



**ND ASSOCIATION OF  
OIL AND GAS  
PRODUCING COUNTIES**

# North Dakota Oil & Gas Activity, Impacts, And Funding

# Topics Covered



Energy Production  
& Economic Activity



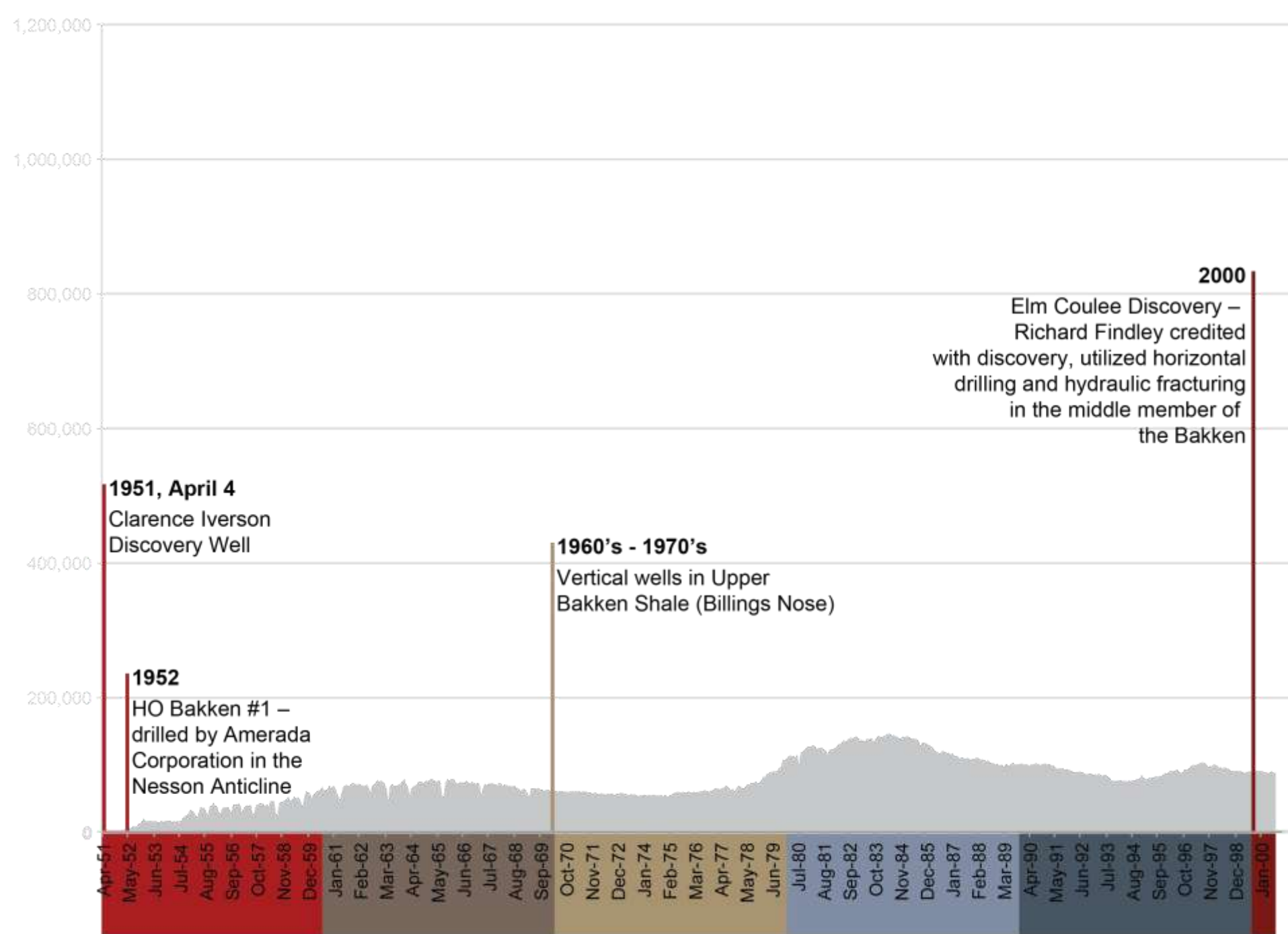
Community Impacts  
& Development / Capital Improvements

