

Tribal Energy by Design Developing an Energy Roadmap on Tribal Lands in North Dakota

Blackfeet Community College, Browning, MT

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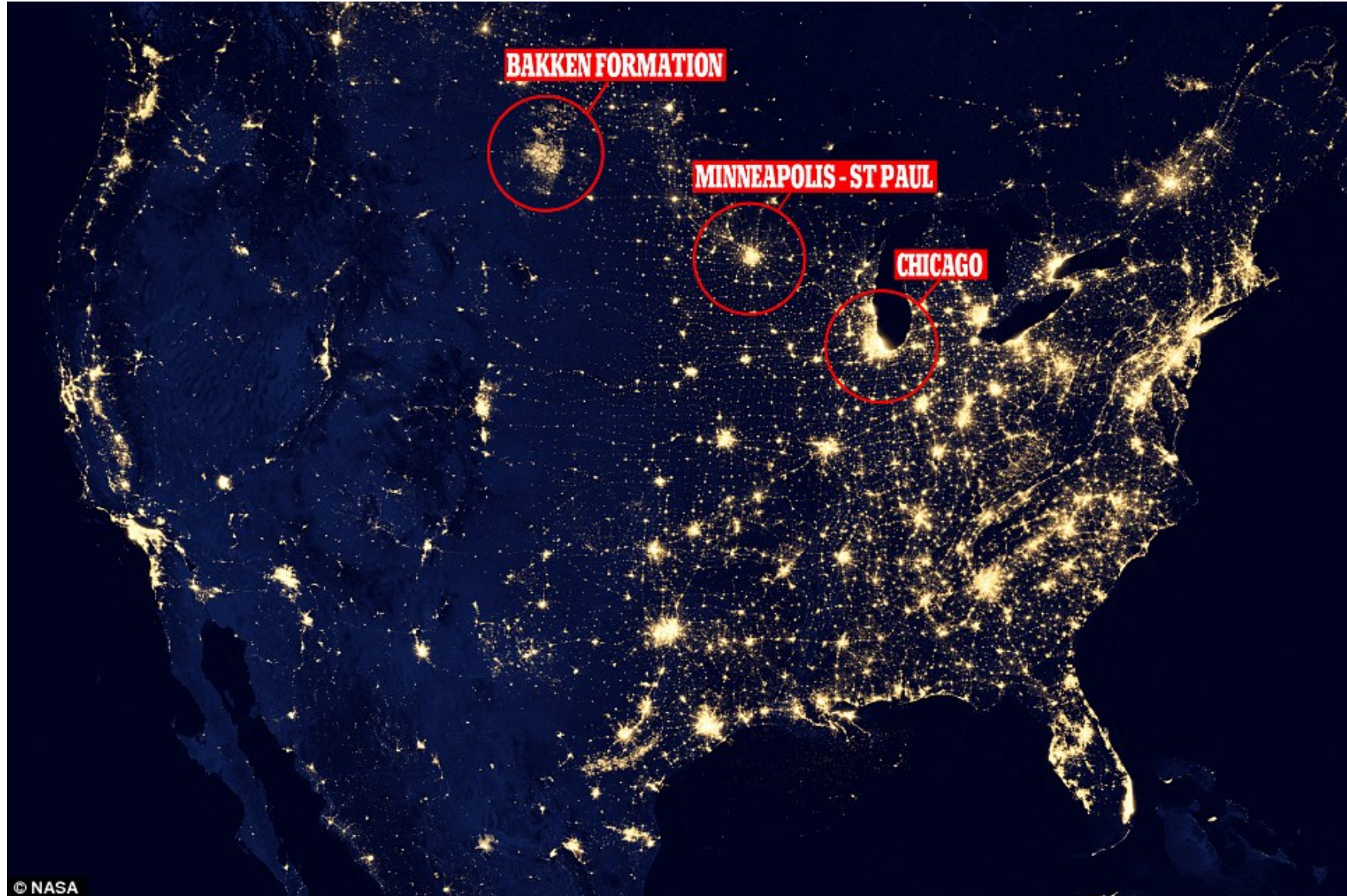
Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Bakken shale
 - The now-famous shale deposit ranging from Saskatchewan down to North Dakota and Montana, gets its name from North Dakota farmer Henry Bakken, who was the land owner when the shale was discovered in 1951.
 - The oil deposits have been relatively unimportant and unattractive through the years because of low oil prices and large cost of drilling.
 - In 2008 Oil prices skyrocketed to \$140/BBL and Oil companies started leasing lands in North Dakota, including on the Fort Berthold Reservation
 - new developments in fracking and horizontal drilling means that oil production that was too difficult or even impossible ten years ago is achievable today.
 - Three Forks formation under the Bakken Shale is not being developed

