

December 16, 2014

HAND DELIVERED

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



**RE: Hiland Crude, LLC —
Case Number PU-14-_____**

Dear Mr. Nitschke:

Enclosed for filing, please find an original and ten (10) copies of Hiland Crude, LLC's Consolidated Siting Application for the Dore Crude Oil Loop Pipeline in McKenzie County, which includes an Application for Waiver of Procedures and Time Schedules. Please note that contained in the Application for Waiver of Procedures and Time Schedules is a request to waive the hearing requirements in their **entirety**. Rather, **Hiland desires for the Commission to issue an order on the Consolidated Siting Application by virtue of its notice and opportunity for hearing procedure.**

Enclosed within each application is a CD containing the shapefiles in electronic format. A separate CD is included herewith that contains the Application and this letter in electronic format. Please also note that the filing fee will be submitted under separate cover shortly. If you should have any questions, please advise.

Sincerely,

A handwritten signature in blue ink, appearing to read "L. Bender".

LAWRENCE BENDER

LB/dmk
Enclosures

cc: Mr. Jim Suttle (via e-mail)
Mr. Ryan Dahl (via e-mail)
Ms. Kathleen Spilman (via e-mail)
Ms. Julie Prescott (via e-mail)

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Application for Waiver or Reduction of Procedures and Time Schedules
Hiland Crude, LLC
Lawrence Bender, Fredrikson&Byron, P.A.

**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
COUNTY, AND REQUEST FOR WAIVER
OF PROCEDURES AND TIME SCHEDULES

CASE NO. PU-14-_____

**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 a 12-inch crude oil pipeline approximately 13 miles in length, known as the Dore Crude Oil Loop Pipeline to be located in McKenzie County, 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 the following:

1. That the Commission waive the requirement to 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 waive the hearing requirement in its **entirety**,

unless specifically requested by an interested party. Given the similarity of this Project to a previously approved portion of the Market Center pipeline, Hiland believes the Commission will have sufficient information based on the materials submitted herewith to issue a decision absent a hearing. However, in the event the Commission determines a hearing is necessary, Hiland requests the Commission hold a single consolidated hearing on this waiver request and its Consolidated Application.

2. 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.
3. 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.

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 and interconnect with Hiland's existing Market Center Pipeline system (PU-13-136).

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 pounds of pressure per square inch gauge (psig). The proposed Project will typically operate between 60 and 120 degrees Fahrenheit and will have a maximum design flow rate of 100,000 bbls/day. The steel pipeline used for the Project will meet United States Department of Transportation regulations, specifically the design 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 13 miles located in McKenzie County, North Dakota. The Project will interconnect with Hiland's Market Center pipeline system, which 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 is located in McKenzie County and will interconnect with Hiland's Market Center Pipeline system. The Market Center Pipeline system 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 May 2015. Hiland proposes to develop the Project on the following schedule:

- December 2014 — Hiland files with the Commission a consolidated application for a Corridor Certificate and Route Permit.
- January 2015 — The Commission issues a Corridor Certificate and Route Permit for the Project.
- February 2015 — Hiland will begin construction of the Project.
- May 2015 — 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. 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 help prevent. The Project will help to provide the needed capacity to transport crude oil production safely and economically from the Bakken and Three Forks formations to facilities with access to major markets.

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 Formation, Williston Basin Province, Montana and North Dakota, 2008, <http://pubs.usgs.gov/fs/2008/3021/> (last visited Dec. 15, 2014).

³ North Dakota Department of Mineral Resources, North Dakota Monthly Oil Production Statistics, <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf> (last visited Dec. 15, 2014).

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

C. Cost.

Hiland estimates that it will cost approximately \$10.5 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 additional capacity to the Market Center Pipeline, which will provide 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 13 miles), its design (an underground, small-diameter pipeline with few above-ground appurtenances), its location (crossing pasture and agricultural lands in rural McKenzie County 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 B.2 to B.6 of the Route Application portion of Hiland's 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 issue a Notice of Filing and Notice of Opportunity for a Hearing as soon as possible. Hiland also requests the Commission determine the matter without a hearing if no response is received to the Notice of Opportunity for a hearing, and ultimately render an expeditious decision.

Dated this 15th day of December, 2014.

FREDRIKSON & BYRON, P.A.

By 

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SHERA A. FONG
Notary Public
State of North Dakota
My Commission Expires April 3, 2018