

North Dakota Pipeline Authority



Annual Report July 1, 2011 – June 30, 2012

Industrial Commission of North Dakota
Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

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Overview

At the request of the North Dakota Industrial Commission, the Sixtieth Legislature passed House Bill 1128 authorizing the North Dakota Pipeline Authority. It was signed into law on April 11, 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy". As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure.

By law the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. Upon the recommendation of the Oil and Gas Research Council, the Industrial Commission authorized the expenditure of up to \$300,000 during the 2011-2013 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. On August 1, 2008 the Industrial Commission named Justin J. Kringstad, a consultant, to serve as Director of the North Dakota Pipeline Authority and contracted with him for his services. The North Dakota Pipeline Authority Director works closely with Lynn Helms, Department of Mineral Resources Director, Ron Ness, North Dakota Petroleum Council President and Karlene Fine, Industrial Commission Executive Director. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Pipeline Authority Director reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

Statutory Authority

Statutory authority for the Pipeline Authority is found in Chapter 54-17.7 of the North Dakota Century Code. Section 54-17.7-04 N.D.C.C. delineates the powers of the Authority including: 1) making grants or loans or to borrow money; 2) to issue up to \$800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, purchase, lease, rent and dispose of pipeline facilities or the right to capacity in any pipeline system or systems within or without the State of North Dakota; 5) enter into contracts to construct, maintain and operate pipeline facilities; 6) investigate, plan, prioritize and propose transportation corridors; and 7) participate in regional pipeline organizations.

Before the Pipeline Authority may exercise its power to construct pipeline facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Pipeline Authority must publish a notice describing the need for the pipeline project. Entities interested in constructing the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Pipeline Authority receives a notice of intent from an interested entity, it may not exercise its powers to construct unless the Authority makes a finding that doing so would be in the public interest. In making such a finding, the Pipeline Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

Summary of Activities

As has been the case for the last several years, the 2011-2012 timeframe was filled with many exciting developments for producers in the oilfields of North Dakota. The addition of new drilling rigs and advances in drilling and completion techniques have taken North Dakota oil production to record highs. During the past year, the Pipeline Authority has been fully engaged in continuing efforts to convert production and development information into oil and natural gas transportation solutions. One of the most effective methods used during the year was to work alongside industry to produce crude oil production forecasts to quantify future pipeline needs and timeframes. Pipeline companies are conservative by nature and these forecasting exercises proved to be very beneficial in adding the confidence needed to move forward with expansion project planning.

During the year the Pipeline Authority contacted, met with, and shared information with numerous interested parties including the following:

Enbridge Pipeline	Saddle Butte Pipeline
Hess Corporation	TransCanada
Williston Basin Interstate Pipeline	Quintana Capital Group
True Companies	Rangeland Energy
Vantage Pipeline	Tesoro
Bear Paw/ONEOK	Aux Sable Liquid Products
Alliance Pipeline	Missouri River Resources
Northern Border Pipeline	Louis Dreyfus Highbridge Energy
Kinder Morgan	BNSF Railway
URS Corp.	Basin Electric
Oasis Petroleum	Dakota Oil Processing
Dakota Gasification	KLJ Engineering
BENTEK Energy	Plains All American
GRT	Chesapeake
Bakken Express	Harms Group
Raymond James	Dow Jones
Blaise Energy	Bear Tracker Energy

Intertek
Power Engineering

MDU Resources
Eurasia Group

In addition the Pipeline Authority worked with a number of state and federal agencies to gather information and provide expertise on pipeline issues. Those agencies and entities included:

North Dakota Public Service Commission
North Dakota Transmission Authority
North Dakota Oil and Gas Division
North Dakota Governor's Office
State of Alaska
North Dakota State University
Bank of North Dakota
United States Forest Service

North Dakota Department of Commerce
Energy and Environmental Research Center
North Dakota Department of Transportation
Federal Rail Administration
Federal Energy Regulatory Commission
United States Department of State
EmPower North Dakota Commission
State of Ohio

The Director of the Pipeline Authority also worked with the following trade associations/groups:

North Dakota Petroleum Council
Energy Policy Research Foundation
Great Plains Energy Corridor
International Energy Administration
Upper Great Plains Transportation Institute
Lignite Energy Council

As noted above, the Pipeline Authority has been facilitating discussions between governmental agencies and companies interested in expanding North Dakota's pipeline infrastructure.

In addition, the Director of the Pipeline Authority provided information to citizens and news media on issues related to pipelines.

Natural Gas Study

On March 19, 2012, BENTEK Energy was commissioned by the North Dakota Pipeline Authority to perform a study of future natural gas production and long haul interstate pipeline systems servicing the Williston Basin. The study, completed on July 25, 2012, was commissioned to assist the State and industry in planning for the future and to provide technical insight to all interested parties.

Industry and Public Communications Activities

Pipeline Publication

The Pipeline Authority continues the practice of issuing its quarterly newsletter, *Pipeline Publication*. The newsletter is designed to keep North Dakota policy makers and involved parties informed on current issues in the pipeline industry. Four newsletters (Appendix A) were published during the 2011-2012 fiscal year.

Pipeline Authority Websites

In an effort to provide industry and public users with the most timely and complete set of information, the Pipeline Authority continues to update the agency websites as new information becomes available. The websites allows the Authority to provide users with current Williston Basin oil production data, maps, news, publications, basic pipeline information, pipeline safety information, and links to pipeline mapping systems.

Governor's 2012 Pipeline Summit

On June 14, 2012, Governor Dalrymple hosted the "Governor's Pipeline Summit" in Bismarck in an effort to educate the general public and industry about future investments in North Dakota's petroleum pipeline and processing infrastructure. The summit also focused on how the industry can continue to strengthen relationships with landowners in western North Dakota, while minimizing disruption to the varied land uses in the region.

Executives from eight of North Dakota's major pipeline companies took part in the event which was open to the public and broadcast live over the internet. A replay of the three hour event is available on the Governor's website.

Pipeline Presentations

Over the past year, the Pipeline Authority has had the opportunity to present at a variety of industry and public events. A few of those events included:

NDPC Annual Meeting
Kiwanis International
Legislative Interim Committee Hearings
NDPC CookFest Events

Williston Basin Petroleum Conference
Leadership Bismarck-Mandan
NDPC Teachers Education Seminar

Williston Basin Pipeline Infrastructure

For reference, a series of North Dakota pipeline maps can be found in Appendix B

Crude Oil Pipeline and Rail Transportation

Enbridge Pipelines North Dakota: Having completed several expansion projects over the past number of years, Enbridge now has the capacity to move 235,000 BOPD on its pipeline system to Clearbrook, MN. Enbridge continues their work towards an expanded north bound capacity of 145,000 BOPD by early 2013 for the larger scale "Bakken Expansion Project". Oil using the northbound route navigates the Enbridge Saskatchewan system to an interconnect with the Enbridge Mainline at Cromer, MB. Once on the Mainline system, the Williston Basin oil quickly reenters the United States markets.

Enbridge is currently working on further expansion of their Williston Basin system with the "Sandpiper" project. If constructed, the Sandpiper pipeline could move 200,000 BOPD or more to markets around the US.

Bridger, Belle Fourche, and Butte Pipelines: Bridger and Belle Fourche pipelines operate as intra-basin pipeline systems moving oil to several pipeline interconnects or rail facilities in the Williston Basin. Once such pipeline interconnect is with the Butte Pipeline near Baker, MT. The Butte pipeline currently has the capacity to move 150,000 BOPD to Guernsey, WY. In Guernsey, WY, the oil is transported to Wood River, IL on the Kinder Morgan Platte Pipeline.

A 120,000 BOPD expansion of the pipeline system south of Baker, MT is being explored through a joint venture with Kinder Morgan's Pony Express pipeline. The current timeline of the project targets 2015 for startup.

