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February 24, 2015

Hand Delivered

Mr. Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
600 East Boulevard Avenue, Dept. 408
Bismarck, ND 58505-0480

In re: ONEOK Rockies Midstream, L.L.C.
Demicks Lake Gas Processing Plant
Case No. PU-14-764
Our File No. 72-530-009

Dear Mr. Nitschke:

Please find enclosed the original and ten copies of the following:

- 1) Letter dated February 24, 2015 regarding suspension of capital expenditures; and
- 2) Proposed Findings of Fact, Conclusions of Law and Order.

If you have any questions, please contact the undersigned at your earliest convenience. Thank you.

Sincerely,



John W. Morrison

lh
enc.

cc: Michael J. Dailey (via email)
Brian Schmidt (via email)

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

ONEOK Rockies Midstream, L.L.C.
Demicks Lake Gas Plant –
McKenzie County, ND
Siting Application

Case No. PU-14-764

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

March __, 2015

Appearances

John W. Morrison, Attorney at Law, Crowley Fleck, PLLP, 400 East Broadway, Suite 600, Bismarck, North Dakota 58501, on behalf of the Applicant, ONEOK Rockies Midstream, L.L.C.

Brian Schmidt, Special Assistant Attorney General, 122 East Broadway Avenue, Bismarck, ND 58501, on behalf of the Public Service Commission.

Julie Prescott, Director- Compliance and Competitive Markets Division, North Dakota Public Service Commission, 600 East Boulevard, Bismarck, North Dakota 58505

Wade C. Mann, Administrative Law Judge, Office of Administrative Hearings, 2911 North 4th Street, Suite 303, Bismarck, North Dakota 58503, as Procedural Hearing Officer.

Preliminary Statement

On October 23, 2014, ONEOK Rockies Midstream, L.L.C. (“ONEOK”) filed an application for a certificate of site compatibility authorizing the construction of the Demicks Lake Gas Plant (the “Plant”).

On December 17, 2014, the Commission found the application was complete and issued a Notice of Filing and Notice of Hearing for a public hearing for February 9, 2014, at 9:00 a.m. CDT at the Teddy’s Residential Suites, 113 9th Avenue SE, Watford City, North Dakota, 58854.

The issues to be considered in this matter include:

1. Will the location, construction, and operation of the proposed facility produce minimal adverse affects on the environment and upon the welfare of the citizens of North Dakota?
2. Is the proposed facility compatible with the environmental preservation and the efficient use of resources?
3. Will the proposed facility location minimize adverse human and environmental impact while ensuring continuing system reliability and integrity and ensuring that energy needs are met and fulfilled in an orderly and timely fashion?

Prior to commencement of the hearing, the time for the hearing was re-scheduled to 10:30 a.m. on February 9. As a result of inclement weather, the Commission and its staff were unable to travel to Watford City for the hearing. However, ONEOK's witnesses and representatives and members of the public were present at the hearing location and the Commission received testimony from all interested persons by telephone. Having allowed all interested persons an opportunity to be heard and having heard, reviewed and considered all testimony and evidence presented, the Commission makes the following:

Findings of Fact

1. ONEOK is a Delaware limited liability company with its principal place of business located at 100 W. 5th Street, Tulsa, Oklahoma.
2. ONEOK proposes to construct the Plant at a location approximately 13.5 miles northeast of Watford City, North Dakota.

Project Design

3. The Plant will have a total design capacity of 400 million cubic feet per day utilizing two separate cryogenic turboexpander units (each a Train), and will be constructed on a 160-

acre plot consisting of the NE ¼ of Section 20, Township 151 North, Range 96 West. ONEOK presented testimony at the hearing that it intended to begin construction of the first Train upon receipt of necessary authorizations and that construction of the second Train would commence following sufficient volume commitments and authorization by ONEOK management. Subsequently, ONEOK informed the Commission that, as a result of lower commodity prices and reduced drilling activity, capital expenditures on the Plant would be suspended until such time as market conditions improve. The Plant will process well-head associated natural gas from oil production wells connected to ONEOK's gathering system. Natural gas liquids (NGLs) will be delivered to facilities owned and operated by ONEOK and residue gas will be delivered via pipeline to a pipeline owned and operated by Northern Border Pipeline Company.

