

# **North Dakota Pipeline Authority**



## **Annual Report** **April 11, 2007 – June 30, 2008**

Industrial Commission of North Dakota  
Governor John Hoeven, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Roger Johnson

**North Dakota Pipeline Authority**  
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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. Governor John Hoeven signed it 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 has authorized the expenditure of up to \$300,000 during the 2007-2009 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. On May 29, 2007 the Industrial Commission named Mark Makelky, a consultant, to serve as Director of the North Dakota Pipeline Authority and contracted with him for his services for a one-year term. The Director of the North Dakota Pipeline Authority works closely with Lynn Helms, Director of the Department of Mineral Resources, Ron Ness, President of the North Dakota Petroleum Council and Karlene Fine, Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Director of the Pipeline Authority 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**

Shortly after passage of the legislation the Industrial Commission established the following 2007-2008 goals for the Pipeline Authority. They included:

Development of “white papers” similar to what was done in 2006 on the crude oil transportation crisis in the following four areas:

Natural Gas

Crude Oil (this would be an update to the prior white paper)

Refined Products

CO<sub>2</sub>

Under each of these areas are a number of subtopics. For example in the area of crude oil, quality banks need to be further discussed/pursued. Under natural gas, the number of gas plants being built—what are the transportation issues they are seeing; can there be some joint efforts; etc. The “white paper(s)” should include findings; some analysis; and make recommendations with specific steps on how the Pipeline Authority can facilitate/help the parties in meeting our mutual goals.

During the first year the Pipeline Authority contacted and met with over 25 companies including the following:

Enbridge Pipeline

Hess Corporation

Alliance Pipeline, Inc.

Williston Basin Interstate Pipeline

EOG Resources, Inc.

Whiting Oil & Gas Corporation

Marathon Oil Company

True Oil, LLC

Basin Electric Power Cooperative

Petro-Hunt LLC

Tesoro

Bear Paw/OneOK

Northern Border Pipeline

Hyperion Energy

Conoco Phillips

Keystone

Inland Oil & Gas

North American Coal

Great River Energy

Envision Energy

Somerset Refining

AquaEnviro / EnGlobal / Northwest Refining

Dakota Gasification Company

Montana Dakota Utilities

Murex Petroleum Corporation

Headington Oil Company

Hiland Partners

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

North Dakota Public Service Commission	North Dakota Department of Transportation
North Dakota Department of Commerce	North Dakota Tax Department
North Dakota State Treasurer	North Dakota GIS Coordinator
Wyoming Pipeline Authority	Energy and Environmental Research Center

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

North Dakota Petroleum Marketers Association  
Northern Alliance of Independent Producers  
North Dakota Petroleum Council  
North Dakota Ethanol Producers Association

As noted above, the Pipeline Authority has been facilitating discussions between governmental agencies and companies interested in expanding North Dakota's pipeline infrastructure. Where it has been appropriate, the Pipeline Authority has presented testimony and submitted letters of support. On July 23, 2007, the Pipeline Authority Director presented testimony to the North Dakota Public Service Commission supporting the Keystone Pipeline Project. During the year, the Authority submitted two letters of support to the Federal Energy Regulatory Commission for the Enbridge Pipeline System capacity expansion and one letter to the Illinois Commerce Commission supporting expansion of the Enbridge Pipeline System.

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

During this very busy first year the Pipeline Authority Director, in addition to updating the Oil and Gas Research Council and the Industrial Commission, made presentations to the State Legislature's Interim Committee – Energy Development and Transmission, the Williston Basin Petroleum Conference, the EmPowerND Commission and eight Town Hall informational meetings held in Watford City, Killdeer, Tioga, Stanley, New Town, Bowman, Mohall and Beulah. It was during these Town Hall informational meetings that the Director came in contact with over 1,000 North Dakotans who are interested in and directly impacted by what is happening in the oil fields. At the Williston Basin Petroleum Conference, attended by over 1,400 individuals, the Director lead a panel on pipeline capacity and had a booth where he could visit with company representatives and individuals about pipeline issues. The Pipeline Authority Director also attended the North Dakota Petroleum Council Annual Meeting, Great Plains Energy Expo, and the Interstate Oil and Gas Compact Commission Summit in Denver.

During its first year of operation, the Pipeline Authority compiled the following three reports. These reports are available in their entirety on the Pipeline Authority website at <http://www.nd.gov/ndic/pipeline.htm>.

