Alexander Tank Farm Crude Oil Pipeline

McKenzie County

Consolidated Siting Application

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

July 2015

29 PU-15-486 Filed 11/16/2015 Pages: 294
Exhibit 1
Hiland Crude, LLC

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-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 4.5-mile-long, 8-inch existing crude oil gathering pipeline, known as the Alexander Tank Farm Crude Oil Pipeline (the "Alexander Pipeline") located in McKenzie County, North Dakota to a transmission line, 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.

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 Alexander Pipeline consists of an existing underground steel pipeline currently being utilized for gathering purposes with an interconnection to the Market Center pipeline system ("Market Center System"). Because of the interconnection with the Market Center System, and the status of the Market Center System as a gathering line at the time of planning and construction for the Alexander Pipeline, the Alexander Pipeline was initially constructed as a gathering line.

Now that the Market Center System has been approved for conversion to a transmission pipeline (Case No. PU-13-136), Hiland desires to convert the 4.5-mile-long lateral segment of the Alexander Pipeline to a transmission line to allow for delivery of crude oil passing through

the Market Center System or alternatively to allow for transport of crude oil from Alexander Station to the Market Center System.

2. **Product:** The Alexander Pipeline will transport crude oil.

3. **Size and Design:** The maximum operating pressure for the pipeline is 1,440 pounds of pressure per square inch gauge with a maximum temperature of 120 degrees Fahrenheit. The Alexander Pipeline will typically operate between 60 and 120 degrees Fahrenheit and will have a maximum design flow rate of 50,000 barrels per day. The steel pipeline used for the Alexander Pipeline meets United States Department of Transportation regulations, specifically the design criteria outlined in 49 CFR Part 195, Subpart C. The Alexander Pipeline was constructed, and will be operated and maintained, in accordance with 49 CFR Part 195.

4. **Location:** The total length of the Alexander Pipeline is approximately 4.5 miles located in McKenzie County, North Dakota. The Alexander Pipeline originates five miles north-northeast of Alexander, North Dakota, at a connection with Hiland's Market Center System and runs 4.5 miles to the north to Hiland's Alexander Station. Maps of the Alexander Pipeline are provided in the Consolidated Application, submitted herewith.

5. **Geographic Service Area:** As noted above, the Alexander Pipeline is a gathering line located in McKenzie County which interconnects with Hiland's Market Center System. To expand the Market Center System, the Alexander Pipeline is desired to be converted to a transmission line to allow for delivery of crude oil passing through the Market Center System or alternatively to allow for transport of crude oil from Alexander Station to the 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 Alexander Pipeline

will be western North Dakota; however, the crude oil will ultimately be distributed throughout the United States.

6. **Time Schedule:** Hiland proposes to develop the Alexander Pipeline on the following schedule:

- July 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 Alexander Pipeline.
- December 2015 — Hiland begins utilizing the Alexander Pipeline as a transmission line in conjunction with the Market Center System.

7. **Future Plans:** At this time, Hiland has no specific plans for additions to or modifications of the Alexander Pipeline.

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 Survey[2] 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

[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).

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 Alexander Pipeline area, conversion of the Alexander Pipeline 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 Alexander Pipeline will help prevent. The Alexander Pipeline 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.

For additional analysis of the need for the Alexander Pipeline, 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 the total cost of the Alexander Pipeline was approximately $3.6 million.

D. Waiver Request.

Hiland requests that the Commission grant the waivers requested herein because said waivers are needed to prevent potential delays to utilization of the Alexander Pipeline as a transmission line. As noted above, conversion of the Alexander Pipeline from a gathering line to a transmission line is needed to provide additional capacity to the Market Center System.

[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).

Utilizing the Alexander Pipeline 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, the Alexander Pipeline 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 4.5 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 Alexander Pipeline 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 Alexander Pipeline 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 Alexander Pipeline, 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 Alexander Pipeline will have minimal adverse effects.

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

Dated this 29th day of June, 2015.

FREDRIKSON & BYRON, P.A.

By _____

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STATE OF NORTH DAKOTA)
) ss.
COUNTY OF BURLEIGH)

LAWRENCE BENDER, of lawful age, being first duly sworn, on oath deposes and says:

That he is one of the attorneys for Applicant in the foregoing application; that he executed the foregoing application for and on behalf of said Applicant and as its said attorney that he has read said application and knows the contents thereof, and that the statements made and contained therein are, to the best of his knowledge and belief, true and correct.