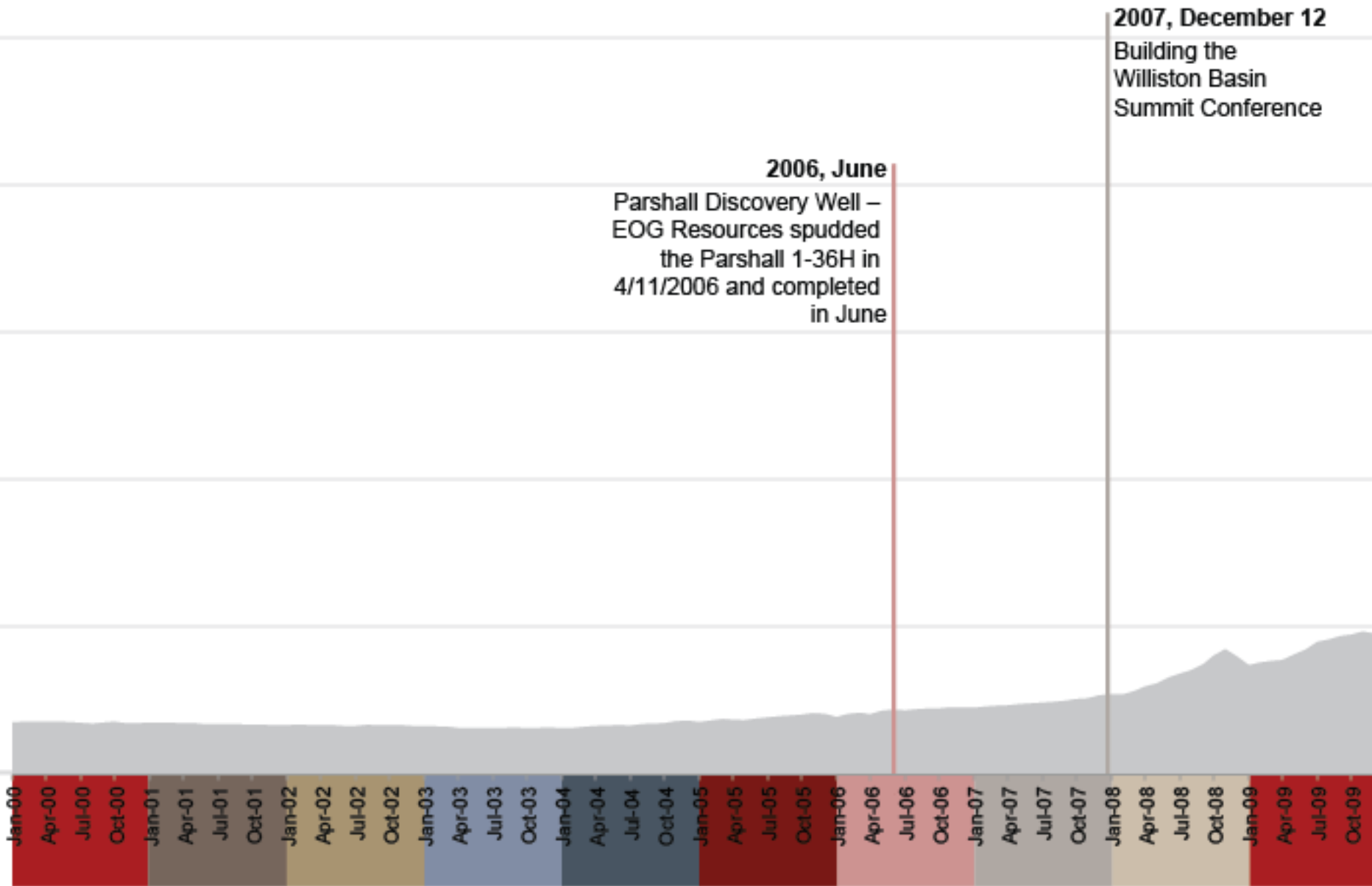


Funding



# Energy Production





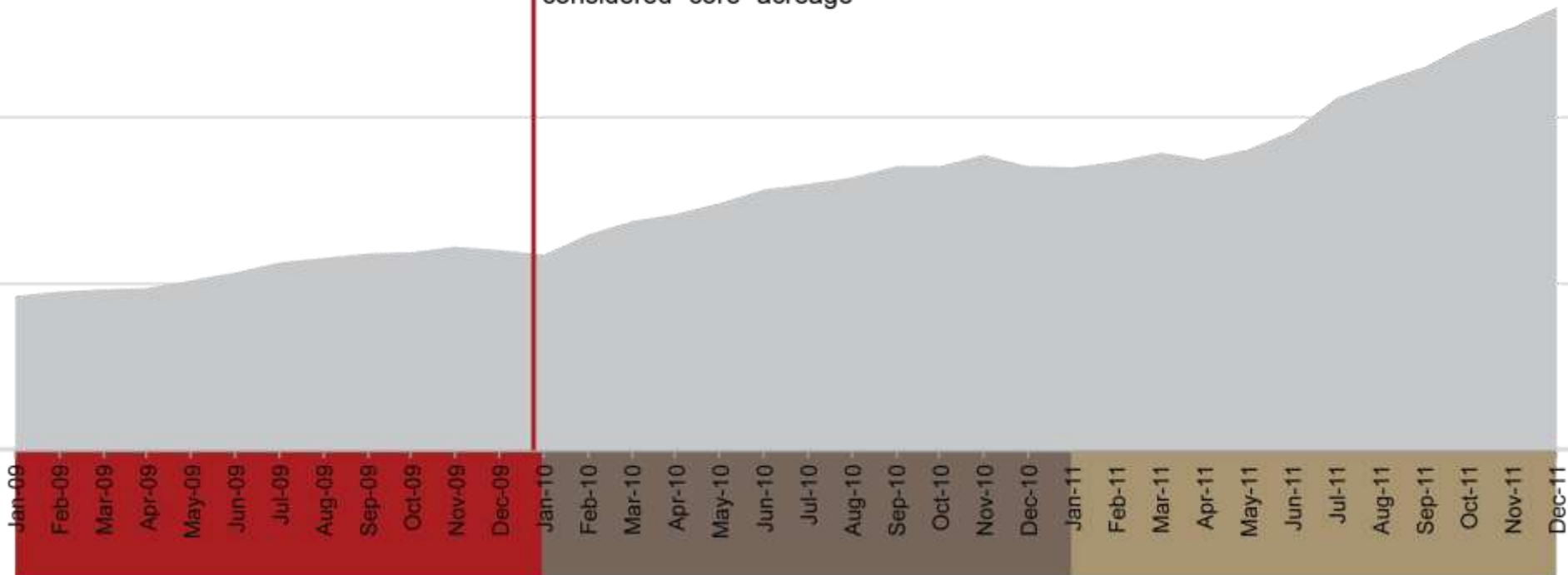
**2009**

4th Largest Producer –  
N.D. surpasses Louisiana  
ND = 6.388 million barrels  
LA = 6.342 million barrels

**2009**

Brad Olson 9-16 #1H  
completed with swell  
packers and the first  
28 stage frac

Brigham emphasizes  
that the Rough Rider  
area (Williams County)  
considered “core” acreage





**2012, January**

3rd Largest Producer –  
N.D. surpasses California  
ND = 16.9 million barrels  
CA = 15.8 million barrels

**2012, March**

2nd Largest Producer –  
N.D. surpasses Alaska  
ND = 17.8 million barrels  
AK = 17.5 million barrels

**2012, August**

Continental Resources  
announces cost-reduction program  
Other E&P companies follow suit  
Signals Phase II of Bakken Development