Pending regulatory approval, the Bridger, Belle Fourche, and Butte Pipelines will also deliver up to 100,000 BOPD to the Keystone XL pipeline near Baker, MT.

Quintana BakkenLink: After announcing plans in 2010 to offer a pipeline system from the Williston Basin connecting to the Keystone XL Pipeline in Eastern Montana, BakkenLink has recently altered their project description. BakkenLink now intends to collect crude oil from various locations along its 144 mile system and deliver oil to either north at Beaver Lodge, or south to a new rail facility located near Fryburg, ND. BakkenLink will continue to monitor shipper interest to expand the pipeline to an interconnect with the Keystone XL Pipeline near Baker, MT.

Plains All American Pipeline: In November 2010, Plains All American Pipeline (Plains) announced plans to construct a new 103 mile, 12 inch, pipeline from Trenton, ND to an interconnect with the existing Wascana Pipeline at the United States-Canada border in Northeast Montana. The new pipeline is anticipated to be in service in early 2013 with a system capacity of 75,000 BOPD.

TransCanada BakkenLink: On September 13, 2010, TransCanada launched a successful open season for Bakken producers interested in accessing TransCanada’s proposed Keystone XL pipeline project in eastern Montana. The proposed 100,000 BOPD interconnect would be located near Baker, MT and would require new pumps and tanks to accommodate the Bakken oil. Third party shippers, such as True Companies or Quintana’s BakkenLink, would be necessary to move the crude to the Baker facility. TransCanada has publicly stated that regulatory approval of the Keystone XL pipeline is expected in early 2013 and a new operational timeline of 2015 has been set.

Tesoro Mandan Refinery: During the summer of 2012, Tesoro Corporation completed plans to add an additional 10,000 BOPD of refining capacity to its 58,000 BOPD Mandan refinery. The Mandan refinery, built in 1954 by Standard Oil, is North Dakota’s only refinery. The refinery receives its light sweet feedstock through a network of pipelines in the Williston Basin. Products generated at the refinery are distributed directly from a truck rack at the facility or through the NuStar North Pipeline to Eastern North Dakota and Minnesota.

A map of North Dakota crude oil gathering can be found in Appendix C

Rail Loading Facilities: As North Dakota oil production is expected to continue its upward growth trend in the coming years, rail transportation, as a percentage of overall takeaway capacity, continues to climb. The capacity on the chart (Figure 1) includes eighteen existing rail facilities and one that will be placed in service in late 2012. Additional information on the various facilities and capacities can be found on the Pipeline Authority websites.

Estimated North Dakota Rail Export Capacity

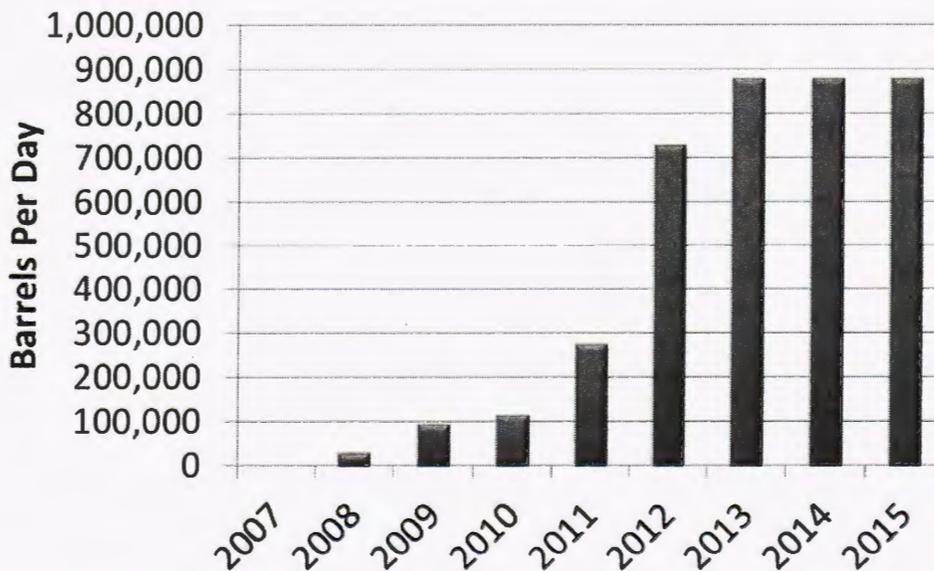


Figure 1. Outbound crude oil rail transportation capacity for current and proposed facilities in North Dakota

Natural Gas Pipelines

Alliance Pipeline: The Alliance Pipeline is a high pressure, large diameter natural gas pipeline that originates in British Columbia, Canada and terminates at the Aux Sable gas processing plant near Chicago, IL. The Alliance Pipeline transports “dense gas” or gas that still contains high BTU natural gas liquids, such as propane and butane. In February 2010, the Alliance Pipeline began transporting rich natural gas from North Dakota via a new interconnect with the Prairie Rose Pipeline near Bantry, ND. The 36 inch diameter United States portion of the pipeline has a certified capacity of 1.513 billion cubic feet per day (BCFD) and had 188 million cubic feet per day (MMCFD) of capacity available prior to the Prairie Rose Pipeline startup (Alliance, 2009). The Alliance Pipeline has one North Dakota delivery point in Hankinson.

In response to growing natural gas production, Alliance Pipeline announced plans on June 22, 2011, to construct a new, 80 mile, natural gas pipeline from the Hess Gas Plant in Tioga, ND to an interconnection point near Sherwood, ND. Once operational, the new “Tioga Lateral Pipeline” will have the ability to deliver liquids rich, high BTU, natural gas to Chicago, IL for further processing and transportation. The pipeline is scheduled to be placed in service mid-2013, with construction starting in the second half of 2012.

Northern Border: The Northern Border Pipeline, owned by TC Pipelines and ONEOK Partners, is a 1,249 mile pipeline originating at the Port of Morgan in Montana and terminating near North Hayden, Indiana. The pipeline has a system receipt capacity of 2.37 BCFD, a large portion of which is supplied with Canadian natural gas through a receipt point with the Foothills Pipeline at the Port of Morgan. The 42 inch diameter Northern Border Pipeline receives gas deliveries at a total of 11 receipt points in the Williston Basin with six of those points for North Dakota gas supply (Northern Border 2012).

WBI Energy Transmission: Formerly known as Williston Basin Interstate Pipeline Co., WBI Energy Transmission operates more than 3,700 miles of natural gas transmission pipelines throughout North Dakota, Montana, Wyoming, and South Dakota. This network of pipelines plays a vital role in North Dakota’s natural gas industry. It contains twelve interconnecting points with other regional pipelines and can also deliver natural gas to local distribution companies or natural gas storage fields. Well positioned throughout western North Dakota, the Williston Basin Interstate Pipeline has been able to expand its operating capabilities to meet growing production volumes.

Aux Sable: In June 2011, Aux Sable announced the acquisition of the Prairie Rose Pipeline and condensate recovery facility near Stanley, ND. Originally constructed by Pecan Pipeline, the 75 mile, 12 inch system went into service February 2010 and has the capability to transport over 100 MMCFD of unprocessed natural gas from Mountrail County to an interconnect with the Alliance Pipeline near Bantry, ND.

Bison Pipeline: TransCanada placed the 302 mile, 30 inch Bison Pipeline into service in early 2011. The pipeline was built to connect natural gas production in the Powder River Basin of Wyoming to the

Northern Border Pipeline in Morton County North Dakota. The pipeline has an initial capacity of 477 MMCFD and could be expanded to 1 BCFD.

