

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF THE APPLICATION
OF NST EXPRESS, LLC, FOR A
CERTIFICATE OF CORRIDOR
COMPATIBILITY AND ROUTE PERMIT
FOR THE NST EXPRESS PIPELINE
PROJECT IN MCKENZIE COUNTY,
NORTH DAKOTA

CASE NO. PU-15-_____

**Application of NST Express, 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 the construction of a 12-inch crude oil pipeline, approximately 23 miles in length, and associated facilities, all of which will be located in McKenzie County, North Dakota (the “Project”), NST Express, LLC (“NST Express”), 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 and Article 69-06 of the North Dakota Administrative Code. 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, NST Express requests that the Commission waive the following requirements:

1. The requirements 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. NST Express requests that the Commission hold a single consolidated hearing on this waiver request and NST Express’s

Consolidated Application. NST Express also requests 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.

2. 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 for said applications.

Consistent with the Section 69-06-06-01(2) of the North Dakota Administrative Code, NST Express 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 from a new gathering facility located approximately 9 miles north of Alexander, North Dakota (the “NST Express Alexander Facility”) to the existing NST Transload Operating Company, LLC facility located approximately 0.5 mile north of East Fairview, North Dakota (the “NST Transload East Fairview Facility”). The Project may be constructed with unilateral flow from the NST Express Alexander Facility or bidirectional flow from either the NST Express Alexander Facility or the NST Transload East Fairview Facility, based on commercial demand.

Surface facilities installed at the NST Express Alexander Facility site will include four truck Lease Automatic Custody Transfer offload skids, up to six pipeline connections, up to three aboveground storage tanks with a capacity of 50,000 barrels each, a tank booster, a pig launcher, a turbine meter run, and a pump station. Surface facilities installed at the existing NST

Transload East Fairview Facility will include a scraper receiving trap, a pig receiver, one new turbine meter, piping to interconnect with existing tanks, and equipment and panels for Programmable Logic Controller/Open Multi-Network Integration (PLC/OMNI) Control Equipment and SCADA communications. If the Project is designed for bidirectional flow, additional facilities will include a booster pump, a horizontal mainline pump, electrical upgrades, a piping manifold and a valve addition.

2. **Product:** The Project will transport Light Sweet Crude Oil.
3. **Capacity and Design:** The Project will require installation of a 12-inch outside diameter steel pipeline with a nominal wall thickness of 0.375. The nominal wall thickness will increase to 0.50 inches for specific locations, such as water body and road crossings. The pipe material will be AP5L CS X52. The pipeline is designed for a maximum operating pressure (“MOP”) of 1,440 pounds of pressure per square inch gauge (“psig”) and maximum temperature of 120 degrees Fahrenheit. The maximum design flow rate for the new pipeline is 100,000 barrels per day (“bpd”). The steel pipeline utilized for the Project will meet United States Department of Transportation regulations, specifically the design criteria outlined in 49 C.F.R. Part 195, Subpart C. The Project will be constructed, operated, and maintained in accordance with 49 C.F.R. Part 195.

The NST Express Alexander Facility would be located on approximately 42 acres of land and would consist of the components described in Section A.1 above.

At the NST Transload East Fairview Facility, the Project interconnection facilities described in Section A.1 above would be constructed on an approximately 300-by-260-foot section of land within the existing facility site.

For additional analysis of the capacity and design for the proposed Project, please see Sections 1.0 and 9.0 of NST Express's Consolidated Application, which accompanies this waiver application.

4. **Location:** The total length of the Project is approximately 23 miles, all of which is located in McKenzie County, North Dakota. The pipeline will originate at the NST Express Alexander Facility, and will extend westward and southward to the NST Transload East Fairview Facility. Maps of the proposed Project are provided in Appendix A to the Consolidated Application provided herewith.

5. **Geographical Service Area:** As noted above, the Project is entirely located in McKenzie County and will transport crude oil between the NST Express Alexander Facility, located approximately 9 miles north of Alexander, North Dakota and the NST Transload East Fairview Facility, located approximately 0.5 mile north of East Fairview, North Dakota. The immediate area served by the Project will be western North Dakota; however, the final destination of the crude oil transported by the Project will be refining markets throughout the United States, which will be accessed via interconnections with the Project or by rail via the NST Transload East Fairview Facility.