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas



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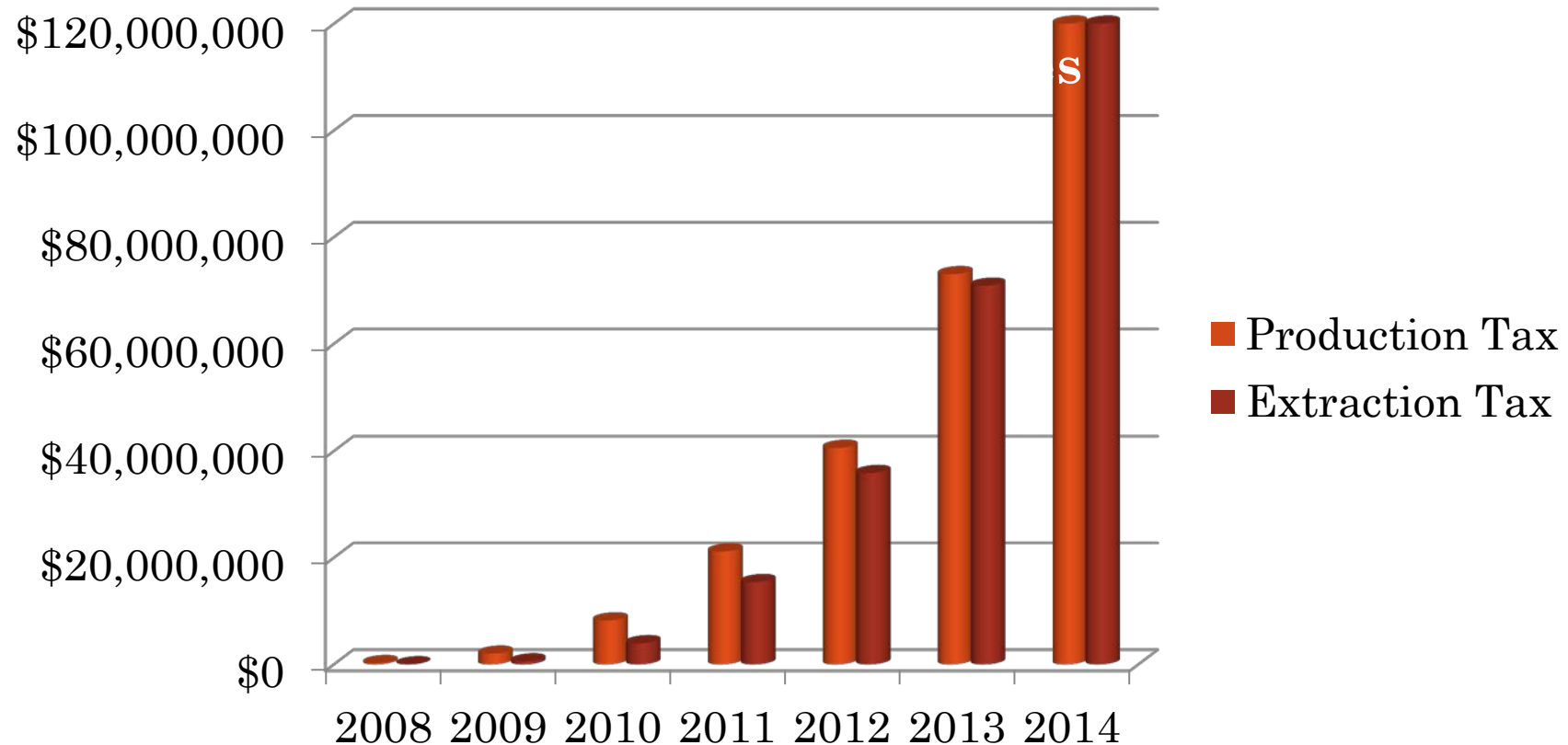
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Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Historical Context
 - Traditionally in the Mining, Utilities and Extraction industries Tribes have been in the role as “passive” partners with industry.
 - Leasing trust lands to industry to exploit for natural resources
 - Timber
 - Oil and Gas
 - Coal
 - Precious Minerals
 - Receive revenues through
 - Land payments
 - Taxes
 - Royalties

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- This traditional arrangement has evolved over time as Tribes have become more involved in the management of the resources they own.
 - Southern Utes
 - Southern Ute Indian Tribal Growth Fund
 - Red Willow
 - AKA Energy Group LLC
 - Southern Ute Alternative Energy LLC
 - Navajo Nation
 - Navajo Nation Oil and Gas Company

**Business and Workforce Development
Opportunities in Upstream Oil and Natural
Gas**

*“Sovereignty
Model”*

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- The Sovereignty Model is the MHA Nation's efforts to switch from the traditional passive roles into the more assertive roles (similar to other tribes) and become more involved in the development of It's own natural resources.
 - Thunder Butte Refinery
 - Missouri River Resources
 - Section 17 Corporation
 - Other investments
 - Trucking
 - Water
 - Finance

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Thunder Butte Refinery
 - 15,000 BPD clean fuels refinery project started in 2002
 - Original feed stock for the refinery was Syn Crude from the Canadian tar sands
 - The feed stock was changed in 2007 to Bakken Crude Oil
 - In addition, the truck unloading /rail loading facility (transload facility) has been added to the project
 - Groundbreaking has occurred and they are looking at being operational during the summer/fall of 2015.
 - Will provide very high paying jobs on the reservation

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Missouri River Resources (MRR)
 - Established as an independent tribal energy company dedicated to developing oil and gas resources for the benefit of the Tribal membership, committed to superior financial and professional performance, and promoting environmental awareness and adhering to cultural and traditional values.
 - Currently own working interest in seven (7) wells on the reservation in partnership with major oil producers and is in the process of partnering with other major producers and owning larger working interests in the future
 - Also in the process of finalizing a partnership with a pipeline company to be more involved in the transportation of crude oil and natural gas to markets.