Natural Gas Liquids Pipelines

ONEOK Bakken NGL Pipeline: On July 26, 2010, ONEOK Partners announced plans to construct a new 12 inch natural gas liquids pipeline capable of moving 60,000 BPD from existing and planned facilities in the Williston Basin to an interconnect with the Overland Pass Pipeline near Cheyenne, WY. The new "Bakken NGL Pipeline" will be built to address the high volumes of natural gas liquids that are extracted from the rich Bakken gas during processing. The pipeline will operate as a Y-grade system, with product fractionation taking place in Bushton, KS. ONEOK is targeting the first half of 2013 for system startup and plans to expand capacity to 135,000 BOPD during the second half of 2014.

Vantage Pipeline: On July 15, 2010, Mistral Energy announced a new 430 mile liquid ethane pipeline from Tioga, ND to Empress, AB. With an initial capacity of 40,000-65,000 BPD, the new "Vantage Pipeline" will be built to address the high concentration of ethane found in North Dakota's natural gas. Projected to be in service during the third quarter of 2013, the pipeline will be constructed of 10 inch pipe. Currently, the majority of North Dakota's ethane is being left in the natural gas stream after it leaves the gas processing plant.

Carbon Dioxide Pipelines

North Dakota continues to have only one carbon dioxide pipeline in service. The Dakota Gasification Company's, 12-14 inch, 205 mile pipeline went into service in 2000 and transports roughly 152 MMCFD of carbon dioxide to oilfields near Weyburn, SK.

The Pipeline Authority continues to work with interested parties on the development of new carbon dioxide pipelines for capture and sequestration, as well as enhanced oil recovery operations. The Pipeline Authority is an active member of the Plains CO2 Reduction Partnership through the Energy and Environmental Research Center in Grand Forks, ND.

Natural Gas Processing

For reference, a North Dakota Gas Processing and Transportation map can be found in Appendix D

Natural Gas Processing Capacity, Million Cubic Feet Per Day

Owner Company	Facility	County	2006	2008	2010	2011	2012	2013	2014
North Dakota									
ONEOK	Lignite	Burke	6	6	6	6	6	6	6
ONEOK	Marmath	Slope	7.5	7.5	7.5	7.5	7.5	7.5	7.5
ONEOK	Grasslands	McKenzie	63	100	100	100	100	100	100
ONEOK	Stateline I	Williams	NA	NA	NA	NA	100	100	100
ONEOK	Stateline II	Williams	NA	NA	NA	NA	NA	100	100
ONEOK	Garden Creek I	McKenzie	NA	NA	NA	100	100	100	100
ONEOK	Garden Creek II	McKenzie	NA	NA	NA	NA	NA	NA	100
Petro Hunt	Little Knife	Billings	32	32	32	32	32	32	32
True Oil	Red Wing Creek	McKenzie	4	4	4	4	4	10	10
Sterling Energy	Ambrose	Divide	0.5	0.5	0.5	0.5	0.5	0.5	0.5
EOG Resources	Stanley	Mountrail	NA	20	0*	0*	0*	0*	0*
Whiting Oil & Gas	Robinson Lake	Mountrail	NA	30	45	90	90	90	90
Whiting Oil & Gas	Ray	Williams	NA	10	10	10	NA	NA	NA
Whiting Oil & Gas	Belfield	Stark	NA	NA	NA	30	30	30	30
XTO - Nesson	Ray	Williams	NA	10	10	10	10	10	10
Hess	Tioga	Williams	110	110	110	110	110	250	250
Hiland Partners	Badlands	Bowman	4	40	40	40	40	40	40
Hiland Partners	Norse	Divide	NA	NA	25	25	25	25	25
Hiland Partners	Watford City	McKenzie	NA	NA	NA	50	90	90	90
Summit Resources	Knutson	Billings	NA**	NA**	NA**	NA**	NA**	NA**	NA**
Saddle Butte	Watford City	McKenzie	NA	NA	NA	45	45	45	45
Plains	Ross	Mountrail	NA	NA	NA	NA	NA	50-75	50-75
New Frontier Midstream	South Heart	Stark	NA	NA	NA	NA	NA	40	40
Aux Sable - Chicago, IL									
Aux Sable	Prairie Rose	Mountrail	NA	NA	110	110	110	110	110
		Total, MMCFD	227	380	500	770	900	1236- 1261	1336- 1361

*Stanley plant converted to a condensate removal facility on the Prairie Rose Pipeline

**Knutson facility operates a gas separation unit. All separated gas is returned to well site for fuel.

New or Expanding Natural Gas Plants

Due to the vast footprint of the Bakken resource, natural gas gathering and processing operators in North Dakota have faced difficult challenges in the past to keep pace with an ever growing fleet of drilling rigs. Despite the daunting task, industry is rising up to reap the great economic reward contained in the rich Bakken gas.

Beginning in late 2012, there will be six new or expanded natural gas processing plants with the capacity to process up to an additional 555 MMCFD in North Dakota. Figure 2 illustrates North Dakota's natural gas processing plants ability to keep pace with rising production levels. The primary natural gas challenge looking forward is not related to the processing plant capabilities, but rather the ability of gathering pipeline crews to keep pace with new well connections as more drilling rigs move into the state.

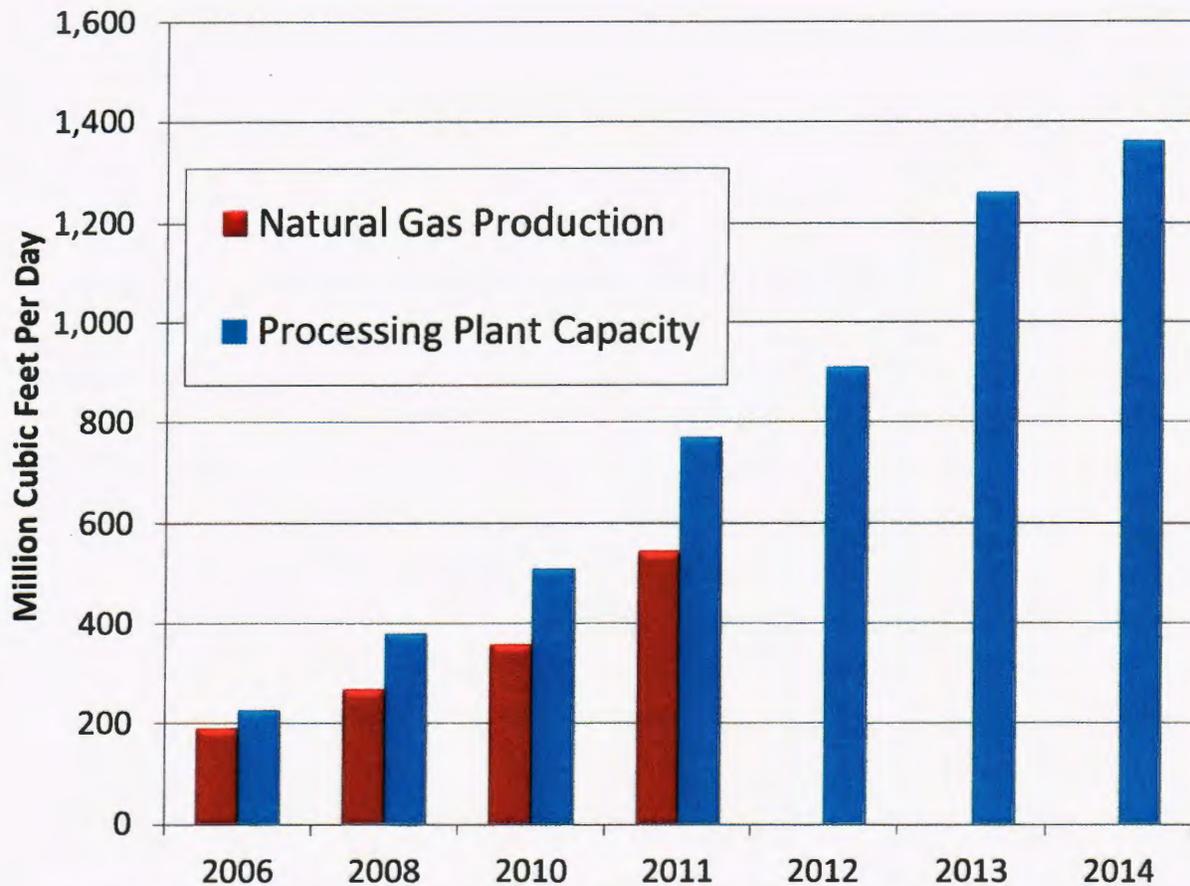


Figure 2. North Dakota natural gas processing plant intake capacity and wellhead natural gas production