Williston Basin Crude Oil Transportation Dynamics (September 12, 2007)

North Dakota's Natural Gas Production Jumps But Infrastructure Lags (December 20, 2007)

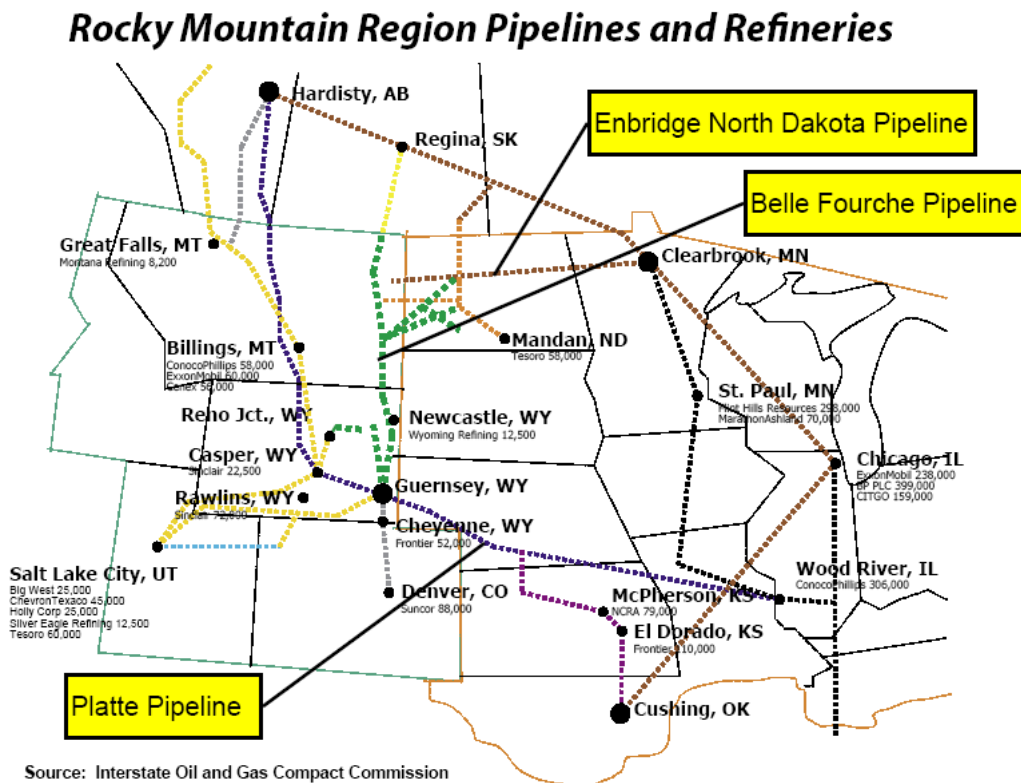
Pipelines and Refined Products Report (April 22, 2008)

Each of these reports provided background information on the various issues facing the State which enable the reader to better understand the steps needed to improve North Dakota's pipeline infrastructure.

The following is an excerpt from the September 12, 2007 Williston Basin Crude Oil Transportation Dynamics Report.

#### **An Update of Progress on Improving North Dakota Crude Oil Export Capacity**

There are only two significant interstate export pipeline systems serving North Dakota's crude oil complex. Most Richland County, Montana and northern North Dakota produced crude oil currently is delivered to Clearbrook, Minnesota via the Enbridge North Dakota pipeline system. Enbridge's North Dakota system is full and has been in apportionment since early 2006.



#### **Capacity Improvements on Enbridge North Dakota**

Since 2004, Enbridge has made a series of expansions on its North Dakota system. In 2006, Enbridge undertook their Phase 5 expansion. It was designed to increase their crude oil capacity from Minot to Clearbrook to 110,000 bpd. According to Enbridge representatives, Phase 5 construction is on schedule and expected to become available to shippers by year end 2007.

The extra capacity created in Phase 5 was almost immediately spoken for so Enbridge, in consultation with their customers, decided an additional expansion was needed. Phase 6, as originally proposed, is a

\$130 million dollar expansion that would increase capacity by an additional 45,000 bpd for a total of 155,000 bpd.

After completion of the proposed Phase 6 expansion, Enbridge will have nearly doubled their pre-Phase 5 crude carrying capacity of about 80,000 bpd.

### **Improvements on Belle Fourche Pipeline**

Belle Fourche Pipeline is exploring ways to reconfigure their pipeline system serving western North Dakota. By reversal of traditional north to south flow on one of its pipelines and the construction of a 35- mile loop into the Alexander area, Belle Fourche hopes to create addition outlets for southwestern North Dakota-produced crude oil. In conjunction with other regional pipelines, Belle Fourche is working to make other changes to their operations that will create multiple market outlets for all Williston Basin crude oil.

### **Platte Pipeline**

When flow on the Platte Pipeline reached its capacity and shipments went into apportionment in 2005, additional Williston Basin crude production sought new ways to the market. That is when the capacity pressure on the Enbridge North Dakota system came into being.

The Platte Pipeline was constructed in the 1950s. It is not known if owner Kinder Morgan Canada has any plans for expansion or improvements to this line but it remains a bottleneck to regional production. There have been alternative pipeline proposals considered for the region but no definite plan has emerged yet.

### **Conclusion**

Growing oil production in the Rocky Mountain region continues to surpass existing transportation capacity and producers continue to see their ability to market crude restricted. The severe price differentials of \$30 per barrel in March 2006 have decreased to current differentials of about \$5 per barrel. Some price differential in our area should be expected due to our distance from large market and refinery centers. The crude oil pipeline complex serving the region remains overloaded and therefore very price sensitive to any upsets such as might be encountered with major refinery outages, pipeline operational interruptions, or significant swings in production volumes.

