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To the North Dakota Legislative Council:

The Independent Water Providers (“IWP”) would like to thank the Legislative Council for allowing us the opportunity to share information about our group and concerns we have regarding water needs and water development in North Dakota. IWP is an organized group of private business owners that have invested hundreds of thousands, and in some cases millions, of their own financial resources to develop private water depots and water pipelines to serve the industrial water needs of northwestern North Dakota. IWP has grown in four years from one privately owned industrial water depot to approximately seventy-three (73) industrial water depots and a network of significant pipeline infrastructure at the end of 2011. We project that by the end of this year approximately 100 private water depots will be in place. The competition within the private sector providing water to the oil industry is vigorous. IWP estimates that 70-80% of the oil industries’ water needs were provided by the private sector in 2011. Our goal is simple— to efficiently service the water needs of the oil industry with cost effective water sources and solutions to provide shorter distances for trucks, and water pipelines to oil well locations.

Our growth in the last four years has not been without challenges. In addition to the necessary updating and expansion of depots and pipelines to keep pace with demand, we have been denied access to Lake Sakakawea by the US Army Corp of Engineers and are threatened with competition from a government sponsored and State guaranteed water project known as the Western Area Water Supply Project (“WAWSP”). We’ve always been supportive of State water projects that serve the potable water needs resulting from the tremendous growth and influx of people in northwestern North Dakota. But, the emphasis of the WAWSP is now first and foremost on the supply of industrial water sales, not the delivery of drinking and municipal water as represented by the project proponents during the 2011 Legislative Session. The WAWSP needed the commitment of five entities to join for the project to be considered viable—McKenzie County Water District, Williams Rural Water, City of Williston, BDW Water System Association and R&T Water Supply Association. At this point, only McKenzie County Water District has joined.

As part of its relationship with WAWSP, McKenzie has begun its Regional Water Service Project that will distribute water to outlying rural areas by means of interconnected pipelines. Further, McKenzie and the Western Area Water Supply Authority (“WAWSA”) have requested a real estate easement from the United States Army Corp of Engineers (“Corps”) for the pipeline crossing the Missouri River near Williston. In connection with this request for an easement from the Corps, McKenzie was required to have completed an Environmental Assessment (“EA”) and secure a Finding of No Significant Impact (“FONSI”). Although the EA has been completed and the FONSI signed by the Corps, it remains to be seen whether the findings will be challenged given the reported deficiencies. Finally, WAWSA and McKenzie are now securing easements from private landowners for the WAWSP. However, unlike the IWP, the WAWSA is attempting to secure easements from private landowners without paying for them.

As of February 13, 2012 the WAWSP was nearly \$20 million over budget and costs are projected to escalate at least another \$60-\$70 million. These projections are from Advanced Engineering and Environmental Services, Inc. (“AE2S”)—the same engineering firm responsible for preparing and submitting the business plan relied upon by the North Dakota Legislature in passing the WAWSP legislation in 2011, the same engineering firm utilized for the WAWSP, and the firm responsible for the EA submitted to the Corps for the McKenzie Project, and which raised its rates on WAWSP by 4% at the end of 2011 without prior approval. In addition, only one engineering firm bid on the project—at the outset: AE2S. The WAWSA board should not have accepted this unfortunate circumstance, and a new bidding process should have been started to assure the public interest was fully protected. (Recall WAWSP was a \$150 million project, fully guaranteed by the State of North Dakota, \$110 million of which was authorized in 2011). WAWSP will ask the Legislature for an additional \$40 million in 2013, which should be considered in view of the issues expressed herein.

In addition, other State agencies have now taken it upon themselves to use the WAWSP as a reason to object to petitions for the private appropriation of water. As you can see from the attached letter the North Dakota Game & Fish Department is now using the WAWSP as a tool to object to private requests for appropriation of water. According to Game & Fish, “[t]he approval and permitting of this proposed water appropriation would be in conflict and direct competition with the WAWS project.” IWP members believe that this view of WAWSP by state agencies is erroneous and urge the Legislative Council to inquire whether this type of government interference is appropriate. It is disturbing to think an agency of State government sees private industry as competition for another government entity.