Planned Activities

Over the past year, the Pipeline Authority has experienced great success by working with industry to quantify future crude oil and natural gas production in order to provide the assurance needed to move forward with various expansion projects. The forecasted oil production levels have continued to rise and will require continuous updating and review over the next year as technology advances and market prices fluctuate. The Pipeline Authority will continue to utilize new and existing development information to gain a deeper understanding of the crude oil, natural gas, and carbon dioxide pipeline needs in Williston Basin.

Industry and public information distribution will continue with the use of a quarterly newsletter, webinar events, and agency websites. The Pipeline Authority will continue to conduct information presentations to public audiences, legislative groups, and industry representatives at various events throughout the coming year.

APPENDIX A

North Dakota Pipeline Authority's *Pipeline Publication* Newsletter



INDUSTRIAL COMMISSION OF NORTH DAKOTA

NORTH DAKOTA PIPELINE AUTHORITY

Governor **Jack Dalrymple**

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The Pipeline Publication

Keeping North Dakota Connected

Volume IV Issue III - November 2011

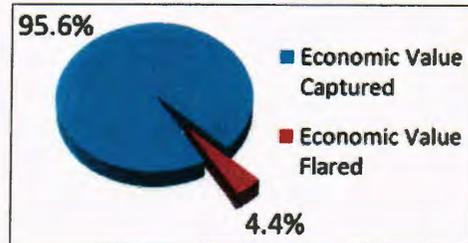
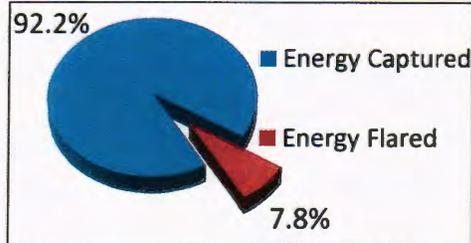
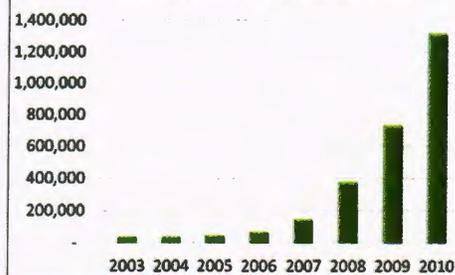
November Natural Gas Webinar

In an effort to keep interested parties up-to-date on natural gas gathering and flaring issues in North Dakota, the Pipeline Authority hosted a comprehensive webinar covering a wide variety of aspects surrounding the subject. Organizations that participated in the event included North Dakota Oil & Gas Division, Energy Policy Research Foundation, ONEOK Partners, North Dakota Oil & Gas Research Program, Bakken Express, and Blaise Energy. The full webinar video and slides are available for replay on the Pipeline Authority website.

Some highlights of the event included the following information:

- From 2011 to 2013, North Dakota will see over \$3 billion invested in new or expanded natural gas processing and transportation systems
- 389% increase in natural gas processing capacity from 2006 to year end 2012
- Bakken and Three Forks natural gas gathered and captured in North Dakota heats 1.3 million homes in the United States
- 92.2% of all the potential petroleum energy being extracted from the ground in western North Dakota is being captured and sold to market
- 95.6% of the potential monetary value is being captured in western North Dakota by the petroleum industry
- Some challenges to gathering and processing Bakken and Three Forks gas include the enormous size of the oil field, winter and spring working conditions, and workforce availability
- The state of North Dakota has invested roughly \$2 million in research and development efforts to explore unconventional methods of capturing natural gas
- Bakken and Three Forks natural gas has a very high wellhead value due to the rich content of natural gas liquids (ethane, butane, propane, etc)

Homes Heated By Bakken & Three Forks Natural Gas



North Dakota Petroleum Development Efficiency – September 2011 Data

North Dakota Production Numbers

	July-11	Aug-11	Sept-11
Average Daily Oil Production, BOPD	424,975	446,100	464,122
Average Daily Gas Production, MMCFD	432,857	462,897	485,075
Average Rig Count	177	192	197

As of November 18, 2011, there are 203 active rigs in North Dakota.

www.pipeline.nd.gov

Bakken Express Holding Non-Binding Open Season

On November 1, Bakken Express launched a non-binding open season to expand its operations of compressed natural gas gathering and trucking. Bakken Express is proposing to build up to 95 mobile compressor units, which could capture and compress up to 66 million cubic feet of gas per day (MMCFD) for transport by truck to pipeline unloading stations. The open season closes December 15, 2011 and the first set of compressor units could be put in service by the fourth quarter of 2012.

Keystone XL Pipeline Decision Delayed Until 2013

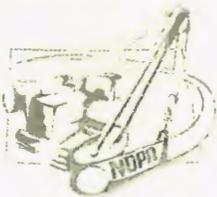
On November 10, the U.S. Department of State issued a statement indicating that a Keystone XL Presidential Permit decision would not be issued until the first quarter of 2013, at the earliest. This additional 12-18 month delay was implemented as alternative pipeline routes through the state of Nebraska are explored and reviewed.

The good news for industry in the Williston Basin, is that the recent ramp-up in rail transportation capacity will allow oil production to be moved to market in the near term until the Keystone XL Pipeline can be constructed. TransCanada officials remain confident that once route issues are resolved in Nebraska, the project will move forward.

Further Baker Expansions Proposed

From October 27 to November 7, Belle Fourche Pipeline held a non-binding open season to seek support for further pipeline capacity out of the Baker, MT hub. The proposed project would add 65,000 barrels of oil per day (BOPD) to the previously announced "Baker 300" project. The expansion project would allow 20,000 BOPD to be delivered to Casper, WY, thus opening up delivery options to Salt Lake City, UT refiners. As proposed, the project could be in service by mid-2013.

A key component of this expansion project is the recent proposal by Kinder Morgan to convert the Pony Express Pipeline from natural gas service into crude oil service. This conversion will allow up to 210,000 BOPD to be shipped out of the Guernsey, WY hub to Cushing, OK.



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The Pipeline Publication

Keeping North Dakota Connected

Volume IV Issue IV - March 2012

High Prairie Pipeline

In response to continued oil production growth, High Prairie Pipeline made public its proposal to build a new 450 mile, 16" pipeline from McKenzie County to Clearbrook, MN. High Prairie Pipeline, a wholly owned subsidiary of Saddle Butte Pipeline, is holding a binding open-season to gauge interest in the project. The open-season closes March 16, 2012 and if sufficient interest is secured, the proposed pipeline could be in service by late-2013, with an initial capacity of 150,000 barrels of oil per day (BOPD).