The original White Paper proposed eleven potential solutions to North Dakota's transportation bottleneck:

- Enbridge Pipeline expansion
- Transport crude by rail
- Expand the Tesoro Mandan refinery
- Increase quality restriction on Enbridge North Dakota's pipeline
- Build new refineries
- Improve market access in U.S. to Canadian supplies
- Access Keystone Pipeline
- Create a Pipeline Authority
- Place a tariff or tax on Canadian imports
- Review FERC apportionment policies
- Apportion crude production in North Dakota/Montana

This report has presented an update of all these matters except tariffs on Canadian imports. Those were discussed in the previous white paper and found to be impractical under current laws.

The goal should be to continue looking for ways to maximize the capacity of the pipeline system serving North Dakota production while not overbuilding those facilities resulting in idle capacity when production has peaked. A key component for maximizing the value of Williston Basin crude production is for every producing area to have multiple competing markets with affordable transportation to them. That will be best accomplished by staying informed of market conditions and keeping interested stakeholders advised so that they may take appropriate action.

#### **Recommended Action Items for the North Dakota Pipeline Authority**

- Stay abreast of problems confronting the crude oil complex serving North Dakota to avoid potential bottlenecks
- Report findings to the North Dakota Industrial Commission on a quarterly basis and to applicable legislative committees
- Facilitate communications and actions among producers, pipeline companies, and government agencies to minimize capacity bottlenecks
- Look for opportunities to streamline state permit approval processes
- Provide assistance to IOGCC and other state entities in their efforts to improve the regional situation

The following is an excerpt from the report titled *North Dakota's Natural Gas Production Jumps but Infrastructure Lags* dated December 20, 2007:

#### **Gathering & Processing**

Once produced from a well, natural gas must be gathered in a pipeline network. It cannot be stored in tanks or shipped by truck like oil. If the well is a gas well only, it can be turned off until a gathering system is in place. However if the well is an oil well, it is necessary to flow the gas in order to produce the oil. This associated gas is typically burned onsite in special pits (flared) while the well is brought on line and oil production stabilized. Once the gas gathering system is in place to collect the gas, the flaring can end.

Produced gas quality has a critical affect on its marketability. Natural impurities and contaminants must be removed. If the gas contains too much inert material, its heating value will be too low and it won't burn properly in your home. If the gas is "wet," or laden with hydrocarbon liquids such as propane, butane, or natural gasoline, they must be separated from the natural gas stream. These liquid hydrocarbons are known as natural gas condensates or natural gas liquids (NGLs). After processing, the separated liquids are typically shipped by rail or truck tankers to distribution terminals in North Dakota. Where large quantities of NGLs are produced they are typically shipped by pipeline. An example is Kinder Morgan's Cochin pipeline that passes through North Dakota delivering liquid propane from Canada to terminals in Indiana.

Several companies are constructing new gas processing plants in North Dakota in order to treat new gas production and process NGLs. Many existing gas processing plants are expanding their facilities to handle additional gas volume.

## 2007 Existing Natural Gas Processing Plants

Owner Company	Location	County	2006 Plant Capacity	Planned Expansion in 2007	2008 Plant Capacity
Bear Paw / OneOK	Lignite	Burke	6 mmcf/d	-	6 mmcf/d
Bear Paw / OneOK	Grasslands	McKenzie	63 mmcf/d	\$30 million	100 mmcf/d
Bear Paw / OneOK	Marmarth	Slope	7.5 mmcf/d	-	7.5 mmcf/d
Hess	Tioga	Williams	110 mmcf/d	\$4 million	120 mmcf/d
Petro Hunt	Little Knife	Billings	32 mmcf/d	-	32 mmcf/d
Hiland Partners	Marmarth	Bowman	4 mmcf/d	\$20 million	40 mmcf/d
True Oil	Red Wing Creek	McKenzie	4 mmcf/d	-	4 mmcf/d
Sterling Energy	Ambrose	Divide	0.5 mmcf/d	-	0.5 mmcf/d