4. The Plant will include underground piping, above ground piping and above ground gas processing facilities.

Need for the facility

5. Hydrocarbon production in Western North Dakota has continued to dramatically increase as a result of technological advances in drilling and completing horizontal wells in the Bakken and Three Forks formation. Increased production of oil and related natural gas has resulted in constraints on take away capacity for both oil and gas, which in turn has resulted in substantial flaring of gas as a result of insufficient infrastructure. Without the construction of additional gas processing facilities, the flaring of casinghead gas will continue to increase, resulting in a loss of revenue to producers, royalty owners, and the State of North Dakota.

Location and Study of Preferred Site

6. By minimizing the need for additional infrastructure such as access roads, utilities, and gathering pipelines, the proposed location of the Plant will minimize the impact area resources. ONEOK considered expansion of existing facilities at its Grasslands Gas Plant near Sidney, Montana, its Garden Creek Gas Plant near Watford City, and its Lonesome Creek Gas plant currently under construction but determined that further expansion of those plants was either not feasible or, in the case of the Lonesome Creek Gas Plant, was likely to be necessary in the future to process volumes of gas produced in the vicinity of that plant.
7. ONEOK also identified a no-action alternative, but determined that no action would result in increased flaring at wellheads and the loss of natural resources and was therefore not desirable.
8. ONEOK identified a study area consisting of a 1-mile wide buffer area (the “Study Area”) centered upon the 160-acre project site (the “Project Site”).
9. ONEOK initiated consultations with the United States Army Corps of Engineers, the United States Fish and Wildlife Service (“USFWS”), the North Dakota Game and Fish Department, the North Dakota Parks and Recreation Department, the North Dakota State Historic Preservation Office, the North Dakota Department of Trust Lands, and the North Dakota Department of Health.
10. ONEOK is in the process of preparing applications for zoning relief and road approaches with McKenzie County and air quality permits with the North Dakota Department of

Health. ONEOK will obtain those permits prior to engaging in construction activity for which the various permits are required.

Siting Criteria

11. North Dakota Administrative Code Chapter 69-06-08 sets forth certain criteria to guide the Commission in evaluating the suitability of granting an application for a certificate of site compatibility. The criteria as set forth in North Dakota Administrative Code Section 69-06-08-01 are classified as Exclusion Areas, Avoidance Areas, Selection Criteria and Policy Criteria. With the exception of prime and unique farm land, an energy conversion facility must not be sited within an Exclusion Area. An energy conversion facility must not be sited within an Avoidance Area unless the applicant demonstrates that under the circumstances there are no reasonable alternatives. In determining whether an Avoidance Area shall be designated for a facility, the Commission may consider, among other things, the proposed management of adverse impacts; the orderly siting of facilities; system reliability and integrity; the efficient use of resources; and alternative routes. In accordance with the Commission's Selection Criteria, an energy conversion facility shall be approved if it is demonstrated that no significant adverse impacts will result from the location, construction, and maintenance of the facility. In accordance with the Commission's Policy Criteria, preference may be given to an applicant demonstrating certain benefits of the conversion facility.
12. ONEOK evaluated the Study Area and the Project Site for the exclusion, avoidance, selection and policy criteria of the Commission.

13. The North Dakota Department of Trust Lands owns surface interests within the Study Area, but the interests will not be affected by the proposed facility. Additionally, approximately 8.7 acres of the 160-acre Project Site consists of prime farmland, but the land is owned by applicant and the number of acres involved is insignificant. No other exclusion areas are included within either the Study Area or the Project Site.
14. There are woodlands associated with waterways and section lines within the Study Area. However, there is only an area of approximately .02 acres containing silver buffaloberry shrubs and one ephemeral stream in the Project Site. No other avoidance areas were included within either the Study Area or the Project Site.