**2014, April**

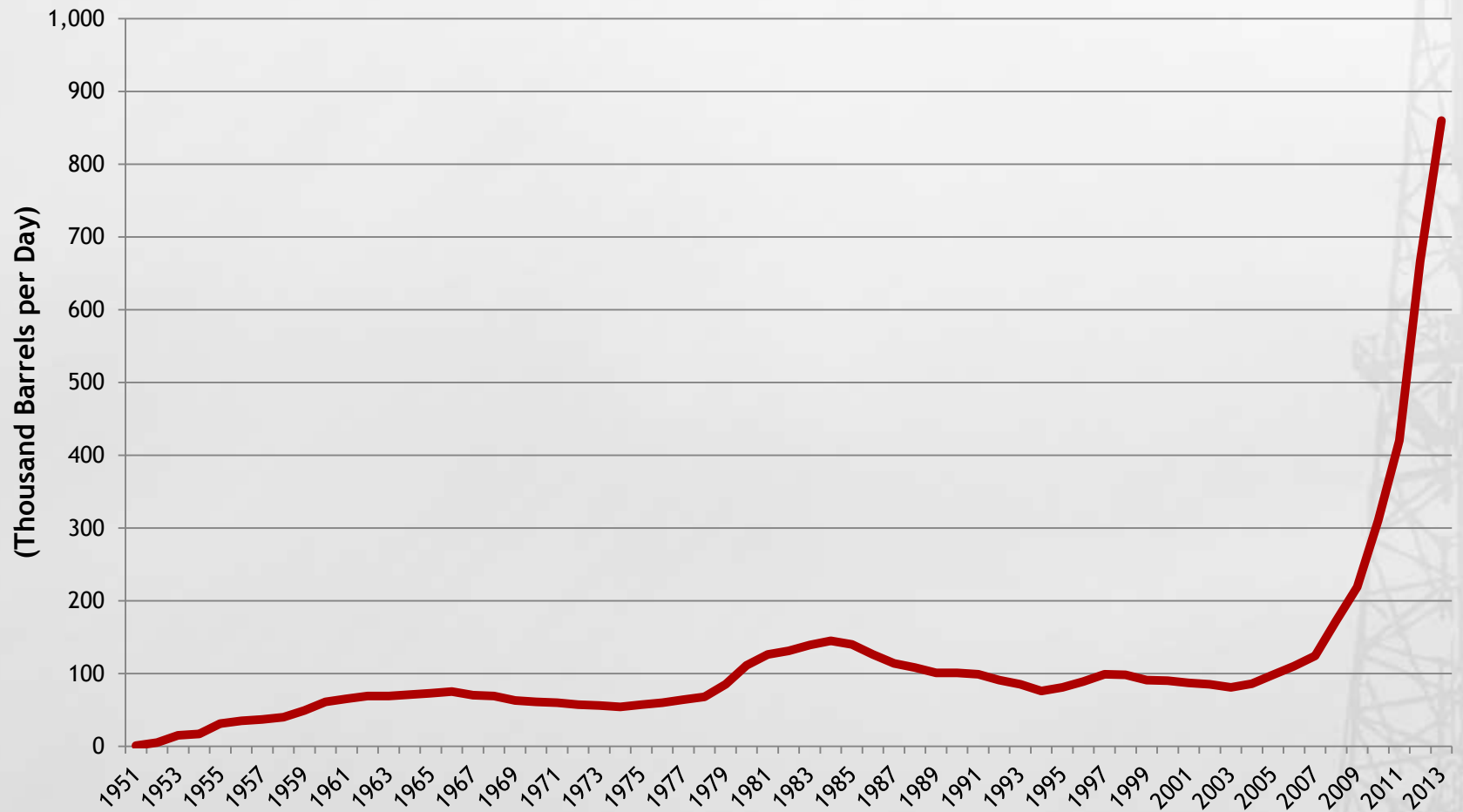
One Million Barrels per Day  
1,001,149 barrels daily  
10,658 wells

(Drilled twice as many wells in past  
8 years, than in the previous 50 years)

Jan-12 Feb-12 Mar-12 Apr-12 May-12 Jun-12 Jul-12 Aug-12 Sep-12 Oct-12 Nov-12 Dec-12 Jan-13 Feb-13 Mar-13 Apr-13 May-13 Jun-13 Jul-13 Aug-13 Sep-13 Oct-13 Nov-13 Dec-13 Jan-14 Feb-14 Mar-14 Apr-14 May-14