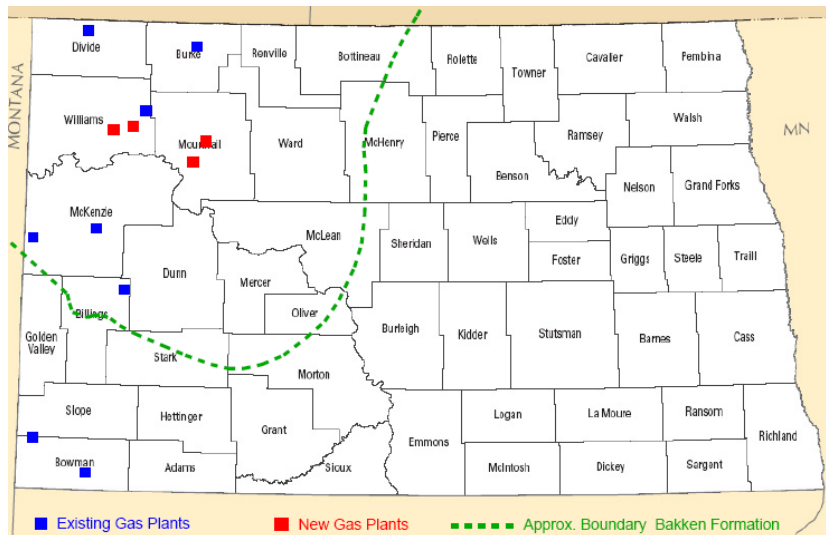
## New Gas Plants Under Construction

Owner Company	Location	County	Plant Capacity	Estimated Cost
EOG Resources	Stanley	Mountrail	20 mmcf/d	\$41 million
Whiting Oil & Gas	Ray	Mountrail	12 mmcf/d	\$24 million
Whiting Oil & Gas	Parshall	Williams	10 mmcf/d	\$11 million
Nesson Gas Services	Ray	Williams	10 mmcf/d	\$20 million

EOG's plant at Stanley was originally designed for 3 million cubic feet per day, but favorable exploration activities have caused them to expand the plant capacity to 20 million cubic feet per day. These new plants are expected to come on line in 2008.

### The Bakken Play

The Bakken formation has become the target of much of North Dakota's drilling activity and the gas associated with that oil production often contains a significant quantity of NGLs. Prior to the Bakken play, most of North Dakota's gas gathering and processing was concentrated in the extreme western parts of the state and many companies have extensive gathering lines as well as several processing plants there. The Bakken



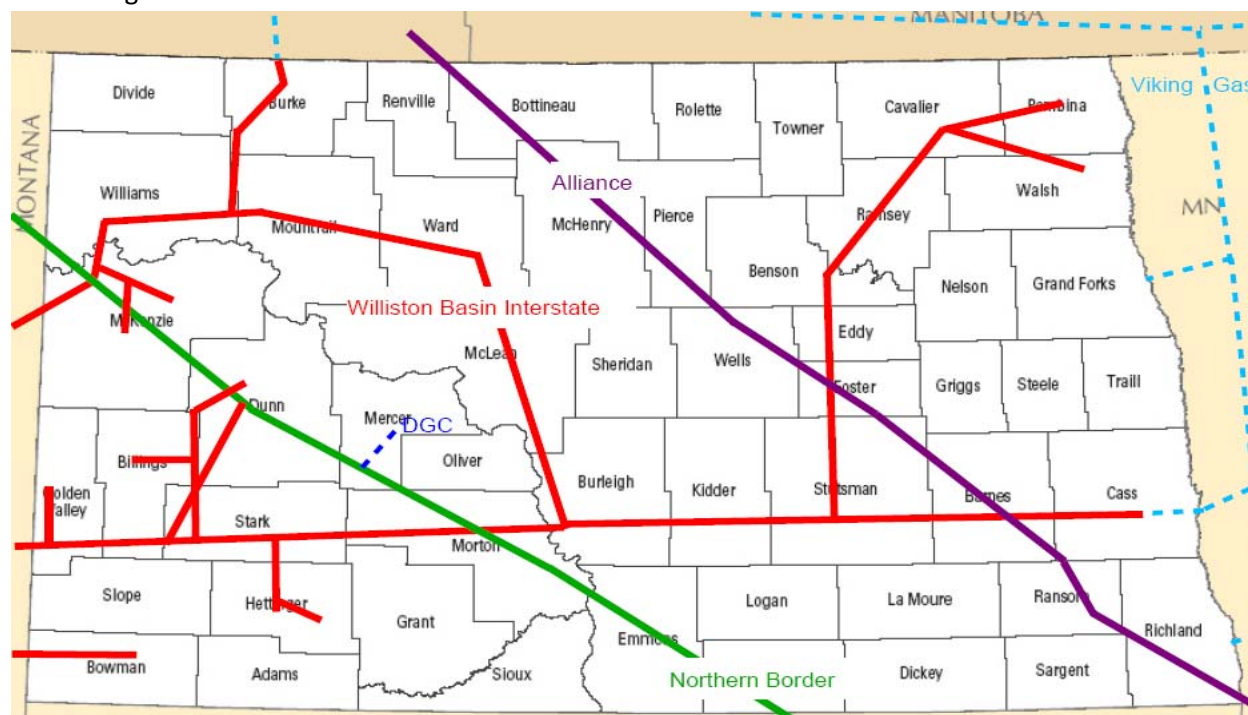


formation extends farther east than the previous infrastructure development. That means there are currently inadequate gathering and processing facilities to serve the new supply areas. As production increases to economic levels it will drive the construction of additional gathering facilities and new process plants. That has started to happen in the Ray and Stanley areas.

### Interstate Transportation

Once gathered and processed, natural gas needs to be delivered to a pipeline company for shipment to customers, whether those customers are in North Dakota or elsewhere. This is the job of the interstate gas pipeline companies.

Presently there are two interstate natural gas pipelines which take North Dakota's market-ready production and deliver it to the national pipeline grid. They are: Williston Basin Interstate Pipeline Company (Williston Basin) shown in red, and Northern Border Pipeline Company (Northern Border), shown in green.



