

New Town Expansion Project

Mountrail County

Consolidated Siting Application



Hiland Crude, LLC
302 N Independence St. STE 100
Enid, Oklahoma 73701

June 2015

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Request for Waiver or Reduction of Procedures and Time Schedules

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**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 AND ASSOCIATED
FACILITIES IN MOUNTRAIL COUNTY,
AND REQUEST FOR WAIVER OF
PROCEDURES AND TIME SCHEDULES

CASE NO. PU-15-_____

**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 the conversion of an approximately 42.5-mile-long, 8-inch existing crude oil gathering pipeline to a transmission line and proposed construction of additional above ground facilities, located in Mountrail County, North Dakota, 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"). Hiland requests that the Commission waive and/or reduce procedures and time schedules required by the Siting Act and Siting Rules to accomplish the purposes as requested herein. In accordance with North Dakota Century Code Sections 49-22-07.2 and 49-22-13, and North Dakota Administrative Code Section 69-06-01-02 and Chapter 69-06-06, Hiland's request includes, but is not limited to:

1. That the Commission waive the provisions of North Dakota Century Code Sections 49-22-08, 49-22-08.1, and 49-22-13, and North Dakota Administrative Code Section 69-06-01-02 insofar as they require the separate filing of

applications for waiver of procedures and time schedules, a Certificate of Corridor Compatibility (“Corridor Certificate”), and a Route Permit, separate notices of such applications, separate hearings on such applications, and certain time schedules as set forth in said statutes and rules.

2. That the Commission allow for consolidation of the applications for a Corridor Certificate and a Route Permit, and allow for a consolidated notice of publication.
3. That the Commission hold a single consolidated hearing on this waiver request and the Consolidated Application.
4. 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 New Town Expansion 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 New Town Expansion Project consists of installation of interconnect facilities to a third party storage facility and the resulting conversion of an existing 42.5-mile-long crude oil gathering pipeline to transmission service. For clarity, the three portions of the New Town Expansion Project are referred to as follows:

New Town Interconnect – The proposed interconnect will be constructed within the pre-existing third party Targa Badlands LLC (“Targa”) New Town Terminal. The interconnect will

consist of measurement facilities, interconnecting piping for receipt of crude from Targa's existing 30,000 barrel ("bbl") tank, and associated above-ground appurtenances and ancillary electrical control systems. Piping will then connect the proposed equipment to Hiland's existing New Town Pipeline where the right-of-way ("ROW") abuts the Targa facility. All construction and associated activities will occur on previously disturbed areas.

New Town Receipt Station – A modification of Hiland's pre-existing 5 acre facility, which consists of valves, pumping, metering, traps, a 1,200 bbl pressure relief tank, and associated appurtenances. The proposed project involves conversion of the 1,200 bbl pressure relief tank to an inline supply tank, with the addition of associated above-ground appurtenances and ancillary electrical and control systems. The purpose of this conversion is to improve suction pressure control to the pumps at the existing New Town Receipt Station.

New Town Pipeline – The existing 42.5 mile gathering pipeline requiring conversion to transmission service. There will be no modification to the New Town Pipeline. This pipeline runs from the Dakota Plains Rail Terminal Interconnect north to the White Earth Injection Station, which connects the New Town Pipeline to the Market Center System. Other surface facilities located within the ROW along the New Town Pipeline include pipeline markers, valves, and other ancillary facilities along the length of the pipeline. All of these facilities are pre-existing.

Due to the increased volume of crude oil being gathered through the New Town Pipeline and the changing market dynamics of where producers wish to move their crude oil, it is necessary for Hiland to install the New Town Interconnect and convert the New Town Receipt Station tank to facilitate the movement of crude oil across the Market Center System and to facilitate ultimate destinations on that system, thereby converting the New Town Pipeline from a

gathering line into a transmission line. Because the system is bi-directional, this conversion affects the pipeline both to the north and to the south of the New Town Receipt Station.

2. **Product:** The New Town Expansion Project will transport crude oil.

3. **Size and Design:** Construction of the New Town Pipeline as a gathering line involved the installation of an 8-inch diameter pipeline. The maximum operating pressure for the New Town Pipeline is 1,440 pounds of pressure per square inch gauge with a maximum temperature of 120 degrees Fahrenheit. The New Town Pipeline will typically operate between 60 and 120 degrees Fahrenheit. The conversion and installation of interconnect facilities for the New Town Expansion Project will add approximately 18,000 barrels per day of capacity to the system, for a maximum capacity of approximately 36,000 barrels per day. The steel pipeline utilized for the New Town Pipeline meets United States Department of Transportation regulations, specifically the design criteria outlined in 49 CFR Part 195, Subpart C. The New Town Pipeline was constructed, and will be operated and maintained, in accordance with 49 CFR Part 195.