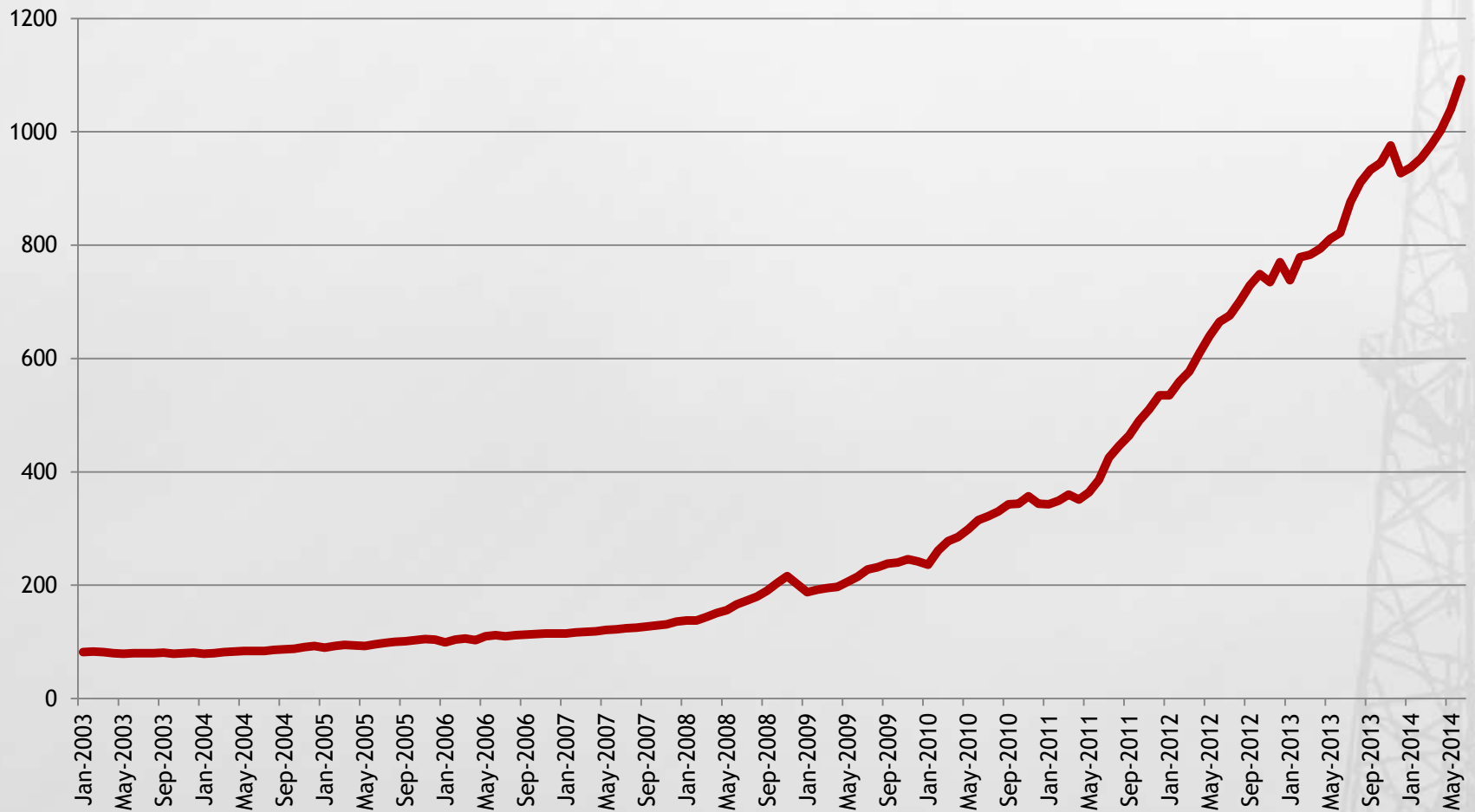
# ND Annual Production





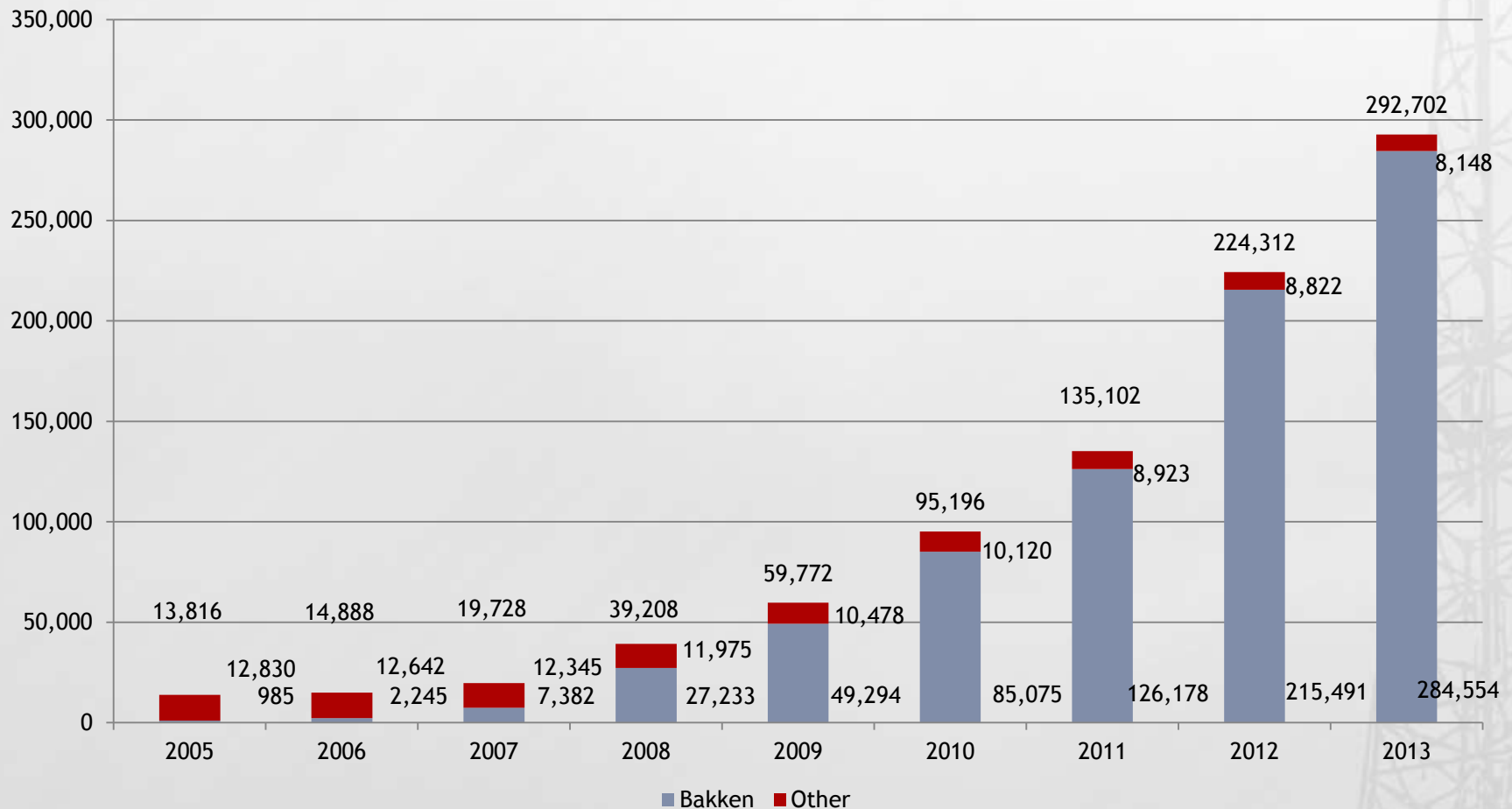