**North Dakota's Natural Gas Pipelines**

In order to get natural gas into an interstate pipeline several things must happen. First, a physical connection to it is required. These are known as receipt points and can cost hundreds of thousands of dollars to install. Next, the gas quality has to meet the transporting company's minimum quality specifications. That is the function of the processing plants discussed above. Finally, the gas must be compressed in order to enter the pipeline. Interstate pipeline companies typically operate their pipelines at very high pressures in order to move large quantities of gas. Because gathering or processing pressures are typically low, the pressure needs to be boosted by the use of large industrial compressors. Those compressors cost millions of dollars and often must be made to fit a specific application. In addition to their high cost, they can take months to procure.

The Alliance Pipeline, shown in purple, crosses the state transporting both natural gas and natural gas liquids in the same stream. Currently, the Alliance Pipeline does not receive or deliver gas to customers in North Dakota. They are considering projects within the state and that pipeline might be a good fit for certain North Dakota production. Delivery of wet natural gas to Alliance could preclude the need to build an NGL extraction plant.

Viking Gas Transmission, shown in light blue, delivers gas from their Minnesota pipeline facilities to local distribution companies that serve the Fargo-Grand Forks area and Wahpeton. Much of Viking's supply comes from Canada.

The DGC plant near Beulah sends its synthetic natural gas to Northern Border via its own proprietary pipeline which is shown in dark blue.

### **Conclusion**

North Dakota is a net exporter of natural gas. In 2006 the state produced about 64 bcf. In 2007 that production may reach 75 bcf. About 54 bcf of synthetic gas is also produced here. Meanwhile consumption runs about 53 bcf per year.

The Northern Border pipeline has the capacity to move significant quantities of North Dakota production out of the state. The challenge is to get the gas to their pipeline. The Williston Basin pipeline system is closer to many production areas including the new ones, but their existing pipeline in the Tioga-Minot area is nearly full. They have recognized this need and are currently soliciting customer interest in an expansion of their facilities. Williston Basin reports the results of their solicitation are very encouraging. With binding shipper commitments, they could have those facilities in place by November 2008. Furthermore if production grows as some expect, even more capacity could be added relatively quickly.

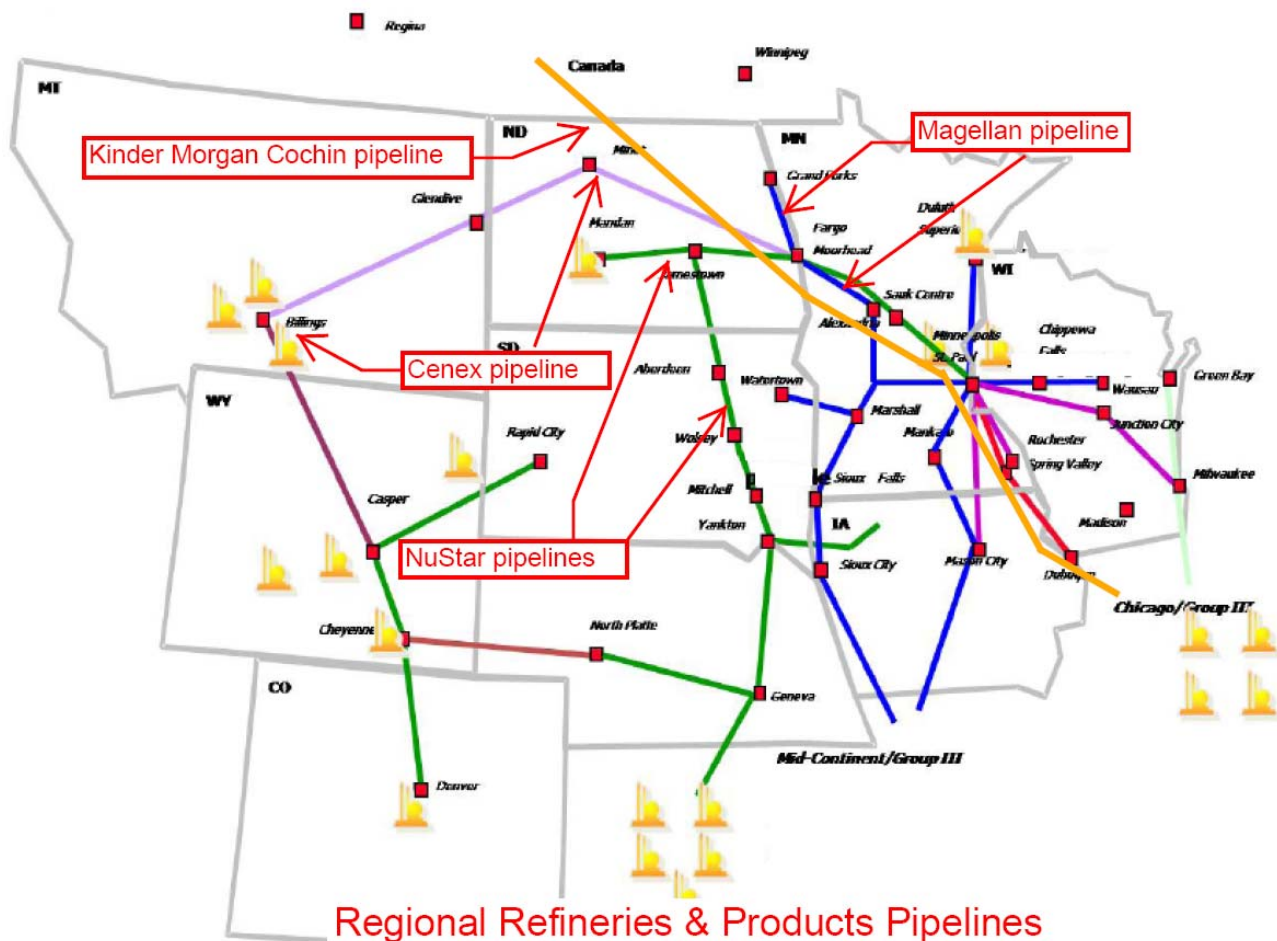
Export capacity on the interstate pipelines is available. What are currently lacking are sufficient gathering pipelines and processing plants. The North Dakota Pipeline Authority has been proactively working with area producers, processors, gatherers, and interstate pipeline companies to focus attention on these needs.