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

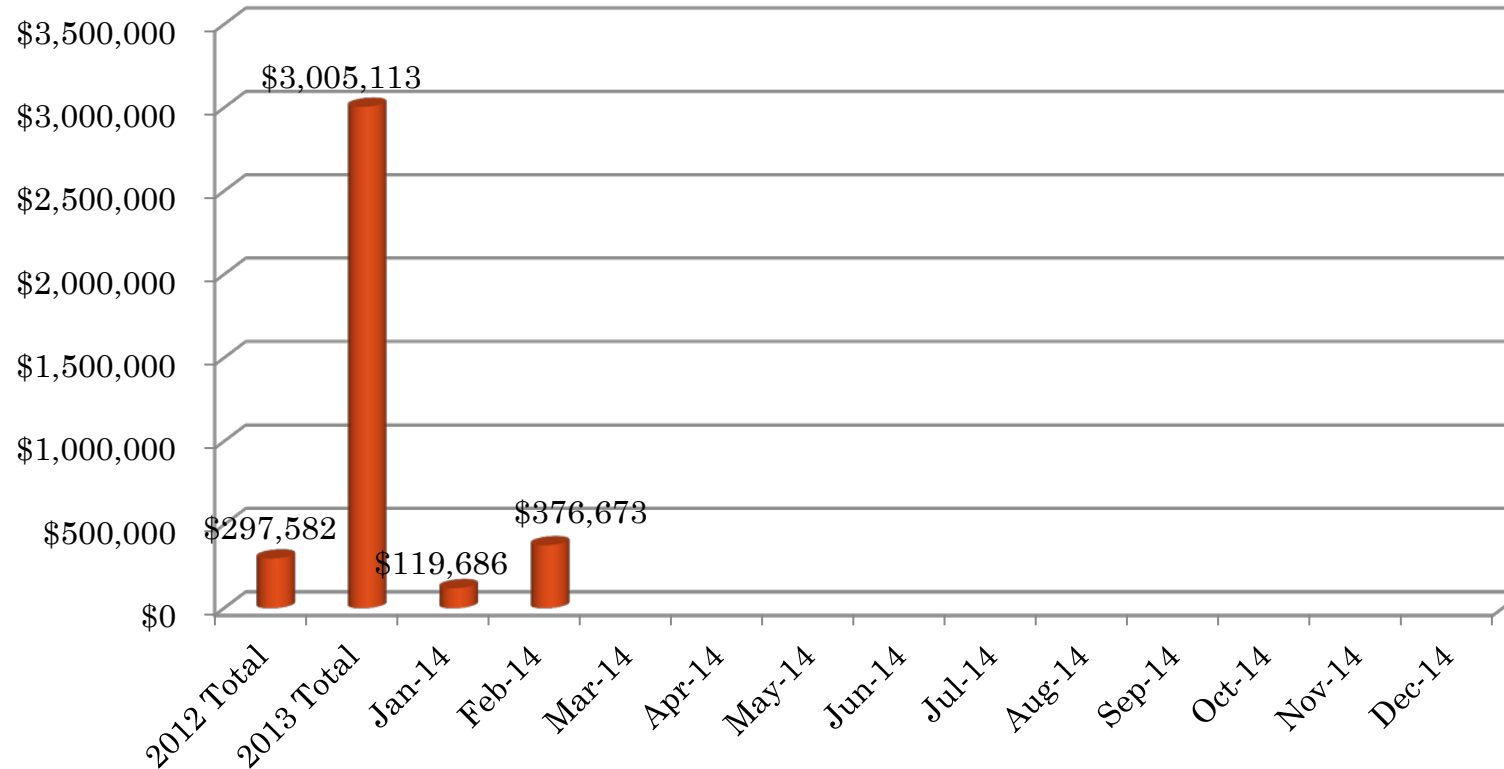
- Missouri River Resources (MRR)
 - Difficult growing pains
 - The most lucrative acreage on the reservation has already been leased out to major oil companies so the acreage that is owned by MRR is less attractive.
 - No right of first refusal in the lease agreements mean that when the acreage is offered for sale or “flipped”, MRR is left in the position of bidding like any other oil company.
 - Navajo Nation has right of first refusal in their leases which has allowed the Navajo Nation Oil and Gas Company to re-acquire very large tracts of lands by matching offers between non related purchasers and sellers.
 - Professionals
 - Because of the very tight labor market in North Dakota it has been a struggle to find qualified professionals.
 - However, MRR did recently bring on a very qualified Native American petroleum engineer

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Section 17 Corporation
 - The tribe has created a separate tribal corporation to sell water to industry.
 - Performed through an agreement with engineers with the tribe receiving approximately 90% of the revenues.
 - Taking water directly to the well pad in order to reduce the amount of trucks on the road.
 - This water is used for both drilling and fracking wells
- The Tribe through Section 17 corporation is making significant investments (12m) in infrastructure developments to sell water to industry
 - Mandaree raw water line and Four Bears investments.

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

Section 17 Corporation Gross Revenue



Gross Revenues

- Calendar Year 2012: \$297,582
- Calendar Year 2013: \$3,005,113
- Calendar Year 2014: \$119,686

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Private opportunities
 - North Dakota economic boom
 - From the oil fields to the economic boom is created, Jobs are plentiful
 - Lowest unemployment rate in the United States
 - 3% within the State of North Dakota and some estimates as low as 5% on the Fort Berthold Reservation.
 - Probably over 50% unemployment before the boom.
 - Everybody it seems has a help wanted sign in the window
 - This economic boom has also brought with it an onslaught of problems
 - Housing
 - Crime/Drugs
 - Roads
 - Environment

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Private opportunities
 - Trucking
 - 2 to 4 million gallons of water required to drill and frack a single well
 - Over 500 truckloads of water per well
 - Additional 23.5 Million Gallons of Water Produced During the Life of a Single Well
 - Oil Services

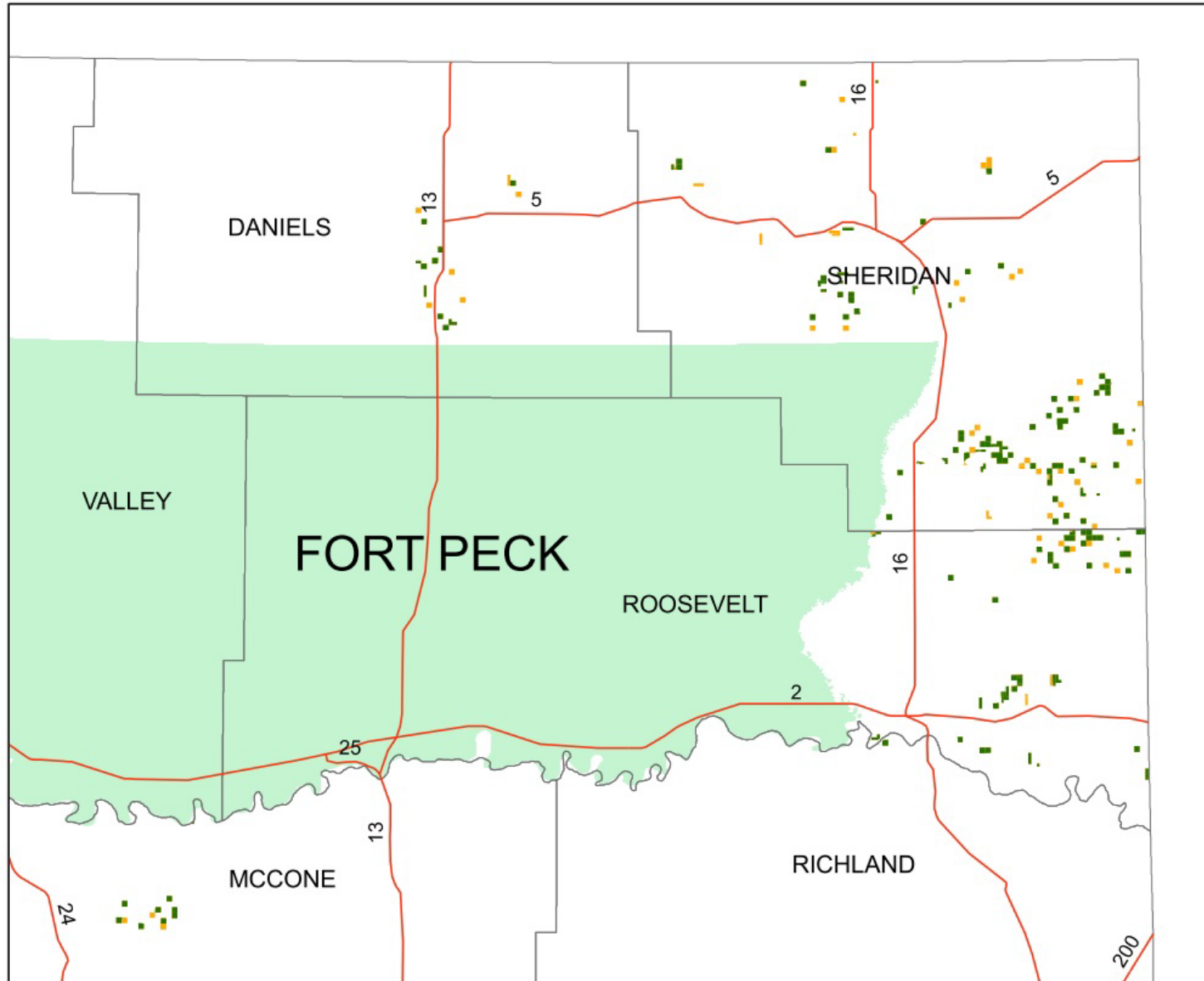
Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- Private opportunities outside of the oil fields
 - Professional
 - Engineers, Accountants, Landman, and other professionals
 - Banking and Investment
 - Financing the boom
 - Individual landowners have become wealthy almost overnight
 - need sound financial/legal advice
 - Economic infrastructure
 - Affordable housing
 - Hotels
 - Retail
 - Restaurants