As mentioned from the outset, the IWP is a group of private business owners that have put their own capital at stake to serve the oil and gas industry in North Dakota. While we appreciate the need for continued expansion of drinking and municipal water, we would respectfully urge the Legislative Council to review the WAWSP and determine exactly how the taxpayers’ money has been spent thus far and whether a change in project direction is needed before additional money is allocated in the next legislative session. We also suggest that a change in direction and funding should be considered during the interim, for legislative changes in the next Session. One example would be a small tax on each barrel of water used by the oil industry as calculated by the State Water Commission. This would allow private industry to compete freely without government interference/competition, and would provide immediate and predictable funding for the necessary infrastructure needed to expand rural water availability. We continue to believe the State Water Commission would have appropriately handled this project from the beginning and should be considered for stronger oversight in the 2013 Session.

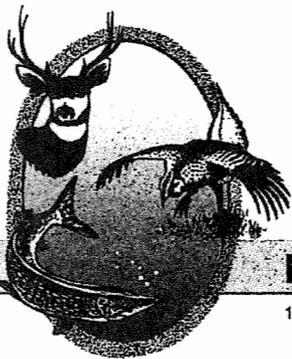
The IWP is respectfully requesting the support of the North Dakota Legislative Council as we continue to provide a needed service to the oil industry in the State of North Dakota. We appreciate the opportunity to share information about our group and express our concerns, especially as they relate to the WAWSP. Thank you.

/S/

Steve Mortenson

President

Independent Water Providers



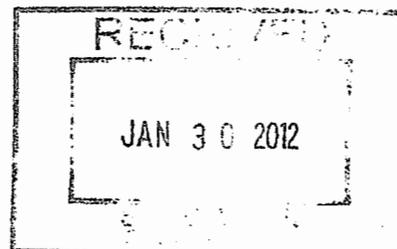
"VARIETY IN HUNTING AND FISHING"

## NORTH DAKOTA GAME AND FISH DEPARTMENT

100 NORTH BISMARCK EXPRESSWAY BISMARCK, NORTH DAKOTA 58501-5095 PHONE 701-328-6300 FAX 701-328-6352

January 27, 2012

Todd Sando  
State Engineer  
900 East Boulevard  
Bismarck, ND 58505



Dear Mr. Sando:

Re: Redland LCC's Petition for Appropriation of Water  
Application No. 6319

The North Dakota Game & Fish Department has been notified of Redland LCC's water permit application. The application requests authorization to divert and appropriate water from the Missouri River utilizing a point of diversion in the SW1/4 of Section 7, Township 152 North, Range 102 West in McKenzie County, North Dakota. The appropriation would be pumped at a rate of 7,000 gallons/minute with an annual appropriation of 10,000 acre-feet of water for industrial use.

The surge in industrial water permit applications for oil production from both ground water and surface water sources has raised concerns over potential impacts to fish and wildlife resources. A primary component of an environmental review processes is to minimize impacts through an alternative analysis. The proposed point of diversion is located in a relatively remote area of the Missouri River. This reach of the river possesses the federally endangered pallid sturgeon and three additional species including the paddlefish, sicklefin chub and the sturgeon chub that are all listed on the North Dakota Species of Conservation Priority list. If approved, this water appropriation has the potential to negatively impact these species through entrainment and impingement.

Additionally, this proposed industrial intake will be in close proximity to the Western Area Water Supply (WAWS) project, a \$150 million dollar project approved by the North Dakota Legislature. The approval and permitting of this proposed water appropriation would be in conflict and direct competition with the WAWS project. The Department requests this water permit application be denied based on negative impacts to fish and wildlife resources as well as less damaging alternatives available to the industry in close proximity to this point of diversion.

Sincerely,

Greg Link  
Chief

Conservation & Communication Division