The State of North Dakota needs to do what it can to encourage and support the construction of natural gas gathering pipelines and processing plants. Some suggestions are:

- Consider legislation to extend the gas facility sales tax exemption to oil wells with associated gas production.
- Consider legislation that would allow construction of gathering pipelines within existing road rights-of-way.
- Track gas production reported to the Oil and Gas Division to aid planning where natural gas infrastructure is needed.
- Work with federal and state agencies to streamline pipeline permit and regulatory processes.
- Educate the public to the value and necessity of pipelines in providing them with safe and secure energy.
- Work to maintain present EPA air quality standards for gas facilities.
- Obtain federal tax exempt status for NDPA bonds issued for pipeline construction.

The third report written during the first year of the Authority's operation included the following map which depicted how refined products are transported in North Dakota through pipelines.

### Where do North Dakota's refined products come from?



The following is the Executive Summary of the Pipelines and Refined Products Report dated April 22, 2008

1. There are current efforts supported by the State already underway to increase refinery capacity and fuel production.
  - a. The Oil and Gas Research Council provided funding for a study to determine the feasibility of a private refinery in the Williston area. The study is due out in September.
  - b. The Three Affiliated Tribes is working on permitting a refinery within the Reservation.
  - c. American Lignite Energy is exploring a coal-to-liquids plant that would produce over 1.38 million gallons of liquid fuel per day.
  - d. Tesoro is using State sales tax incentives to improve reliability and increase low sulfur diesel fuel production.
  - e. The Pipeline Authority is working to increase pipeline capacity.

2. North Dakota's Tesoro refinery produces more petroleum product than the State consumes. Any increased production through either refinery expansion or new construction would likely have to be exported to external markets outside North Dakota.
  - a. Tesoro currently produces approximately 881 million gallons of gas and diesel per year. In 2007, North Dakota consumed 828 million gallons of gas and diesel.
  - b. North Dakota has four refined product pipelines that either start in North Dakota, cross the State, or end in the State. Those pipelines bring competing product from regional refineries into North Dakota from Montana, Kansas, Minnesota, and Canada.
3. There are current efforts to expand and build refineries in the region.
  - a. The Coffeyville refinery in Kansas added 15,000 barrels per day.
  - b. The Flint Hills refinery in Rosemount, Minnesota added 50,000 barrels per day capacity at the end of last year.
  - c. Conoco-Phillips is considering a 10,000 barrel per day expansion in Billings, Montana.
  - d. Hyperion, a Texas energy group, is considering a 400,000 barrels per day refinery near Sioux Falls, South Dakota at an estimated cost of \$8 billion.
4. A local refinery does not necessarily translate to lower fuel prices. According to AAA, retail gasoline prices in Bismarck/Mandan, which has a refinery, are consistently three to eight cents higher than Fargo where there is no refinery. Montana has four refineries and their fuel prices are frequently higher than North Dakota.
5. The disruption experienced in the summer of 2007 was an anomaly.
  - a. Four large regional refineries that provide product to North Dakota were shutdown due to fires, floods, scheduled maintenance, and expansion projects.
  - b. The shutdowns aggravated supply shortages that occurred during peak fuel consumption months.
  - c. Only a few times over the last several years has the price of ND fuels exceeded the national average
6. While there hasn't been a new refinery constructed in the last 30 years, there has been an increase in U.S. refining capacity.
  - a. It is more cost effective to expand a refinery than to build new. API estimates it would cost at least \$24,000 per daily barrel of oil process for a new refinery and \$15,000 per daily barrel of oil process for the expansion of an existing refinery.
  - b. A new refinery with reasonable economy of scale would likely cost least \$3 billion dollars, excluding pipeline infrastructure
  - c. Pipelines to carry refined products are very expensive. For example, a 10" pipeline from Bismarck to Minneapolis might cost upwards of \$225 million.
  - d. The permitting process for a new refinery could take at least 5 to 10 years.
  - e. Market uncertainty. Two refineries closed in North Dakota because they were not economically viable.