Business and Workforce Development Opportunities in Upstream Oil and Natural Gas

- This economic boom has also brought with it an onslaught of problems
 - Housing
 - Crime/Drugs
 - Law and Fire enforcement
 - Roads
 - Environment

Fort Peck - TM Allotments RES Code 226



TURTLE MOUNTAIN AGENCY
TRUST SERVICES

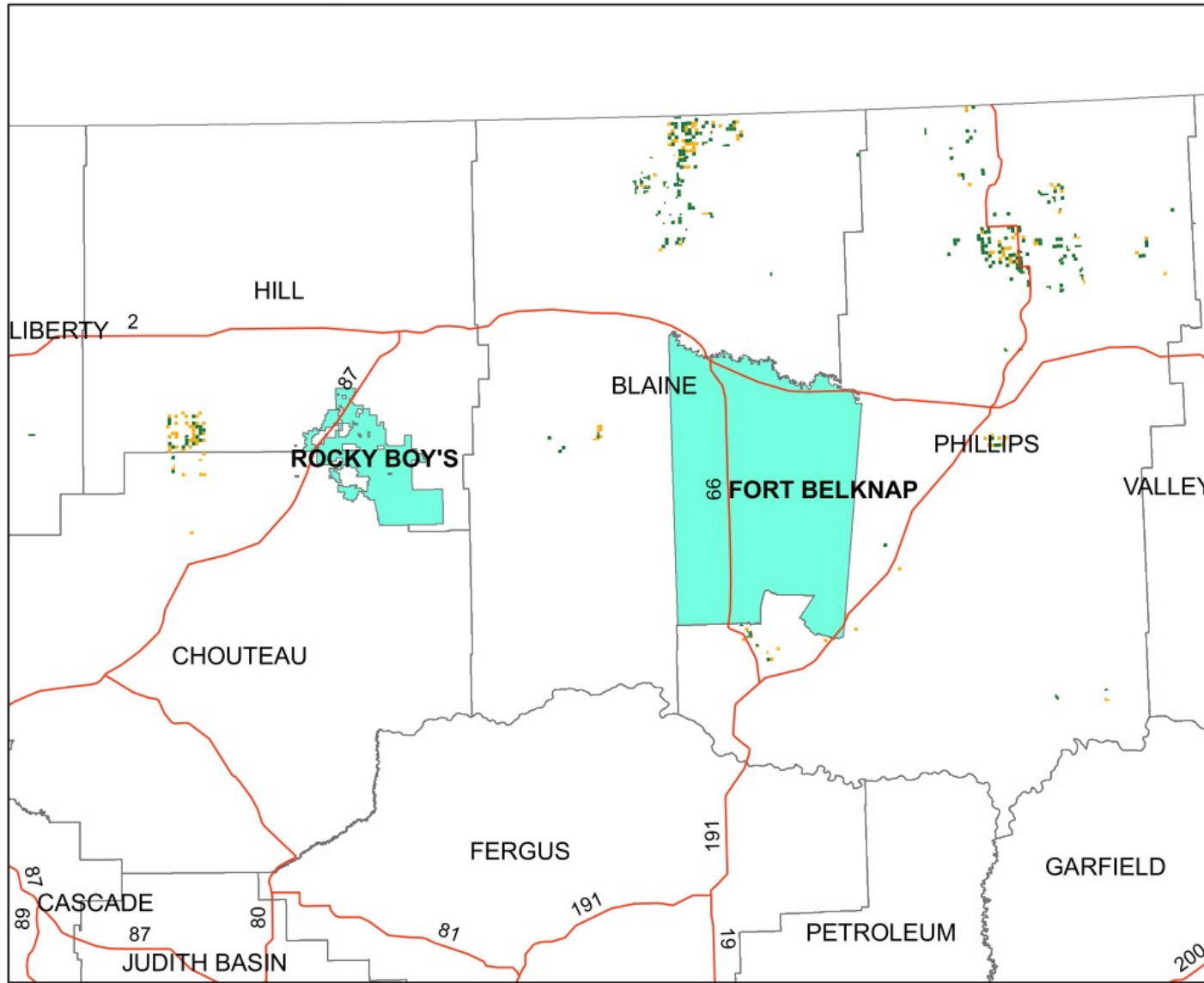
Legend

- Montana_Counties_shp
- highway
- Surface
- Minerals



Prepared by Ernie Azure
Range Technician

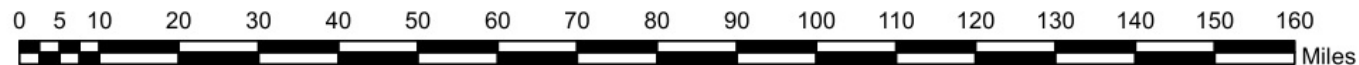
Fort Belknap - TM Allotments RES Code 224