Cultural Resources

15. Through a consultant, ONEOK conducted a Class I Cultural Resources Literature Search and a Class III Cultural Resource Inventory of the Project Site. These studies resulted in documentation of a single historic isolated find consisting of a depression and a low retaining wall within the Project Site which was determined to be not eligible for listing in the National Register of Historic Places. ONEOK's consultants prepared a report recommending no further cultural resource work and the State Historic Preservation Officer concurred with the recommendation.

Wetlands and Wildlife

16. Through a consultant, ONEOK conducted natural resource studies of the Project. These studies resulted in documentation of an ephemeral drainage way and a wetland within the Project Site. The wetland is located on the eastern project boundary. Due to planned setbacks from the property lines there are no anticipated impacts to the wetland. The

ephemeral drainage was determined to be a non-regulated feature. ONEOK's consultants prepared a report recommending that the feature be considered non-regulated and the United States Army Corps of Engineers concurred with the recommendation.

17. A natural resource inventory indicated that the wildlife on the Project Site consisted of species commonly associated with agricultural communities and no Federal or state species of concern were observed on the Project Site. The USFWS concurred with ONEOK's consultant that the project will not have any significant impact on fish and wildlife resources and no threatened or endangered species are likely to be adversely affected.
18. ONEOK will undertake additional measures necessary to deter nesting and thereby minimize impact on migratory birds.

Occupied Structures

19. There is one occupied structure within the Study Area, which consists of a one-half mile radius surrounding the Plant Site, and one occupied structure just outside the Study Area. The owners of those structures have been notified of the proposed construction of the facility and did not appear at the hearing. While a blast study will be completed at a later date, ONEOK's administration building will be located within the Plant Site and the blast study will insure that the administration building is not impacted by any catastrophic incident at the facility. As such, the structures located nearly one-half mile from the boundary of the Plant Site will similarly be unaffected.

Policy Criteria

20. The Commission's policy criteria provide that preference may be given to an applicant demonstrating certain benefits of the energy conversion facility. ONEOK has committed to maximize the benefits of the Plant so as to meet the policy criteria.

Measures to Minimize Impact

21. ONEOK has made other representations and covenants as indicated in the Certification Relating to Order Provisions – Facility Siting as executed by ONEOK and filed with the Commission. The certification submitted by ONEOK was slightly modified from the form normally utilized by the Commission to provide that any modification of the facilities constructed on the Plant Site will either be conducted in accordance with North Dakota statutes allowing certain modifications or additions within the boundary of previously issued certificates of compatibility or with approval of the Commission after notice and opportunity for hearing.

Cost

22. The anticipated cost of each Train is approximately \$321,000,000.
From the foregoing Findings of Fact, the Commission now makes its:

Conclusions of Law

1. The Commission has jurisdiction over the applicant, ONEOK, and over the subject matter of this application under North Dakota Century Code Chapter 49-22.
2. ONEOK is a utility as defined in North Dakota Century Code Section 49-22-03(13).
3. The Plant is an energy conversion facility as defined in North Dakota Century Code Section 49-22-03(5).

4. The location, construction, and operation of the proposed energy conversion facility will produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota.
5. The proposed energy conversion facility is compatible with the environmental preservation and the efficient use of resources.
6. The proposed energy conversion facility will minimize adverse human and environmental impact while ensuring continuing system reliability and integrity and ensuring that energy needs are met and fulfilled in an orderly and timely fashion.
7. The proposed project is of such design and location that it will produce minimal adverse effects, as defined under North Dakota Century Code Section 49-22-07.2.

From the foregoing Findings of Fact and Conclusions of Law, the Commission now makes its:

Order

The Commission orders:

1. ONEOK is issued Certificate of Site Compatibility for Energy Conversion Facility No. ____ for the construction, operation and maintenance of the Demick Lake Gas Plant. For purposes of the Certificate, the Site consists of the 160-acre Project Site.
3. The Certification Relating to Order Provisions – Facility Siting filed February 6, 2015 is incorporated by reference and attached to this order.

Dated this ____ day of March, 2015.

PUBLIC SERVICE COMMISSION

Randy Christman
Commissioner

Julie Fedorchak
Chairman

Brian P. Kalk
Commissioner