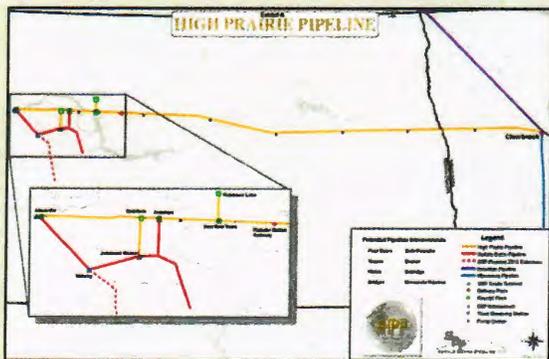


Image Source: Saddle Butte Pipeline

Sanish Pipeline/BEP Open Season

On February 28, Enbridge launched two binding open seasons for oil transportation service in the Williston Basin. The first open season is for the proposed "Sanish" pipeline. The 36 mile, 12 inch, Sanish pipeline would run directly north from Johnsons Corner to the existing Enbridge Beaver Lodge facilities. The second open season taking place is for the remaining 15,000 BOPD of capacity in the Bakken Expansion Program (BEP) and will transport oil from Berthold to an interconnect with the Enbridge Mainline at Cromer, MB. A previous BEP open season secured adequate commitments to move the project forward, with an expected in service time of Q1 2013. Both open seasons close March 16, 2012.

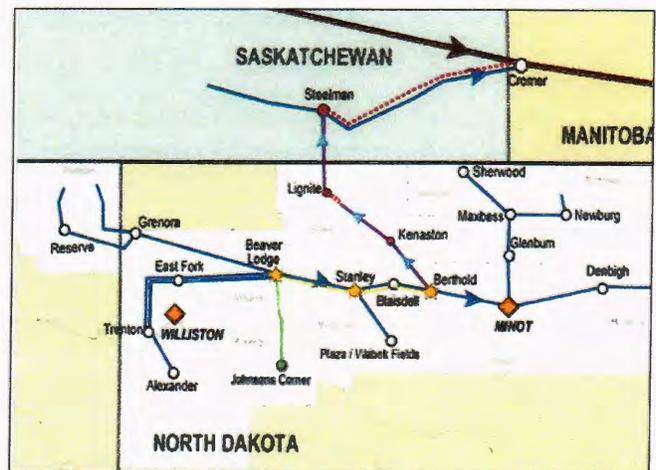


Image Source: Enbridge

North Dakota
Production Numbers

	Nov-11	Dec-11	Jan-12
Average Daily Oil Production, BOPD	510,391	535,048	546,047
Average Daily Gas Production, MMCFD	522.8	544.9	571.5
Average Rig Count	199	200	200

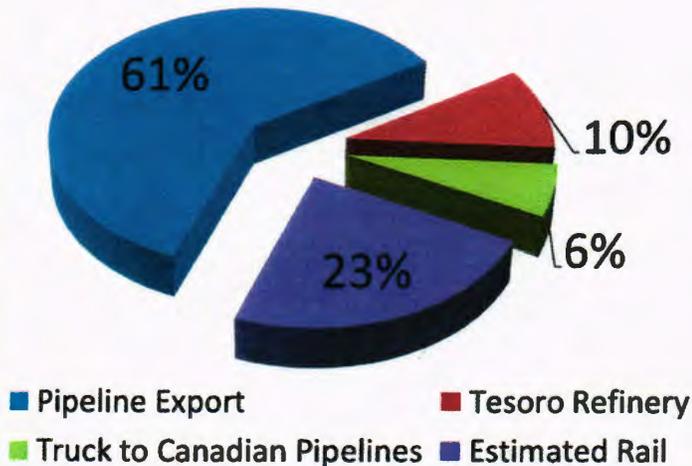
As of March 6, 2012, there are 206 active rigs in North Dakota.

www.pipeline.nd.gov

Plains Ross Gas Plant

In late January, Plains Gas Solutions (a subsidiary of Plains All American Pipeline) announced plans to construct a new cryogenic natural gas processing plant as part of Plains' new "Ross Complex". The plant is slated to begin operation in the spring of 2013, with an initial capacity of 50-75 million cubic feet per day (MMCFD). The natural gas processing plant will neighbor a recently constructed rail shipping facility. The Plains rail facility currently has the ability to transport 20,000 BOPD of crude oil, with a planned expansion up to 65,000 BOPD scheduled for late 2012.

Williston Basin Crude Oil Transportation



*Williston Basin Crude Oil Transportation –
December 2011 Data*

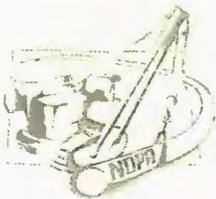
Natural Gas Study

Throughout February, the Pipeline Authority was soliciting proposals for a natural gas production and transportation study. The proposals are currently being reviewed and a recommendation will be made to the Industrial Commission in mid-March. The study is scheduled to be complete July 15, 2012. The Request for Proposals and study details can be found on the Pipeline Authority website.



Pipeline Factoid

The recently completed Four Bears Pipeline will play a large role in reducing oil truck traffic on Highways 85 and 22. The 77 mile, 12 inch, pipeline is estimated to remove 50,000-75,000 truck miles every day off these major highways. That's roughly 18-27 million truck miles each year for just this one project!



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NORTH DAKOTA PIPELINE AUTHORITY

Governor **Jack Dalrymple**

Attorney General **Wayne Stenehjem**

Agriculture Commissioner **Doug Goehring**

Director **Justin J. Kringstad**

The Pipeline Publication

Keeping North Dakota Connected

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New Website Launched

A new website has been launched by the Pipeline Authority for the purpose of more efficiently making data, presentations, and updates available to interested parties. For convenience, the site is hosted as a blog by WordPress and can be found at the following address: www.ndpipelines.wordpress.com. The original Pipeline Authority website will remain active, but will contain static information about the agency. As always, feedback on how to improve agency communications is appreciated.

ONEOK Bakken Pipeline

In early April, ONEOK Partners announced plans to invest an additional \$1.5-\$1.8 billion in a new 1,300 mile pipeline that would run from Stanley, ND to Cushing, OK. The "Bakken Express" pipeline could be completed in early 2015 and carry up to 200,000 BOPD.

ONEOK will be holding an open season later this summer or fall in order to obtain additional shipper support for the project.

Governor's Pipeline Summit

On June 14, 2012, Governor Dalrymple hosted the "Governor's Pipeline Summit" in Bismarck in an effort to educate the general public and industry about future investments in North Dakota's petroleum pipeline and processing infrastructure. The summit also focused on how the industry can continue to strengthen relationships with landowners in western North Dakota, while minimizing disruption to the varied land uses in the region.

Executives from eight of North Dakota's major pipeline companies took part in the event which was open to the public and broadcast live over the internet. A replay of the three hour event will be available on the Governor's website (<http://governor.nd.gov/>).

Enbridge Sandpiper Project

Earlier this year, Enbridge Pipelines began publicly discussing the proposed "Sandpiper Pipeline" project. The proposed project would provide service for 225,000-325,000 BOPD from western North Dakota to the Enbridge terminal in Superior, WI. The 20" or 24" pipeline could be placed in service by 2015.

Enbridge is also moving forward on additional expansion projects to reduce congestion in northern PADD II by expanding access to the east coast and gulf coast.

