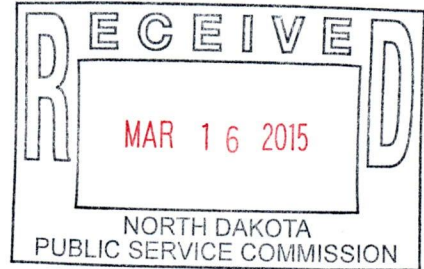


March 16, 2015



VIA HAND DELIVERY

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

**RE: Hiland Crude, LLC —
Case Number PU-14-840**

Dear Mr. Nitschke:

Enclosed for filing, please find an original and ten (10) copies of the Proposed Findings of Fact, Conclusions of Law and Order in the above-referenced matter. Also enclosed is a CD containing the above-referenced document in PDF format.

If you should have any questions, please advise.

Sincerely,

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

LAWRENCE BENDER

LB/dmk

cc: Mr. Mitch Armstrong (*via e-mail*)
Mr. Brian Schmidt (*via e-mail*)
Ms. Julie Prescott (*via e-mail*)

52898497_1.docx

Attorneys & Advisors
main 701.221.8700
fax 701.221.8750
www.fredlaw.com

Fredrikson & Byron, P.A.
1133 College D
Bismarck, North
58501-1215

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Hiland Crude, LLC
Dore Crude Oil Loop Pipeline - McKenzie County
Siting Application

Case No. PU-14-840

[PROPOSED] FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

March____, 2015

Preliminary Statement

On December 17, 2014, Hiland Crude, LLC (“Hiland”), filed with the North Dakota Public Service Commission (“Commission”) a consolidated application for a Certificate of Corridor Compatibility and Route Permit (“Application”) for an approximately 13-mile, 12-inch crude oil pipeline in McKenzie County. The pipeline, known as the Dore Crude Oil Loop Pipeline (the “Project”), will parallel and interconnect with Hiland’s existing Market Center pipeline system previously sited in Case No. PU-13-136.

Hiland also filed with its Application a request for the Commission to waive certain procedures and time schedules required under North Dakota Century Code Chapter 49-22, which requires separate filings and applications for a certificate of corridor compatibility and a route permit, separate notice of such applications, separate hearings on such applications, and certain time schedules.

Supplemental information in support of the Application was submitted by Hiland on February 5 and February 10, 2015.

On February 11, 2015, the Commission deemed the Application for a certificate of corridor compatibility and a route permit complete. Also on February 11, 2015, the Commission issued a Notice of Filings and Notice of Opportunity for Hearing, which identified the following issues to be considered with respect to the application for waiver of procedures and time schedules:

1. Are the proposed facilities of such length, design, location, or purpose that they will produce minimal adverse effects and that adherence to applicable procedures and time schedules may be waived?
2. Is it appropriate for the Commission to waive any procedures and time schedules as requested in the application?

The Notice of Filings and Notice of Hearing identified the following issues to be considered with respect to the Application:

1. Will the location and operation of the proposed facilities produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota?

2. Are the proposed facilities compatible with the environmental preservation and the efficient use of resources?
3. Will the proposed facility locations 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?

No comments or requests for hearing were received by the deadline of March 20, 2015.

Having allowed all interested persons an opportunity to be heard, and having reviewed and considered all testimony and evidence presented, the Commission makes the following:

Findings of Fact

1. Under North Dakota Century Code Section 49-22-07, a utility may not begin construction of a transmission facility in the state without first having obtained a route permit. The facility must be constructed, operated, and maintained in conformity with the permit and any conditions, or modifications of the permit.
2. Hiland is an Oklahoma limited liability company. Hiland is authorized to do business in the State of North Dakota, as evidenced by the corporate papers filed with the Commission on April 4, 2014, in Case No. PU-13-148.

Size, Type, and Preferred Location of Facility

3. The Project consists of approximately 13 miles of pipeline to be located in McKenzie County. The Project will originate at the Dore Junction and terminate at Hiland's Dore Terminal near Dore, North Dakota. The Project will parallel and interconnect with existing Hiland facilities on the Musket Lateral, or Dore, Segment of Hiland's Market Center Pipeline. The Project will be operationally integrated into the existing operations of Hiland.
4. The Project will utilize 12-inch diameter steel pipeline capable of increasing the capacity of the system by 27,000 barrels per day and potentially in the future by up to 100,000 barrels of oil per day. The pipeline has a maximum operating pressure of 1,440 pounds per square inch.
5. No new surface facilities will be installed in the State of North Dakota, other than pipeline markers, rectifiers, and block valves. Small fenced-in enclosures may be installed to allow some valves to be operated remotely.