LAWRENCE BENDER

Subscribed and sworn to before me this 19th day of June, 2015.

SHEILA A. LONG
Notary Public
State of North Dakota
My Commission Expires April 3, 2018

Sheila A. Long
Notary Public
My Commission Expires:

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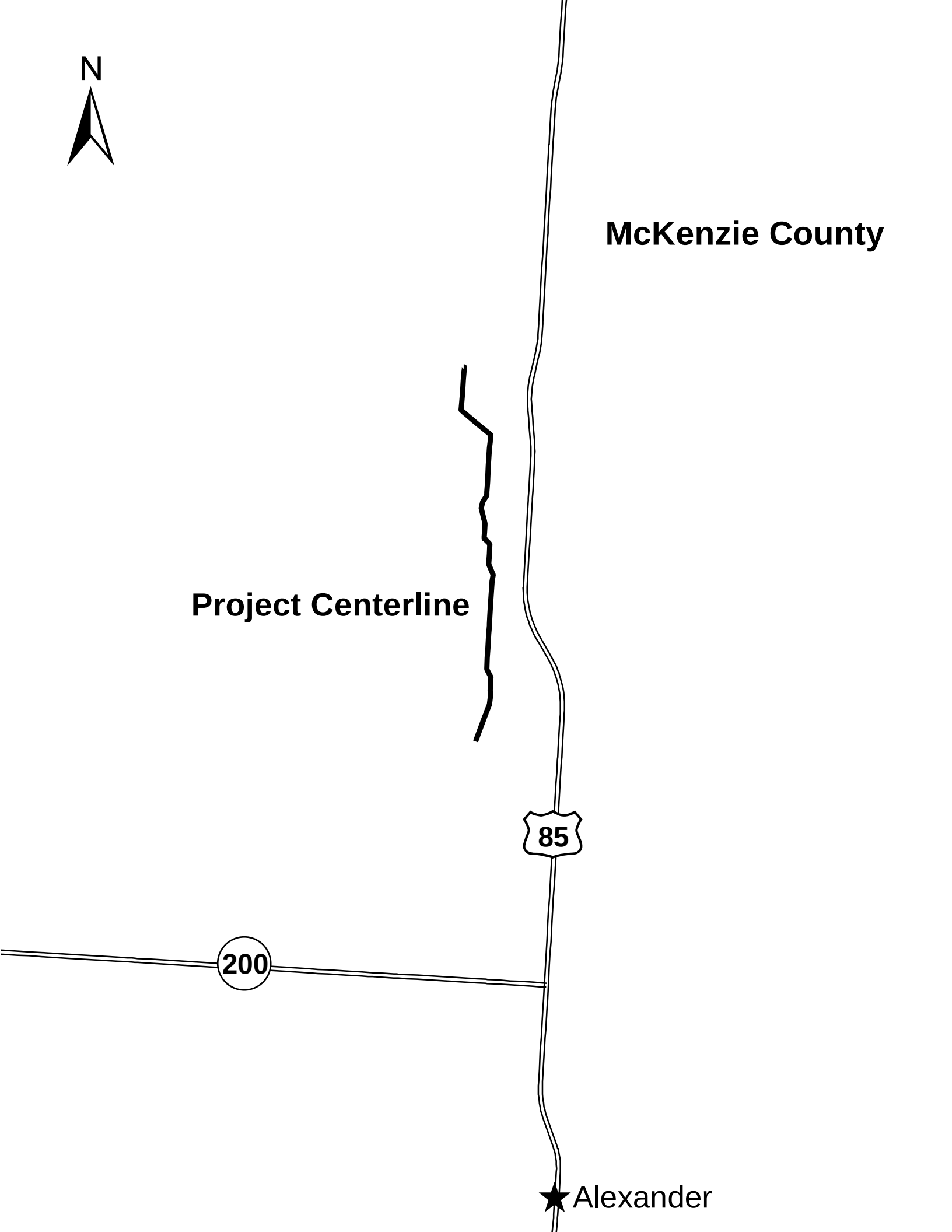
Consolidated Application Contents

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 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.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McKenzie County
Project Centerline
85
200
Alexander