North Dakota
Production Numbers

	Feb-12	Mar-12	Apr-12
Average Daily Oil Production, BOPD	558,584	577,491	609,394
Average Daily Gas Production, MMCFD	600.4	622.7	650.7
Average Rig Count	202	205	209

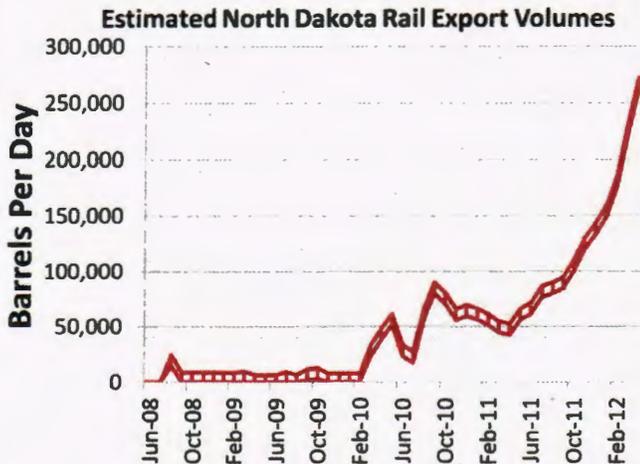
As of June 27 2012, there are 214 active rigs in North Dakota.

www.pipeline.nd.gov

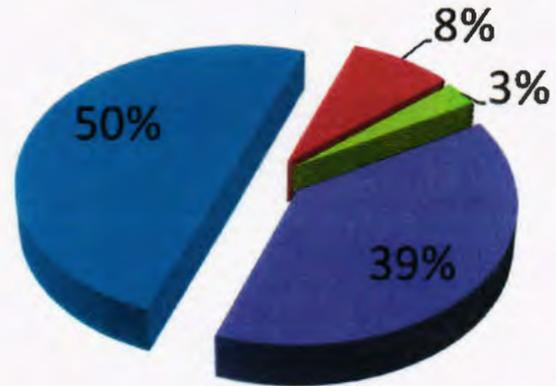
Rail Volumes Continue to Grow

In April 2012, it is estimated that rail transportation accounted for around 265,000 BOPD, or 39% of all crude oil movements from the US Williston Basin. With no major oil pipeline expansions scheduled until late 2012, this percentage will continue to grow, with volumes potentially reaching 350,000 BOPD or higher by year end.

There are currently seventeen rail loading facilities in western North Dakota and two more under construction.



Williston Basin Crude Oil Transportation



- Pipeline Export
- Tesoro Refinery
- Truck to Canadian Pipelines
- Estimated Rail

April 2012 Figures



Pipeline Factoid

In 2007, the US portion of the Williston Basin only had the pipeline capacity to handle up to 230,000 BOPD. Currently, there are pipeline expansion plans and proposals that could transport close to 1.6 million BOPD from the Williston Basin. Learn more at ndpipelines.wordpress.com/oil-transportation-table/



North Dakota Pipeline Authority

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Know what's below.
Call before you dig.

North Dakota Pipeline Authority

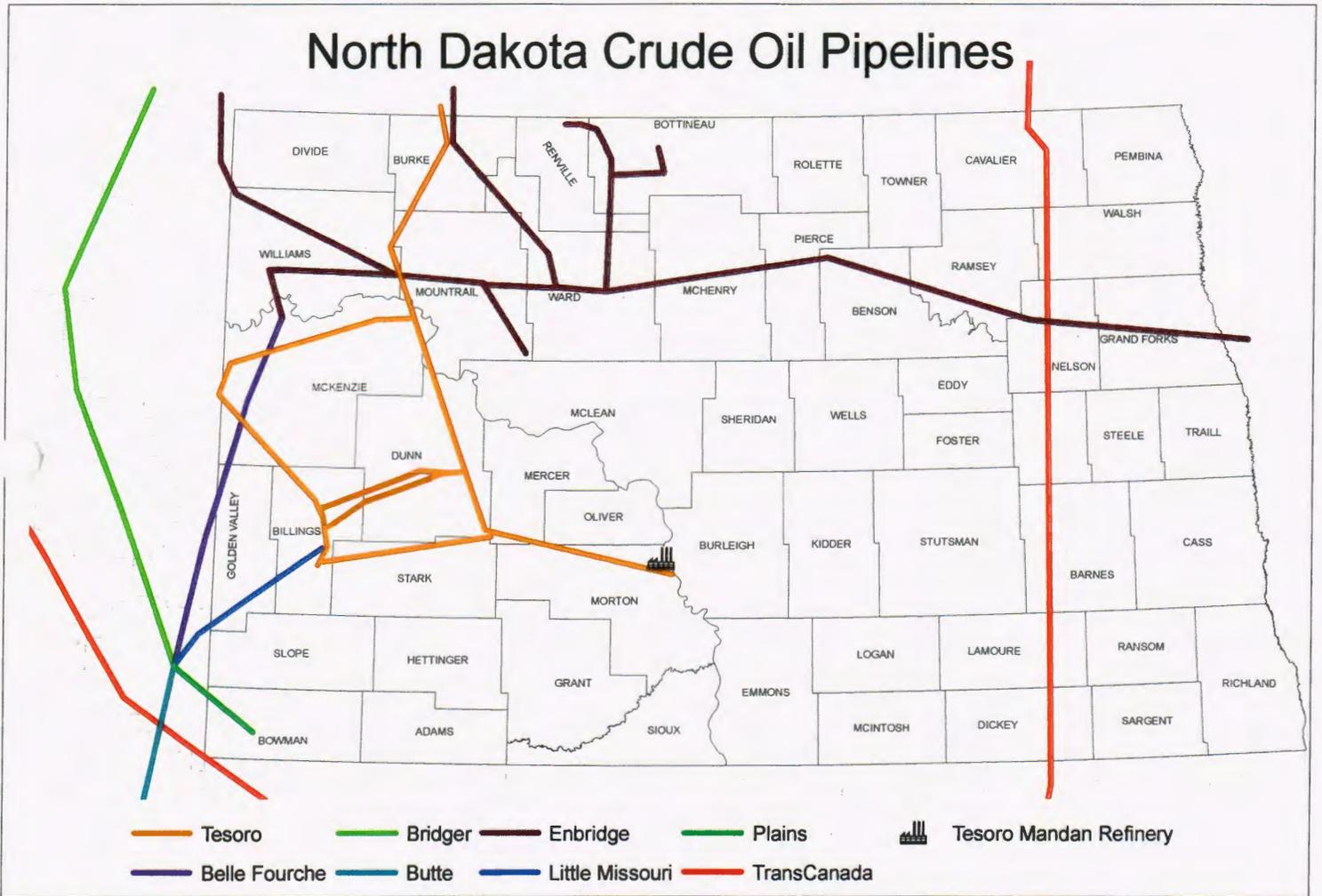
State Capitol, 14th Floor
 600 E. Boulevard Ave. Dept. 405
 Bismarck, ND 58505-0840



