

TAB 6 – Environmental Mitigation Plan Exhibits

TAB 7 – Field Survey Maps – ESRI ArcGIS shapefiles on CD-ROM

DEFINITIONS

APPLICANT	Hiland Crude, LLC.
COMPANY	Applicant's legal name is Hiland Crude, LLC with its principle place of business at 302 N. Independence St., Ste. 100; Enid, OK 73701.
CRUDE PETROLEUM	Crude petroleum is defined as a natural mixture of gaseous, liquid, and solid hydrocarbons obtained from beneath the surface of the earth.
NATURAL GAS	Natural gas is defined as a natural mixture of hydrocarbon gases and liquids, water vapor, carbon dioxide and hydrogen sulfide obtained from beneath the surface of the earth.
NATURAL GAS LIQUID	Hydrocarbon liquids such as ethane, propane and butane which are separated from the natural gas stream at processing plants prior to shipment to consumers.
DELIVERY	A volume at a location where the hydrocarbon commodity enters the Hiland Crude Pipeline System.
RECEIPT	A volume at a location where the hydrocarbon commodity enters the pipeline system.
SHIPPER	A customer, who transports volumes on the common carrier pipeline system, including natural gas producers, refiners and/or marketers.