TURTLE MOUNTAIN AGENCY
TRUST SERVICES

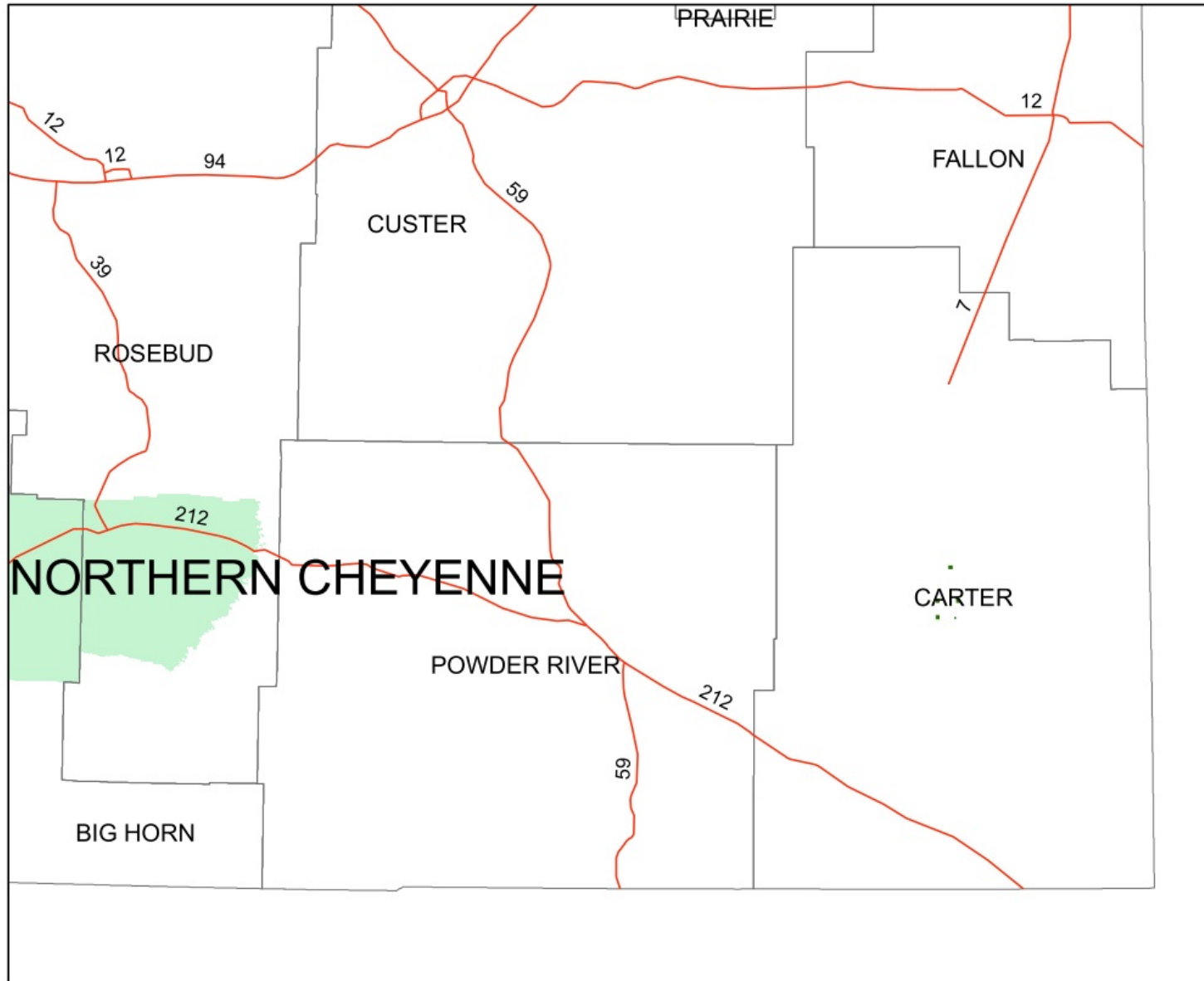
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Northern Cheyenne - TM Allotments RES Code 227



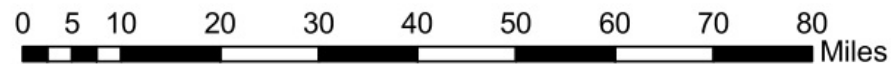
TURTLE MOUNTAIN AGENCY
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Great Plains: Land of Opportunity

- Collaboration with Indian Business Alliances
- A Booming Economy
- A Business-Friendly Environment
- Tribal College Workforce Development Activities



Great Plains IBAs

“Building Business Together”



A Booming Economy: Case in Point

- North Dakota has the lowest unemployment rate in the nation: **2.7 percent in December 2013**
- North Dakota ranked #1 in the nation for the highest growth of GDP from 2010-2012.
- North Dakota's reserves topped \$2 billion in June 2013 and will reach \$3 billion by June 2015



Energy Is Driving Opportunities

- Affordable Housing
- Transportation & Construction
- Manufacturing
- Retail and Franchise
- Small Business & Consulting
- Oil & Gas and Pipeline Development



A Business-Friendly Environment

Public Policy

- Constitutionally balanced budget
- Person-to-person access to public and tribal officials
- Only state-owned bank in the nation offers business expansion funds

Low Corporate Tax Rates

- In 2011, the State Legislature lowered top corporate income tax rate from 6.4% to 5.15%

Low Real Estate/Facilities Costs (exception within oil producing counties)

- Average \$14.00-\$14.50/sf to rent quality office space
- Average \$5.40-\$6.50/sf to rent quality industrial space