6. **Time Schedule:** NST Express proposes to develop the Project on the following schedule:

- May 2015 — NST Express files with the Commission a consolidated application for a Corridor Certificate and Route Permit.
- September 2015 — The Commission issues a Corridor Certificate and Route Permit for the Project.
- October 2015 — NST Express will begin construction of the Project.
- Third Quarter 2016 — NST Express will have completed construction of the Project.

- Commissioning and restoration activities will commence immediately following construction of the Project, and the Project will be in-service by December 2016.

7. **Future Plans:** NST Express is exploring the potential to interconnect with producers and other transmission facilities; however, NST Express has no specific plans for additions to or modifications of the Project at this time.

8. **Need for the Facility and Alternatives Considered.**

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. Studies conducted by the North Dakota Department of Mineral Resources (NDDMR) and North Dakota Geological Survey (NDGS) in 2008 on the Bakken formation¹ and in 2010 on the Three Forks formation² indicate that that between 2.1 and 6.3 billion barrels of recoverable reserves are available in the Bakken and Three Forks formations within the State of North Dakota, with 4.0 billion barrels described as the most likely amount. A more recent U.S. Geological Survey assessment estimated there may be 7.4 billion barrels of undiscovered recoverable oil in the entire U.S. portion of the Bakken and Three Forks formations, spanning Montana, North Dakota and South Dakota.³ Information from the North Dakota Department of Mineral Resources

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 Helms, L. and Nordeng, S. North Dakota Department of Mineral Resources. Bakken Source System, Three Forks Formation Assessment (2010).

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 March 2015 at: <http://pubs.usgs.gov/fs/2013/3013/>.

(NDDMR) indicates that oil production has increased dramatically over the past eight years from nearly 110,000 bpd in 2007 to nearly 1,230,000 bpd in December, 2014.⁴

Insufficient pipeline infrastructure exists to gather and transport crude oil from the proposed NST Express Alexander Facility site to the existing NST Transload East Fairview Facility. Transporting crude oil in western North Dakota currently involves significant movement of crude oil by tanker truck over public roadways, with resulting public safety and roadway infrastructure impacts. The Project will help address these issues by providing the safe, efficient, and reliable transport of up to 100,000 bpd of crude oil via pipeline to be distributed to markets located throughout the United States via interconnections with the Project or by rail via the existing NST Transload East Fairview Facility.

For additional analysis of the need for the proposed Project, including a discussion of alternatives evaluated, please see Sections 3.0 and 13.0 of NST Express's Consolidated Application, which accompanies this waiver application.

9. **Ten Year Plan.**

The Project is consistent with NST Express's Ten Year Plan for 2015-2025, which was filed with the Commission on May 28, 2015.

10. **Cost.**

NST Express estimates that it will cost between approximately \$60 million to \$80 million to develop the Project.

B. Waiver Request.

NST Express requests that the Commission grant the waivers requested herein because these waivers are needed to prevent potentially significant delays to the Project. As noted above,

⁴ North Dakota Department of Mineral Resources. North Dakota Monthly Oil Production Statistics. Web access in March 2015 at: <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf>.

the Project is needed to provide a safe and economical means of gathering crude oil and transporting it between the NST Express Alexander Facility and the NST Transload East Fairview Facility for ultimate distribution to crude oil to markets located throughout the United States. Utilizing the proposed Project will eliminate the need to transport crude oil between the two locations via truck which, in turn, will reduce truck traffic and associated impacts on North Dakota roads and highways. Without the waivers of time schedules and procedures requested, completion of NST Express's proposed Project will be delayed and the Project will not be able to satisfy the immediate need for a safer, more efficient means of gathering and transporting crude oil to the NST Transload East Fairview Facility, which has 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 NST Express's Consolidated Application, granting the waivers requested is appropriate because the proposed facility will produce minimal adverse effects due to its length (approximately 23 miles), its design (an underground, small-diameter pipeline with limited above-ground appurtenances, a portion of which are co-located within the boundaries of an existing facility site), its location (located in rural McKenzie County and avoiding Exclusion and Avoidance Areas, as set forth in Section 69-06-08-02 of the North Dakota Administrative Code), and its purpose (underground transportation of crude oil).

In determining whether the proposed facility will result in adverse impacts on the environment, NST Express 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