4. **Location:** The New Town Pipeline originates five miles southwest of Ross, North Dakota at Hiland's White Earth Injection Station and runs 42.5 miles to the south-southwest, terminating at the Dakota Plains Holdings Inc.'s Pioneer rail terminal, approximately 1.5 miles southeast of New Town, North Dakota.

In conjunction with the conversion of the gathering line to a transmission line, Hiland proposes modifications to the existing New Town Receipt Station, near the southern end of the New Town Pipeline in the SESW of Section 21, Township 152 North, Range 92 West, and proposes construction for the New Town Interconnect, at the Targa New Town Terminal in the SW of Section 21, Township 152 North, Range 92 West.

The New Town Expansion Project will interconnect with Hiland's Market Center transmission pipeline system ("Market Center System"), and will transport crude oil from Mountrail County to major crude markets via (1) Hiland's Market Center System using a connection at the White Earth Injection Station; and (2) Dakota Plains Holdings Inc.'s Pioneer rail terminal in New Town, North Dakota. Maps of the proposed New Town Expansion Project are provided in the Consolidated Application, submitted herewith.

5. **Geographic Service Area:** As noted above, the New Town Pipeline is currently operated as a gathering line in Mountrail County. Upon modification to the New Town Receipt Station and construction of the proposed New Town Interconnect, along with the conversion of the New Town Pipeline to a transmission line, the New Town Expansion Project will interconnect and expand the transmission capability of Hiland's Market Center System. The Market Center System will transport crude oil from Williams, McKenzie, and Mountrail Counties to major markets. The immediate area served by the New Town Expansion 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 New Town Expansion Project of March 2016. Hiland proposes to develop the New Town Expansion Project on the following schedule:

- June 2015 — Hiland 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 New Town Expansion Project.
- September 2015 — Hiland will begin construction for the New Town Expansion Project.

- March 2016 — Hiland will complete construction for the New Town Expansion Project.

7. **Future Plans:** At this time, Hiland has no specific plans for additions to or modifications of the New Town Expansion 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 from March of 2007 to March of 2013, with a percentage increase of approximately 564 percent.³

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 New Town Expansion Project area, modifications to the New Town Receipt Station and construction of the proposed New Town Interconnect to allow for conversion of the New Town Pipeline from

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 Apr. 9, 2015).

³ North Dakota Department of Mineral Resources, North Dakota Monthly Oil Production Statistics, <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf> (last visited Apr. 9, 2015).

a gathering line to a transmission line will afford Hiland further means by which to provide 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 New Town Expansion Project will help prevent. The New Town Expansion Project will help to provide needed capacity to transport crude oil production safely and economically from the Bakken and Three Forks formations to facilities with access to major markets.

For additional analysis of the need for the New Town Expansion 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 \$15 million to develop the New Town Expansion 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 New Town Expansion Project. As noted above, modifications to the New Town Receipt Station and construction of the proposed New Town Interconnect to allow for conversion of the New Town Pipeline from a gathering line to a transmission line are needed to provide additional capacity to the Market Center System. Utilizing and expanding the New Town Expansion Project as requested 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 New Town Expansion Project will be delayed and the New Town Expansion 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 the pipeline length (approximately 42.5 miles), its design (an underground, small-diameter pipeline and associated facilities), its location (crossing pasture and agricultural lands in rural Mountrail County), 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 New Town Expansion 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 New Town Expansion 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 New Town Expansion Project, and mitigation measures that will be taken with respect to said impacts, are summarized in Sections C and D 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 New Town Expansion Project will have minimal adverse effects.

Accordingly, Hiland respectfully requests that the Commission grant the requested waivers and render an expeditious decision.

Dated this 23rd day of June, 2015.

FREDRIKSON & BYRON, P.A.

By 

LAWRENCE BENDER, ND Bar #03908
DANIELLE KRAUSE, ND Bar #06874
Attorneys for Hiland Crude, LLC
1133 College Drive, Suite 1000
Bismarck, ND 58501-1215
(701) 221-8700

DEFINITIONS

APPLICANT	Hiland Crude, LLC.
COMPANY	Applicant's legal name is Hiland Crude, LLC with its principle place of business at 302 N. Independence St., Ste. 100; Enid, OK 73701.
CRUDE PETROLEUM	Crude petroleum is defined as a natural mixture of gaseous, liquid, and solid hydrocarbons obtained from beneath the surface of the earth.
DELIVERY	A volume at a location where the hydrocarbon commodity enters the Hiland Crude Pipeline System.
RECEIPT	A volume at a location where the hydrocarbon commodity enters the pipeline system.
SHIPPER	A customer, who transports volumes on the common carrier pipeline system, including natural gas producers, refiners and/or marketers.