Strategic Incentive Advantages

Financial Incentives

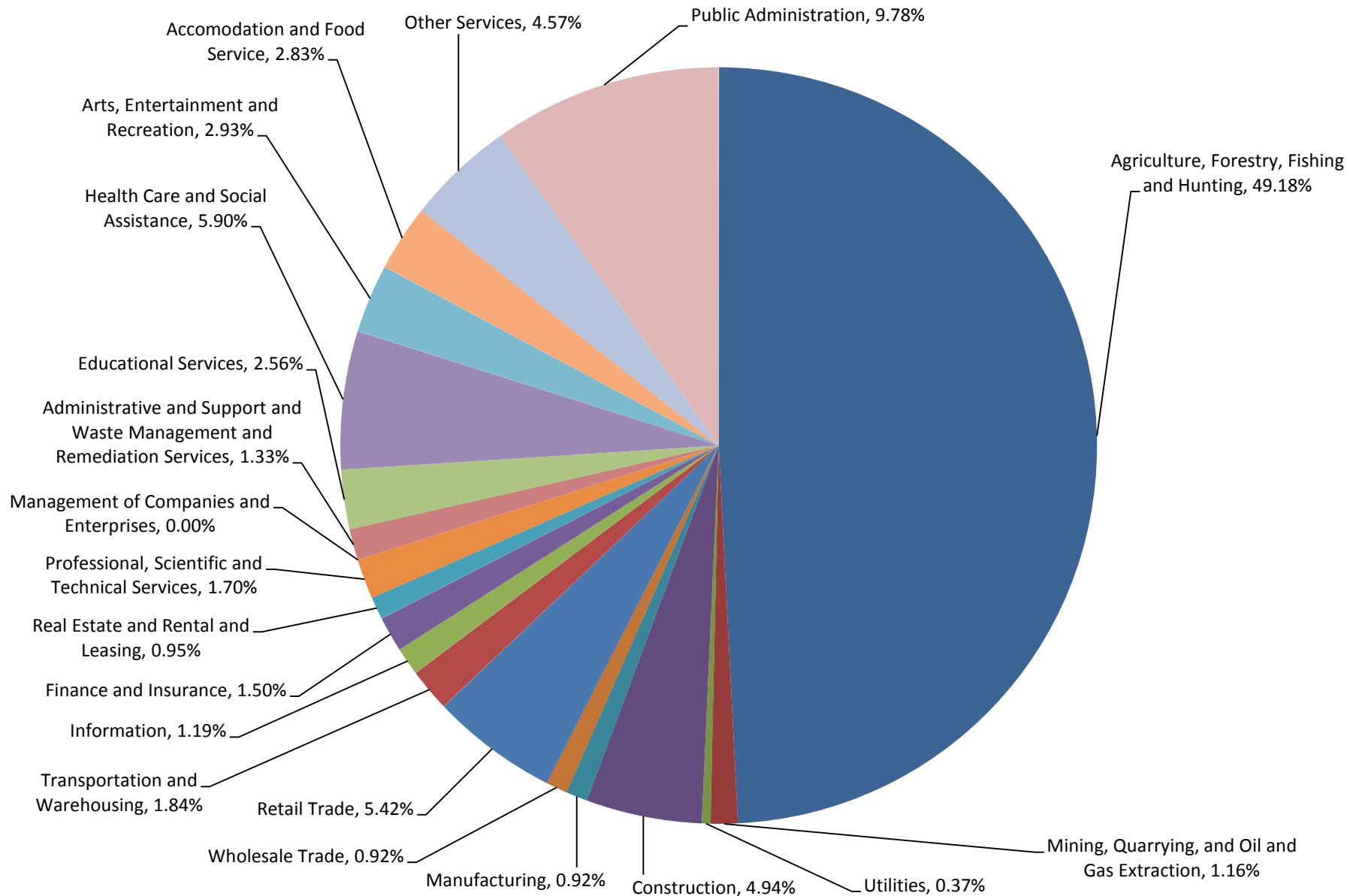
- Development Fund — gap financing loan and equity program
- PACE Program — interest buy down program at Bank of North Dakota
- Match Program — lowest interest rates in the nation for “A” rated companies

Job Training Programs

- One-stop job training assistance — available for all businesses
- Workforce 2020 — state-funded program for training new technologies
- Jobs Training Program — “no cost” program utilizing employee withholding tax