### **Conclusion**

Crude oil and its products such as gasoline and diesel fuel are global commodities. Like it or not, what happens to these commodities on the world market affects the supply and therefore the price of them here in North Dakota.

Pipeline infrastructure is needed to provide a reliable cost-efficient supply of crude oil to a refinery and to carry refined products to market centers. Any new pipeline project will face significant hurdles. The North Dakota Pipeline Authority was authorized by the Legislature to promote the development of all pipeline facilities that support the production, transportation and utilization of North Dakota energy related commodities. The Authority is committed to assisting with the development of pipeline infrastructure needed to distribute all petroleum and fossil fuel products, whether that is crude oil, refined products, or natural gas. The Authority will facilitate third party discussions and provide information to interested stakeholders on the development of the state's pipeline infrastructure.

It is also important to the developer of any pipeline project that they deal with a reasonable regulatory process. Obtaining construction permits and rights-of-way in a timely fashion and at reasonable cost is crucial to the success of the project. The North Dakota Pipeline Authority will continue working to facilitate all these objectives.

### **Government Action**

The Pipeline Authority Director, on behalf of the Pipeline Authority (Industrial Commission) presented testimony on the Keystone Pipeline. In addition the Pipeline Authority issued letters of support for the expansion of the Enbridge Pipeline System.

Issues needing further action as identified in the "white papers" were forwarded to the EmPower North Dakota Commission and were included in the overall Energy Policy. They included:

- Streamline the permitting process for upgrading oil and gas pipelines to eliminate the need for completing a full-scale permitting or siting process on an upgrade of an existing facility.
- Clarify the sales tax exemption (HB 1462) to include gas gathering systems from oil wells in order to encourage the connection of more gas and eliminating flaring.
- Streamline the permitting process for upgrading petroleum and natural gas pipeline to eliminate the need for completing a permitting or siting process on an upgrade when the footprint of infrastructure doesn't change.
- Support and assist in pipeline infrastructure development through the North Dakota Pipeline Authority.

The following is a summary of the significant activity that has been taking place this past year, is announced for the future as of April 22, 2008, and is noted on the attached map:

### **Crude Oil Transportation**

#### **Keystone**

- ND PSC Certificate of Convenience & Necessity issued November 2007
- Final EIS on project completed January 2008
- Conoco-Phillips acquires 50% ownership in Keystone January 2008
- SD PUC project approval March 2008
- US State Department approval for international border crossing March 2008

- ND PSC approved Route & Corridor permit March 2008
- Construction in ND begun in the summer of 2008, pipe arriving, 2 construction crews have been used, pump stations are planned for construction in 2009

**Enbridge Phase 6 Expansion** (increase North Dakota system to 161,000 bpd)

- Working through regulatory process at FERC and ND Public Service Commission. Upgrades to several ND pump stations, new tankage near Tioga, hydrotesting upstream of Minot. Scheduled completion by April 2010.

**Enbridge Southern Lights/Alberta Clipper**

- Conversion of existing line to diluent service north & construction of two new pipelines carrying crude south. In Pembina County only. Working through regulatory process. ND Public Service Commission has approved. More issues in Midwest.

**Belle Fourche**

- 32-mile Alexander loop line completed
- Main focus on gathering line construction in Parshall/Stanley area

**Natural Gas Transportation:**

Williston Basin Interstate Pipeline (WBI) Eastern ND Expansion:

- Steele Compressor station (new) & Bismarck compressor station upgrade

WBI Bakken Expansion:

- Ft. Buford Compressor Station (new) & Williston compressor station upgrade

New gas line proposed by Alliance/Questar – Rockies Alliance Pipeline (RAP)

New gas line proposed by TransCanada – Pathfinder Pipeline

New gas line proposed by Northern Border – Bison Pipeline

**Natural Gas Processing:**

**Whiting** (map locations 1 and 2)

- Robinson Lake Processing Plant (new) under construction. Plan to be online processing NGL's in May 2008. Gas residue line to WBI to come shortly after. Planned expansion from 3 mmcf to 33 mmcf by end of 2008.
- Ray Processing Plant (new) 10 mmcf sour gas plant in operation.
- Most gathering trunk lines to both plants complete.
- Planning 50 – 60 Bakken wells each in Sanish & Parshall Fields & 7 Red River in 2008. Five rigs currently operating in Sanish & eight in Parshall Fields.

**EOG** (map location 3)

- New gas processing plant near Stanley expected to come online in October.
- Gas line from field in place.
- Oil line from field under construction.
- Nine rigs operating, 10<sup>th</sup> on the way, planning 12 more wells soon.

**Nesson Gas Services (NGS) (map location 4)**

- New gas processing plant came online December 2007, gathering system in place for current wells. Planning 8 to 10 new wells per year, keeping 1 rig in Williams County.