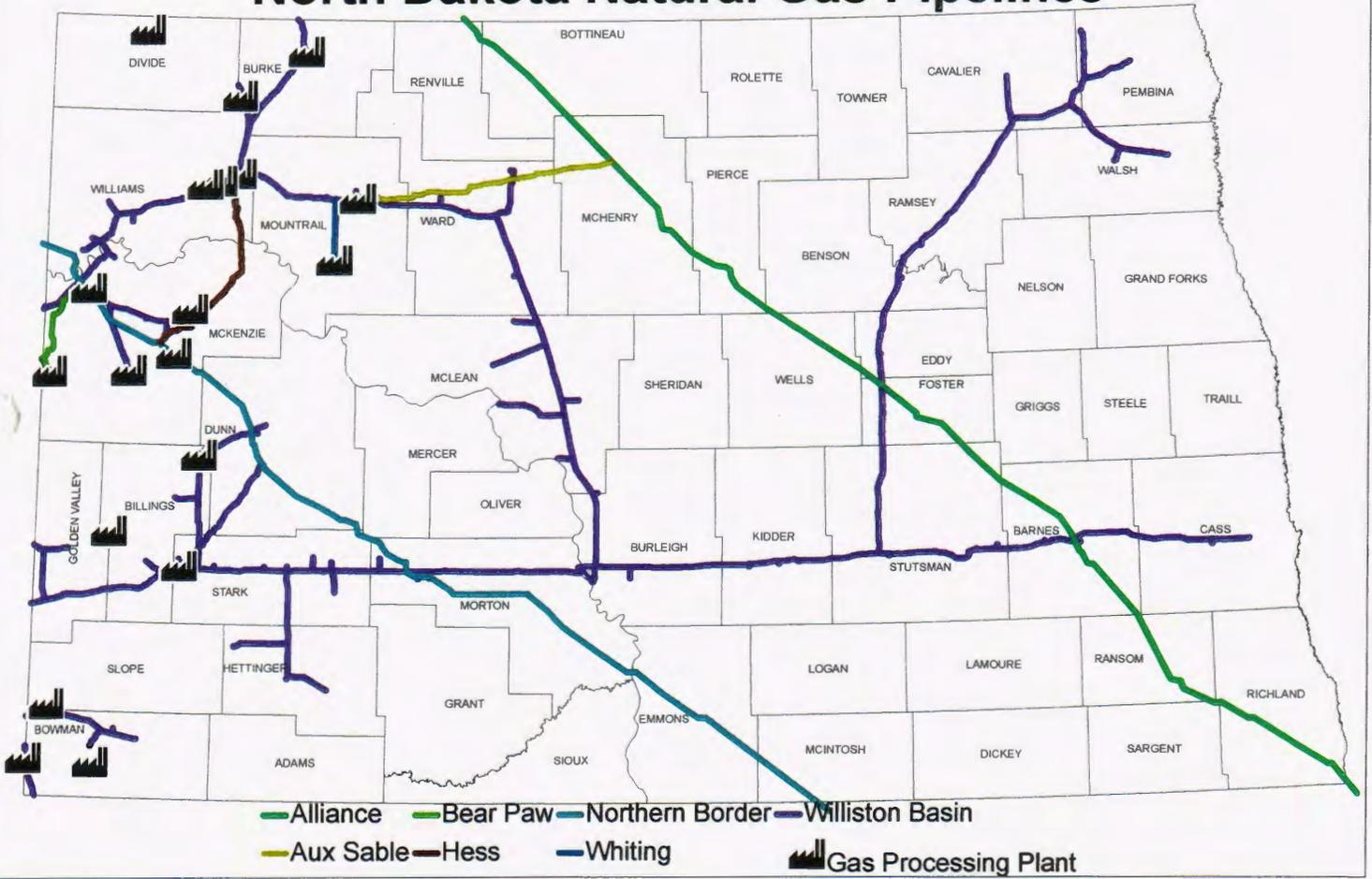
APPENDIX B

North Dakota Pipeline Maps

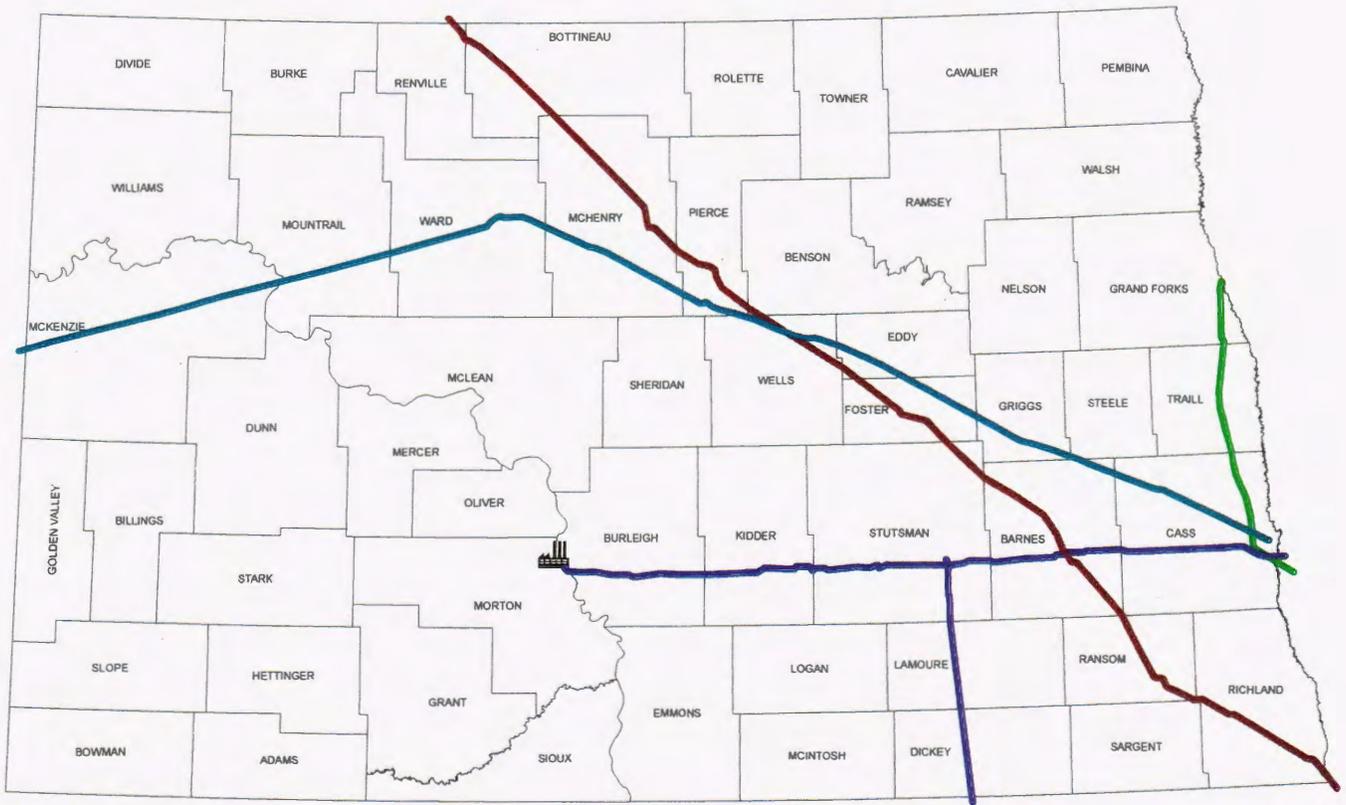
North Dakota Crude Oil Pipelines



North Dakota Natural Gas Pipelines



North Dakota Products Pipelines



— Cenex Pipeline LLC - Refined Products — Magellan Midstream Partners LP - Refined Products 🏭 Tesoro Mandan Refinery
— Kinder Morgan Cochin - Propane — NuStar Energy - Refined Products