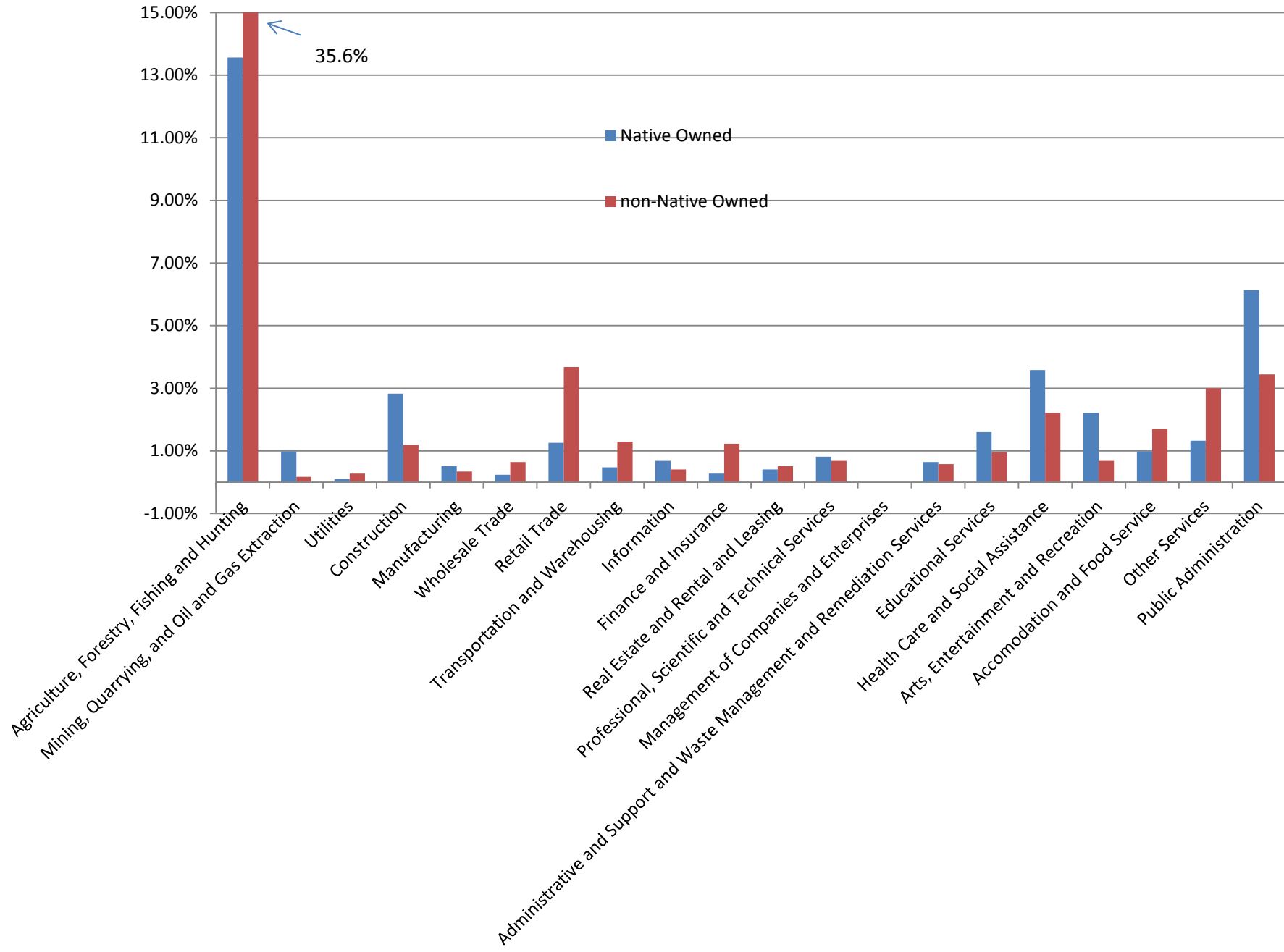
Workers Compensation

- Lowest workers compensation premium rates in the nation

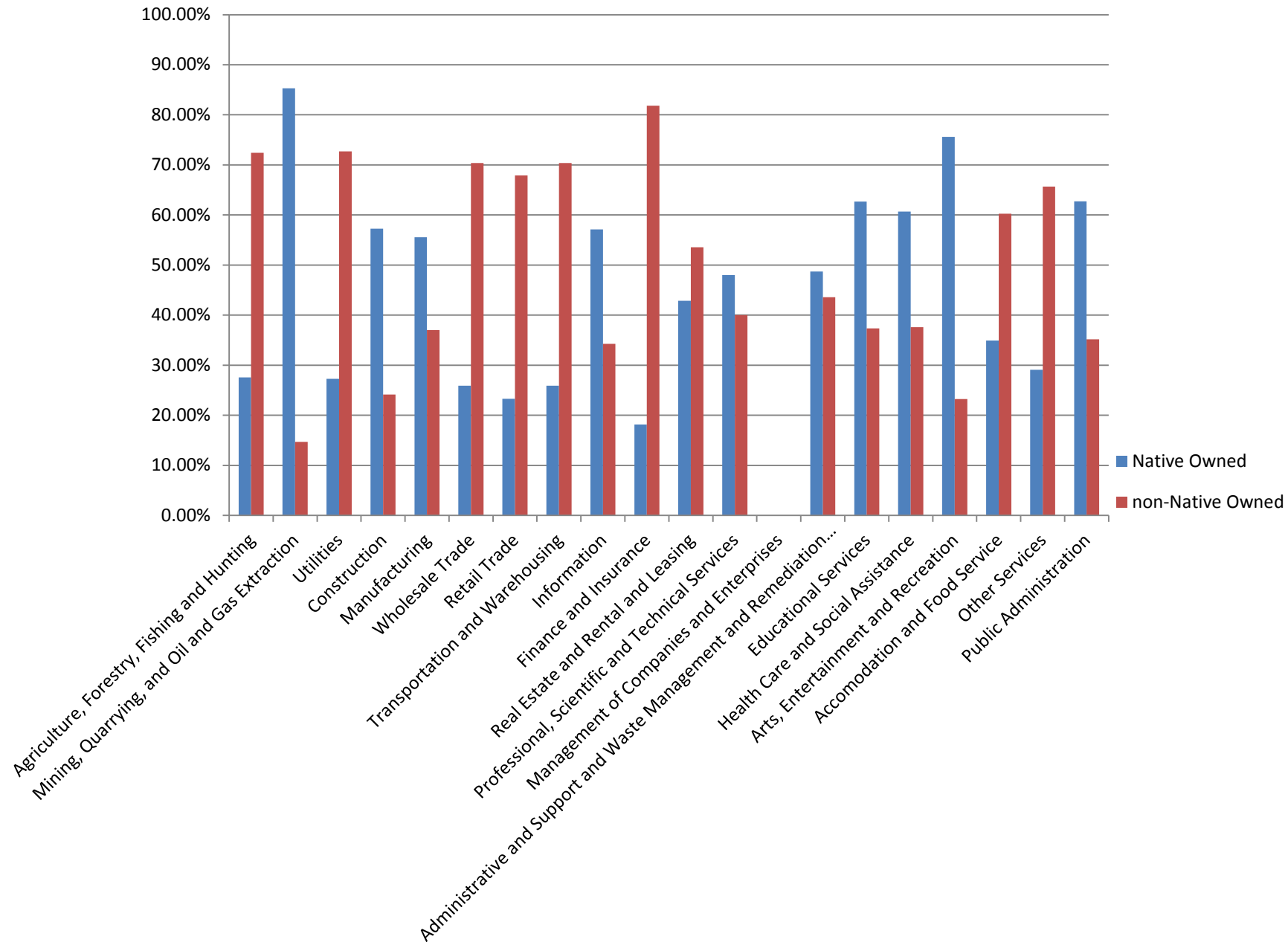


Industrial Sector Mix (North Dakota Reservations)

Percent of the Economy



Relative Share in Each Economy



Tribal College Workforce Development

- Tribal Colleges play a key role at all levels
 - Local tribal level
 - State government level
 - Education, business and industry level
- Legislature approved \$5 million in workforce development grants for Tribal Colleges



Workforce Collaborations

- Tribal Councils and TERO offices
- Indian-owned Businesses
- North Dakota State Agencies (Commerce, Job Service, etc.)
- North Dakota State Legislature
- North Dakota University System
- Local Businesses
- Energy Companies in the Bakken Formation Oilfield areas
- Regional Councils, JDAs, CDC's, etc.