Need for the Facility

6. Hiland concluded there is a need for the Project because the recent and significant increase in oil extraction has outpaced efficient transportation methods. Current crude oil transportation from oil wells to distribution points is primarily accomplished by tanker truck, or limited pipeline transportation. Increased production of crude oil and limited pipeline access combine to increase tanker truck traffic on North Dakota highways. This increases road damage, the need to update or repair highways, emissions levels, and raises concern for driver safety. The construction of additional transmission pipelines would have a positive effect on efficient

transportation of crude oil and would relieve some of the impacts resulting from trucking the crude oil. Looping of the Dore segment of the Market Center pipeline would increase the capacity of the system by 27,000 barrels per day, up to 100,000 barrels per day in the future.

Study of Preferred Location(s)

7. Hiland evaluated a one-mile-wide study area ("Study Area") centered on the pipeline route. Hiland collected environmental data and information on soils, land use, wetlands and waterbody crossings, noxious weeds, trees, saplings and shrubs, and protected species and habitats in the Study Area.
8. Hiland conducted a Class I archeological literature search using a two-mile-wide study corridor for the entire 13 miles of the Project route.
9. A Class III cultural resource inventory was performed on a variable 300 to 473-foot-wide corridor. A one-mile wide study corridor was evaluated for all other exclusion or avoidance criteria along the proposed route.
10. The following agencies were contacted by Hiland regarding the Project and provided comments: North Dakota State Historical Preservation Office ("SHPO"); North Dakota Department of Health; North Dakota Game and Fish Department; North Dakota Parks and Recreation Department, Natural Resources Division; and North Dakota State Water Commission. The McKenzie County Planning Department, the North Dakota Department of Trust Lands, the North Dakota Industrial Commission, the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, and the Lake Ilo National Wildlife Refuge were also contacted regarding the Project. No agencies expressed concern with the Project.
11. The SHPO has concurred with the determination that no significant sites will be affected by the Project so long as the Project remains of the nature and in the location described in the Class III Cultural Resource Inventory Report, and Hiland follows any site avoidance measures set forth in the report.

Siting Criteria

12. The Commission has established criteria pursuant to North Dakota Century Code Section 49-22-05.1 to guide the Commission in evaluating the suitability of granting a Certificate of Corridor Compatibility and Route Permit. The criteria, as set forth in North Dakota Administrative Code Section 69-06-08-02 are classified as Exclusion Areas, Avoidance Areas, Selection Criteria, and Policy Criteria.
13. A transmission facility route must not be sited within an exclusion area. No exclusion areas will be impacted by the Project.
14. An avoidance area is a geographic area that may not be considered in the routing of a transmission facility unless the application shows that, under the circumstances, there is no reasonable alternative. In determining whether an avoidance area should be designated for a transmission 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.

15. Pursuant to North Dakota Century Code Section 49-22-05.1, areas within five hundred feet of an inhabited rural residence must be designated avoidance areas. The five hundred foot avoidance area criteria for an inhabited rural residence may be waived by the owner of the inhabited rural residence in writing. In addition, North Dakota Administrative Code Section 69-06-08-02(2) designates areas within five hundred feet of a residence, school, or place of business as avoidance areas. The Project is within five hundred feet of six rural residences. Waivers have been obtained from all residences.

16. Two archeological sites were identified within the field study corridor during the cultural resource inventory. The two sites are located within the area of potential effect for the Project and will be avoided by narrowing of the construction ROW or by boring as recommended by Beaver Creek Archaeology.

17. A wetlands and waterbodies inventory was completed along the proposed route. Several wetlands or waterbodies are present along the route, but any indirect impacts from pipeline placement will be temporary. The Project will have no significant impact on wetlands or waterbodies.

18. The Project may result in temporary modification of habitat and temporary displacement of wildlife, due to clearing and construction. The Project will have no significant impact on fish and wildlife resources and no impacts are anticipated to endangered, threatened, or sensitive plant or animal species.

