

June 19, 2013

**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 2013-2023  
Case No. PU-13-\_\_\_**

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: 2013-2023;
2. Hiland Operating LLC's Notice of Filing Ten Year Plan: 2013-2023; 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,

A handwritten signature in blue ink, appearing to read "LB", written over the word "Sincerely,".

LAWRENCE BENDER

LB/jrr  
Enclosures

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

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Attorneys & Advisors  
main 701.221.4020  
fax 701.221.4040  
www.fredlaw.com

Fredrikson & Byron, P.A.  
200 North  
Bismarck,  
58501-387

1 **PU-13-377** Filed: 6/19/2013 Pages: 11  
**2013 Ten year plan**

Hiland Operating, LLC  
Lawrence Bender, Fredrikson&Byron, P.A.

**TEN YEAR PLAN: 2013-2023**

**Hiland Operating, LLC**

**June 2013**

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 2013 through 2023.

- (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 plants near Sidney, Montana and Cartwright, North Dakota. 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 and operates an approximately 13-mile-long, 8-inch NGLs pipeline located in McKenzie County, North Dakota, approximately 9 miles northeast of Cartwright, North Dakota. The project transports NGLs from Hiland Operating's natural gas plant near Cartwright, North Dakota, to Hiland Operating's 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, 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.

Hiland has no specific plans regarding new energy conversion facilities or transmission facilities.

- (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.

- (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.

- (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.

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)<sup>1</sup> and the U.S. Geological Survey<sup>2</sup> 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. The most recent U.S. Geological Survey information estimated there may be 7.4 billion barrels of oil still undiscovered in the Bakken and Three Forks formations.<sup>3</sup> Information from the NDDMR indicates that oil production has increased dramatically over the past five years from nearly 110,000 bpd in 2007 to over 782,000 bpd in March 2013.<sup>4</sup> Further, natural gas production was nearly 156 million in 2011, over twice the approximately 70 million that was produced in 2007.<sup>5</sup> Production is expected to continue to increase dramatically.<sup>6</sup>

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<sup>1</sup> 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 Resource Study Project 23 (2008).

<sup>2</sup> United States 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 May 2013 at: <http://geology.com/usgs/bakken-formation-oil.shtml>

<sup>3</sup> United States Geological Survey. Assessment of Undiscovered Oil Resources in the Bakken and Three Forks Formations, Williston Basin Province, Montana, North Dakota, and South Dakota, 2013. Web access in May 2013 at: <http://pubs.usgs.gov/fs/2013/3013/>.

<sup>4</sup> North Dakota Department of Mineral Resources. North Dakota Monthly Oil Production Statistics. Web access in May 2013 at: <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf>

<sup>5</sup> 2011 North Dakota Gas Production by Formation, <https://www.dmr.nd.gov/oilgas/stats/2011gasprod.pdf>; see also 2007 North Dakota Gas Production by Formation. Web access in May 2013 at: <https://www.dmr.nd.gov/oilgas/stats/2007gasprod.pdf>

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 the production, leaving incremental volumes to find alternative transportation methods, primarily rail.

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 8-inch NGLs pipeline connects the natural gas processing plant to Hiland Operating's rail loading facility along the Yellowstone Valley Railroad, which, in turn, transports 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, specific expansion plans have not yet been developed.

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<sup>6</sup> North Dakota Department of Mineral Resources. Activities and Projections. Web access in May 2013 at: <https://www.dmr.nd.gov/oilgas/presentations/ActivityandProjectionsWilliston2010-08-03.pdf>

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

Case No. PU-13-\_\_\_\_\_

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

**NOTICE OF FILING TEN YEAR PLAN  
2013-2023**

**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 Bowman, Burke, Divide, McKenzie and Williams County, North Dakota Auditors; a Ten Year Plan for the years 2013 through 2023.

Dated this 19<sup>th</sup> day of June, 2013.

Fredrikson & Byron, P.A.

By 

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Lawrence T. Fender, ND Bar #03908  
Jillian R. Rupnow, ND Bar #06937  
*Attorneys for Hiland Operating, LLC*  
200 North 3<sup>rd</sup> 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: 2013-2023**

was on the 19<sup>th</sup> day of June, 2013 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



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Lawrence Bender



and depositing the same, with postage prepaid, in the United States mail at Bismarck, North Dakota.

Chris Score  
Chris Score

Subscribed and sworn to before me this 19<sup>th</sup> day of June, 2013.

Sheila A. Larson  
Notary Public

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