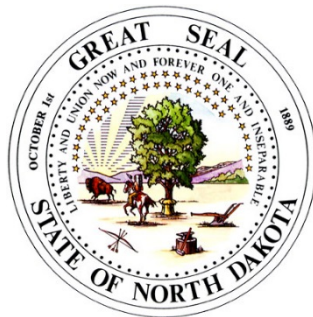


Indian-Owned and Non-Indian Owned Businesses

- Tribal colleges promote a true and vibrant business climate and environment that encourages and promotes businesses to conduct work on or near the various reservations.

State of North Dakota

- Tribal Colleges worked together to create a bill which was presented to the State Legislature proposing funding for “Tribal College Grants”
- Purpose was to provide funding to tribally controlled community colleges in preparing students for the state’s high demand jobs and assist students in establishing businesses in North Dakota
- North Dakota Legislature passed SB-2218 in 2013





Major Oil Companies in the Bakken Formation Oilfield areas

- Tribal colleges contact major oil companies to establish working relationships
 - Addresses workforce training needs
 - The job placement of our graduates with oil companies is a focus
 - Career fairs on campus and across the region

Employment Statistics in Oil Producing Counties

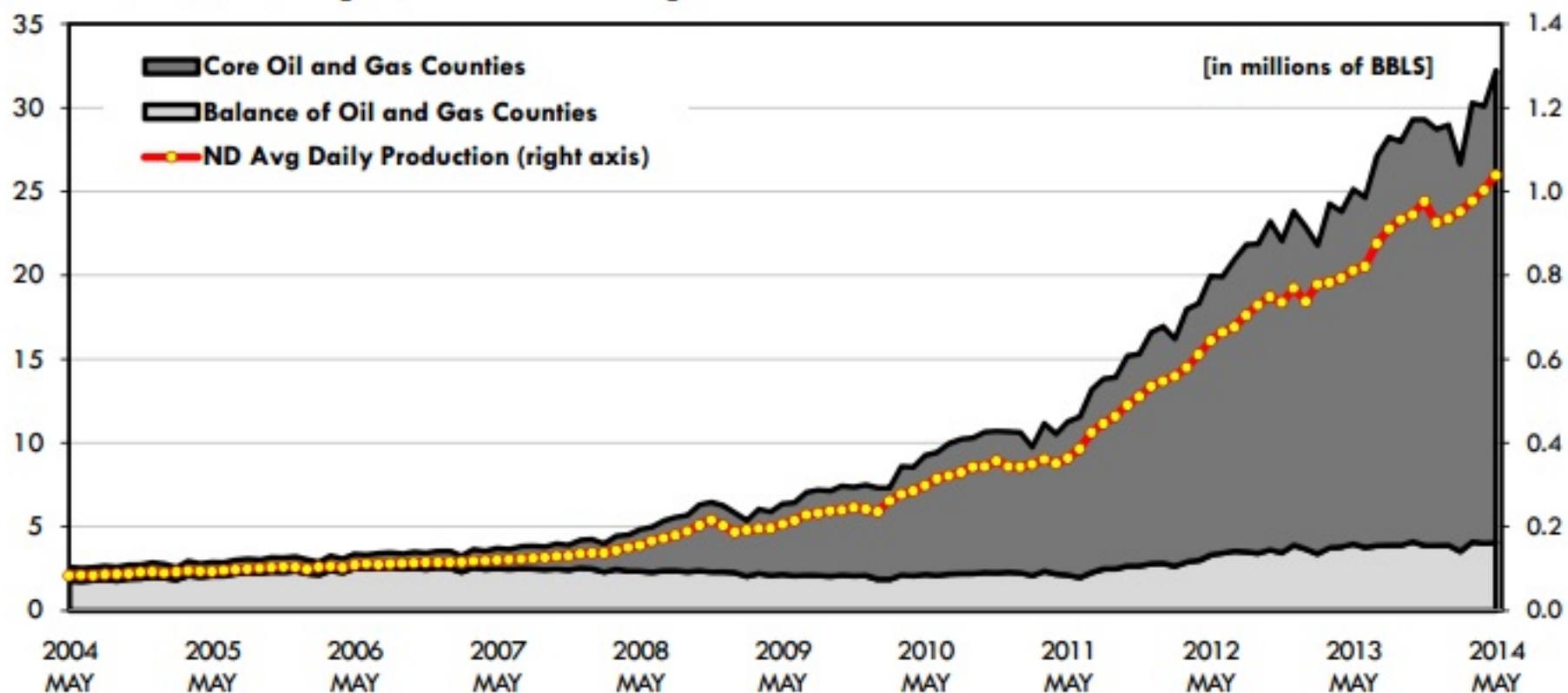
- Unemployment rate for the four core oil and gas producing counties was 1.2%
- Unemployment rate for the thirteen balance oil and gas producing counties was 2.6%
- Of the 359,415 jobs in North Dakota in 2013, 15.3% or 55,137 are attributable to oil and gas related employment

Employment Statistics in Oil Producing Counties con't.

- Oil and gas related jobs represent 28.5% of total wages or \$5.0 billion of the \$17.5 billion in wages
- Average weekly wages for Q4 (Oct-Dec) 2013 increased year over year 0.7% for the core oil and gas producing counties to \$1,545 while weekly wages in the balance of oil and gas producing counties increased 5.2% to \$1,056
- Weekly wages in non oil and gas producing counties increased 2.8 percent to \$844

NORTH DAKOTA'S OIL AND GAS ECONOMY

OIL PRODUCTION [MONTHLY DATA]



	MAY 2014	MONTHLY CHG		YEARLY CHG	
		NUM	PCT	NUM	PCT
NORTH DAKOTA	32,228,691	2,131,004	7.1	7,079,573	28.2
CORE COUNTIES	28,164,959	2,081,701	8.0	7,000,862	33.1
BALANCE COUNTIES	4,063,732	49,303	1.2	78,711	2.0

Questions???