# ND Daily Production per Month



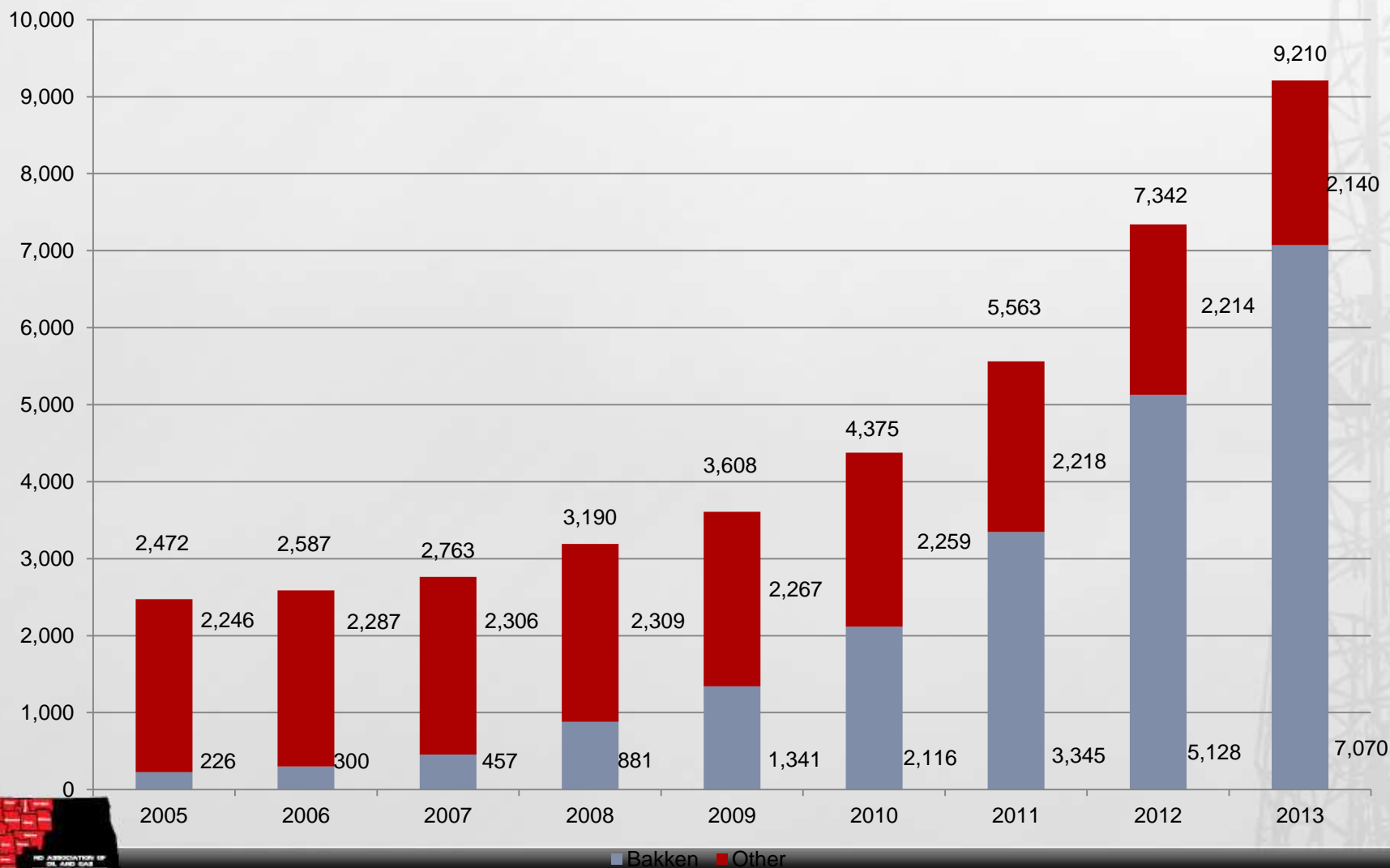