19. In accordance with the Commission's selection criteria, a transmission facility route shall be approved if it is demonstrated that any significant adverse effects that will result from the location, construction, and maintenance of the transmission facility will be at an acceptable minimum or managed and maintained at an acceptable minimum. Hiland has analyzed the impacts of the Project in relation to all of the relevant selection criteria. The Project will have no significant adverse effects on the Commission's selection criteria.

20. In accordance with the Commission's policy criteria, preference may be given to an application demonstrating certain benefits of the transmission facility. Hiland has analyzed the relevant policy criteria and has committed to: designing, constructing, and operating the pipeline in accordance with all applicable federal, state, and local laws and regulations; energy conservation through the facility's location, process, and design; training and utilizing available labor in the state; constructing the Project to take advantage of economies of scale; achieving capacity in the most minimally intrusive and most efficient way possible; and coordinating with state and local officials. Hiland submitted evidence to demonstrate its commitment to maximize the benefits of the proposed transmission facility to the extent possible so as to meet the policy criteria.

Measures to Minimize Impact

21. Hiland has agreed to a number of steps to mitigate the impact of the Project, as indicated by the executed Certification Relating to Order Provisions – Transmission Facility Siting, with accompanying Tree and Shrub Mitigation Specifications, which is incorporated by reference and attached to this Order.
22. The Project’s right-of-way (“ROW”) will consist of both a 50-foot-wide permanent easement and a 25-foot-wide temporary workspace, unless modifications are made due to location in the previously sited corridor. The Project and all construction activities will fall entirely within the previously approved corridor granted for the Market Center Pipeline system. In areas where the Project is located near the edge of the previously granted corridor, Hiland will utilize horizontal directional drilling, or boring, construction methods so as not to conduct work outside the corridor.
23. Hiland will use existing public roads to access the construction ROW, and does not plan to modify existing roads or construct new permanent access roads for the Project.
24. The design, construction, and operation of the pipeline will be in accordance with the United State Department of Transportation regulations governing the transportation of crude oil, including U.S. Department of Transportation regulations as set forth in 49 C.F.R. Part 195.
25. Hiland participates in the North Dakota One-Call Excavation Notice System.
26. Hiland’s existing emergency response plan will include the Project.

From the foregoing Findings of Fact, the Commission now makes the following:

Conclusions of Law

1. The Commission has jurisdiction over Hiland and the subject matter of the Application under Chapter 49-22 of the North Dakota Century Code.
2. Hiland is a utility as defined in Section 49-22-03(13) of the North Dakota Century Code.
3. The proposed pipeline is a transmission facility as defined in Section 49-22-03(12) of the North Dakota Century Code.
4. The location, construction, and operation of the Project will produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota.
5. The location, construction, and operation of the Project are compatible with environmental preservation and the efficient use of resources.
6. The Project 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 Project is of such design and location that it will produce minimal adverse effects, in accordance with Section 49-22-07.2 of the North Dakota Century Code.

8. It is appropriate for the Commission to waive the certain procedures and time schedules as requested in the Application and provided under Section 49-22-07.2 of the North Dakota Century Code.

From the foregoing Findings of Fact and Conclusions of Law, the Commission now issues the following:

Order

1. That Hiland Crude, LLC's application for a waiver of procedures and time schedules is granted.
2. Certificate of Corridor Compatibility No. ____ is issued to Hiland Crude, LLC, designating a corridor for the construction, operation, and maintenance of an approximately 13-mile, 12-inch crude oil pipeline and associated facilities in McKenzie County, North Dakota. For purposes of the Certificate, the Corridor will consist of the Corridor granted in PU-13-136.
3. Route Permit No. ____ is issued to Hiland Crude, LLC, granting authority to construct and operate an approximately 13-mile, 12-inch crude oil pipeline and associated facilities in McKenzie County, North Dakota. The designated route is shown on the map included as Figure 1.A.1 in Tab 1 of the Consolidated Application for a Certificate of Corridor Compatibility and Route Permit.
4. That the Certification Relating to Order Provisions – Transmission Facility Siting be incorporated by reference and attached to this Order.
5. To the extent there are any conflicts or inconsistencies between Hiland's Applications and the Certification, the Certification provisions control.

**State of North Dakota
Public Service Commission**

**Randy Christmann
Commissioner**

**Julie Fedorchak
Chairman**

**Brian Kalk
Commissioner**