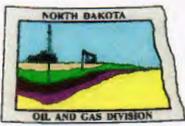
North Dakota CO₂ Pipeline



— Dakota Gas

APPENDIX C

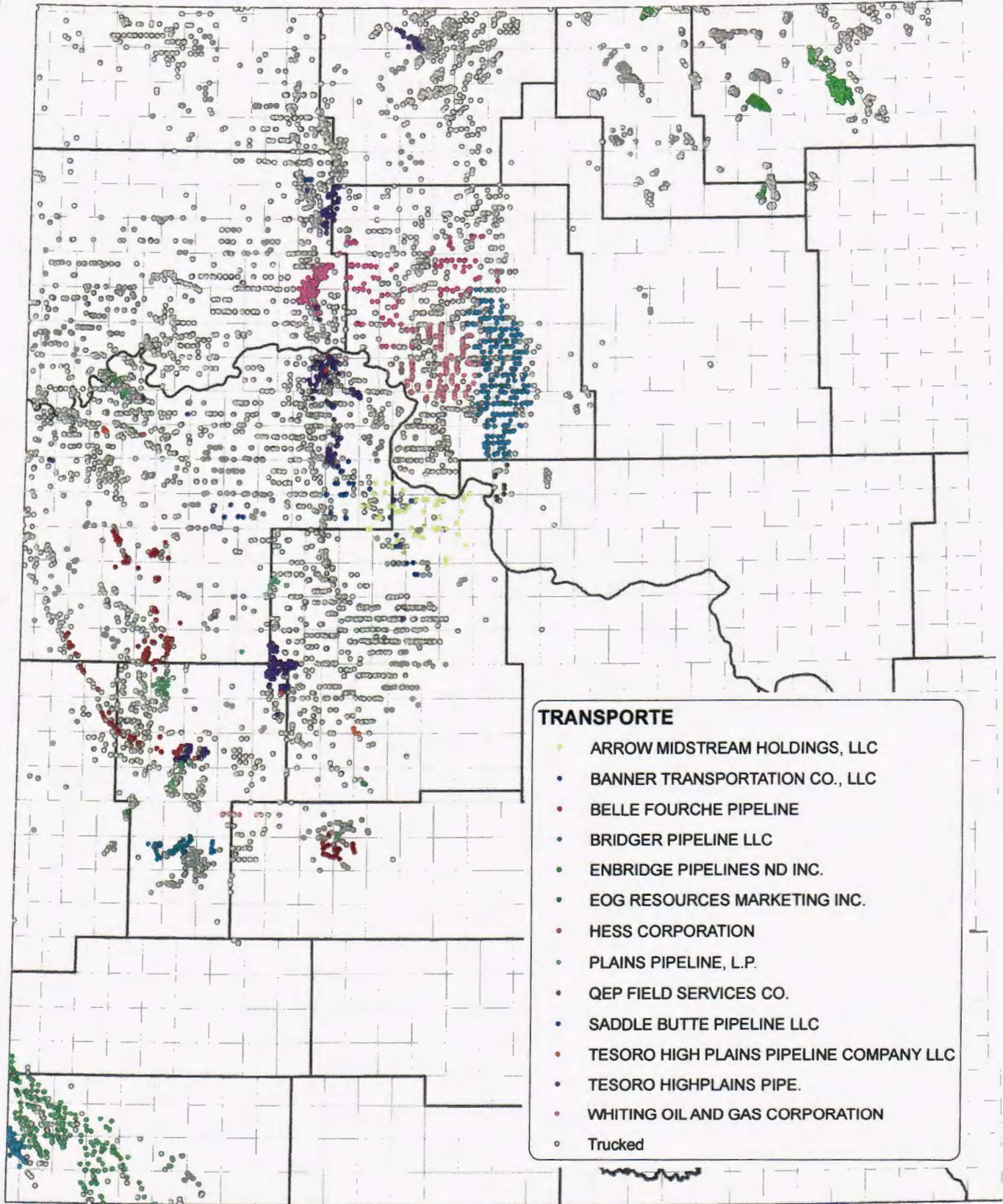
North Dakota Crude Oil Gathering Map



North Dakota

Crude Gathering

February, 2012



TRANSPORTE

- ARROW MIDSTREAM HOLDINGS, LLC
- BANNER TRANSPORTATION CO., LLC
- BELLE FOURCHE PIPELINE
- BRIDGER PIPELINE LLC
- ENBRIDGE PIPELINES ND INC.
- EOG RESOURCES MARKETING INC.
- HESS CORPORATION
- PLAINS PIPELINE, L.P.
- QEP FIELD SERVICES CO.
- SADDLE BUTTE PIPELINE LLC
- TESORO HIGH PLAINS PIPELINE COMPANY LLC
- TESORO HIGHPLAINS PIPE.
- WHITING OIL AND GAS CORPORATION
- Trucked

Scale - 1:400,000



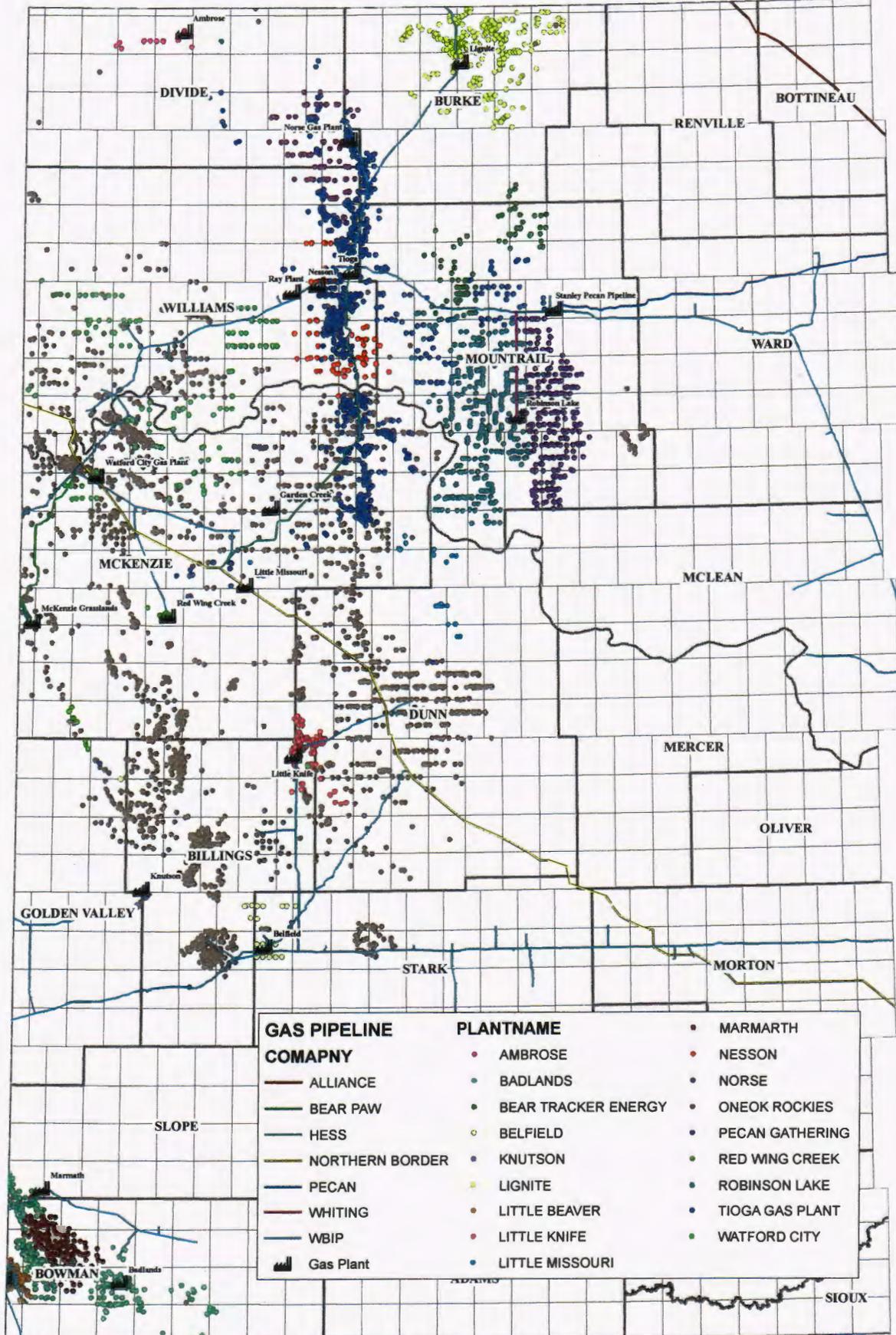
APPENDIX D

North Dakota Gas Processing and Transportation Map



North Dakota Gas Processing and Transportation

February, 2012



GAS PIPELINE COMPANY	PLANTNAME	
— ALLIANCE	• AMBROSE	• MARMARTH
— BEAR PAW	• BADLANDS	• NESSON
— HESS	• BEAR TRACKER ENERGY	• NORSE
— NORTHERN BORDER	• BELFIELD	• ONEOK ROCKIES
— PECAN	• KNUTSON	• PECAN GATHERING
— WHITING	• LIGNITE	• RED WING CREEK
— WBIP	• LITTLE BEAVER	• ROBINSON LAKE
Gas Plant	• LITTLE KNIFE	• TIOGA GAS PLANT
	• LITTLE MISSOURI	• WATFORD CITY