# Annual Barrels of Oil Produced by Formation



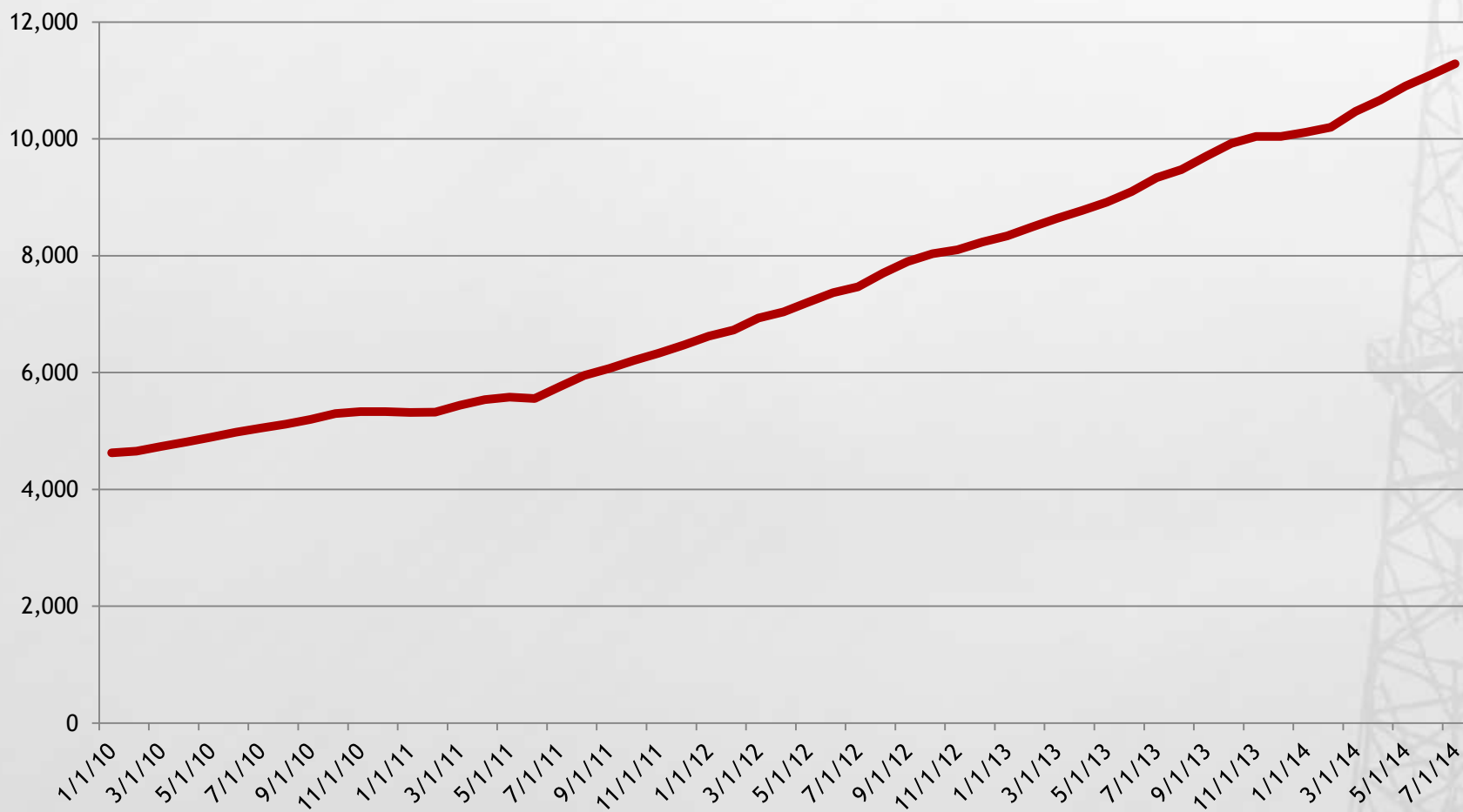


