

July 1, 2014

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 2014-2024
Case No. PU-14-___**

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: 2014-2024; and
2. Hiland Operating LLC's Notice of Filing Ten Year Plan: 2014-2024.

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

Enclosures

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

50882415_1.DOCX

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

Fredrikson & Byron, P.A.
200 North T
Bismarck, N
58501-3879

TEN YEAR PLAN: 2014-2024

Hiland Operating, LLC

July 2014

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 2014 through 2024.

- (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 also owns and operates an approximately 13.5-mile-long, 8-inch NGL pipeline to be located in McKenzie County, North Dakota, approximately 9 miles northeast of Cartwright, North Dakota. Once this line is put into service in the third quarter of 2014, it will transport 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 Operating has tentative plans to construct a processing plant and associated facilities in McKenzie County, North Dakota. Any facilities subject to Public Service Commission jurisdiction will be properly sited in accordance with Section 49-22-05.1.

- (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)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. 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.³ Information from the NDDMR indicates that oil production has increased dramatically over the past five years from approximately 263,000 bpd in 2010 to over 1,000,000 bpd in April 2014,⁴ and

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 Resource Study Project 23 (2008).

² 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>

³ 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/>.

⁴ North Dakota Department of Mineral Resources. North Dakota Monthly Oil Production Statistics. Web access in June 2014 at <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf>

production is expected to continue to increase dramatically.⁵ Further, natural gas production was nearly 260 million in 2012.⁶ Production is expected to continue to increase dramatically.⁷

The major constraint in transporting oil and gas from North Dakota to refining centers is the lack of pipeline capacity. Several major projects have been planned to address the growing volumes, 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. Future facilities in northwestern North Dakota will provide additional needed infrastructure to process and transport natural gas produced in northwestern North Dakota.

Hiland Operating's projects 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 may develop additional facilities to address this need within the next ten years.

⁵ North Dakota Department of Mineral Resources. Activities and Projections. Web access in June 2014 at: <https://www.dmr.nd.gov/oilgas/presentations/ActivityUpdate2014-06-11NCSLBismarck.pdf>

⁶ 2012 North Dakota Gas Production by Formation. Web access in June 2014 at: <https://www.dmr.nd.gov/oilgas/stats/2012gasprod.pdf>.

⁷ 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-14-___

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

CERTIFICATE OF SERVICE

Jillian Rupnow, being first duly sworn, does depose and state that on July 1, 2014, the following document was served:

Ten Year Plan: 2014-2024

by placing a true and correct copy of said document in an envelope addressed as follows:

North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480

Sandra K. Tivis
Bowman County Auditor
104 First Street Northwest, Suite #1
Bowman, ND 58623


Jeanine Jensen
Burke County Auditor
P.O. Box 310
Bowbells, ND 58721-0310

Gayle Jastrzebski
Divide County Auditor
P.O. Box 49
Crosby, ND 58730-0049

Linda Svihovec
McKenzie County Auditor
201 5th Street NW, Suite 543
Watford City, ND 58854

Beth Innis
Williams County Auditor
P.O. Box 2047
Williston, ND 58802-2047

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



Jillian Rupnow

50852142_2.docx

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Case No. PU-14-_____

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

**NOTICE OF FILING TEN YEAR PLAN
2014-2024**

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 2014 through 2024.

Dated this 1st day of July, 2014.

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: 2014-2024

was on the 1st day of July, 2014 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

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

North Dakota Industrial Commission
600 East Boulevard Ave Dept 405
Bismarck, ND 58505-0840

United States Department of Defense
1400 Defense Pentagon
Washington, DC 20301-1400

United States Fish and Wildlife Service
North Dakota Field Office
3425 Miriam Avenue
Bismarck, North Dakota 58501-7926

Federal Aviation Administration
800 Independence Ave, SW
Washington, DC 20591

North Dakota Transmission Authority
State Capitol 14th Floor, 600 E. Boulevard Ave. Dept. 405
Bismarck, ND 58505-0840

North Dakota Pipeline Authority
State Capitol 14th Floor
600 E. Boulevard Ave. Dept. 405
Bismarck, ND 58505-0840

Bowman County Commission
104 1st St NW, Suite #3
Bowman, ND 58623

Burke County Commission
PO Box 310
Bowbells, North Dakota 58721

Divide County Commission
300 N Main
Crosby, ND 58730

McKenzie County Commission
201 5th St NW, Ste. 543
Watford City, ND 58854

Williams County Commission
205 E Broadway,
Williston, ND 5801



Jillian Rupnow