**Bearpaw (map location 5)**

- Grassland Plant expansion from 63 mmcf to 100 mmcf. Phase 1 of planned expansion complete and commissioned. On track to complete balance of plant upgrade to 100 mmcf by year's end. Gathering system activities completed: additional field compression at Demicks Lake (Charlson area), new gathering system and field compression near Killdeer that will support drilling efforts of Marathon, Conoco-Phillips, Continental and others.

**Hiland Partners Bowman County (map location 6)**

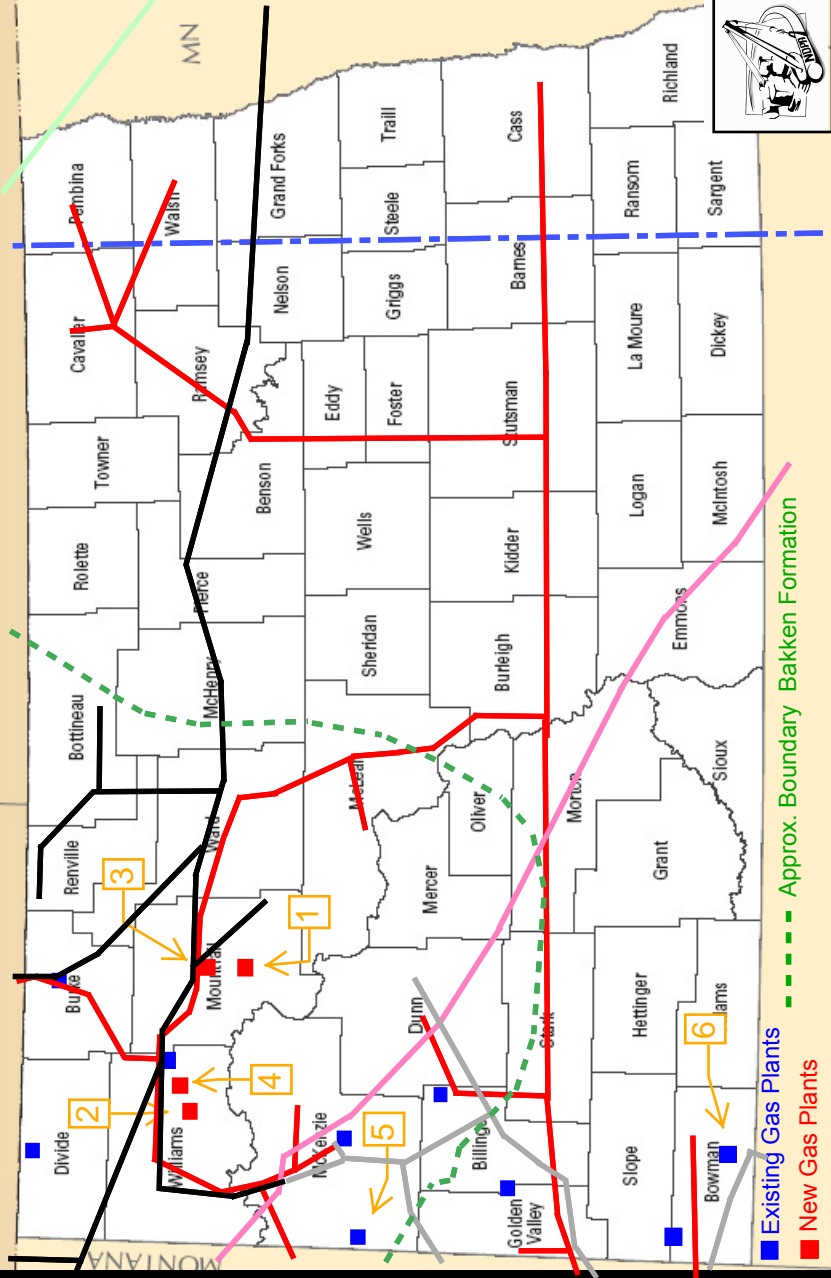
- Plant expansion from 4 mmcf to 40 mmcf. Currently approaching 30 mmcf and hope to be up to 40 mmcf by year's end. Area gas production trending up (Bowman County).

**Planned Activities**

As of June 1, 2008, the one-year contract with Mark Makelky ended and the Industrial Commission began the search for a new Director. The Commission was pleased to unanimously appoint Justin J. Kringstad as Pipeline Authority Director on August 1, 2008. Mr. Kringstad was raised in North Dakota and is a geological engineering graduate from the University of North Dakota. He previously has worked at the North Dakota Oil and Gas Division, the Geological Survey, the Energy and Environmental Research Center and Terra Utilities Co.

In addition to continuing the work with companies and individuals interested in expanding the pipeline infrastructure in North Dakota initiated this past year, the Pipeline Authority will be publishing a quarterly newsletter and will be expanding its website to provide information on a current basis.

Stay tuned as much is happening with pipeline infrastructure in North Dakota and the North Dakota Pipeline Authority continues its efforts 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"!!!







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