# Active Wells by Formation



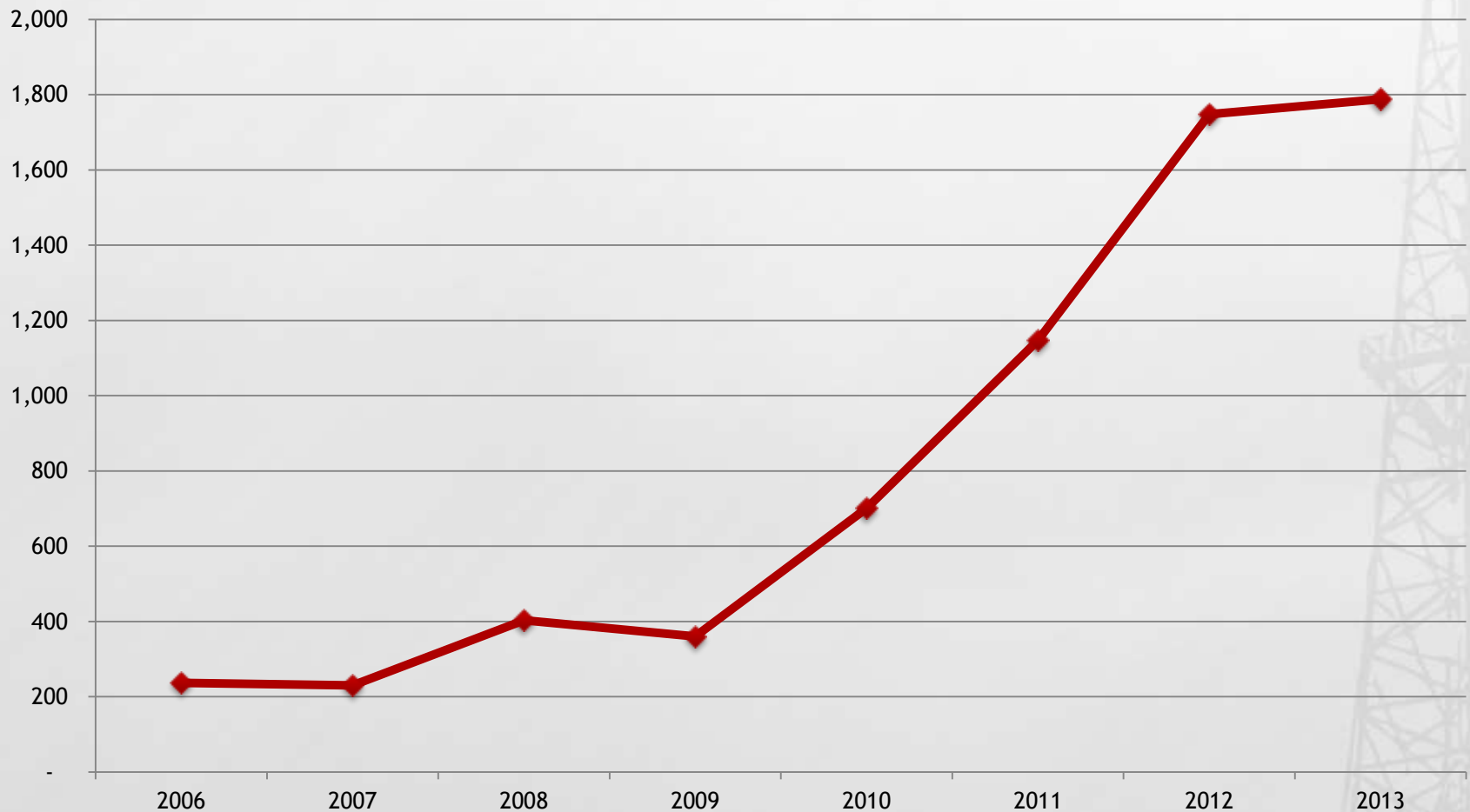


# Active Wells



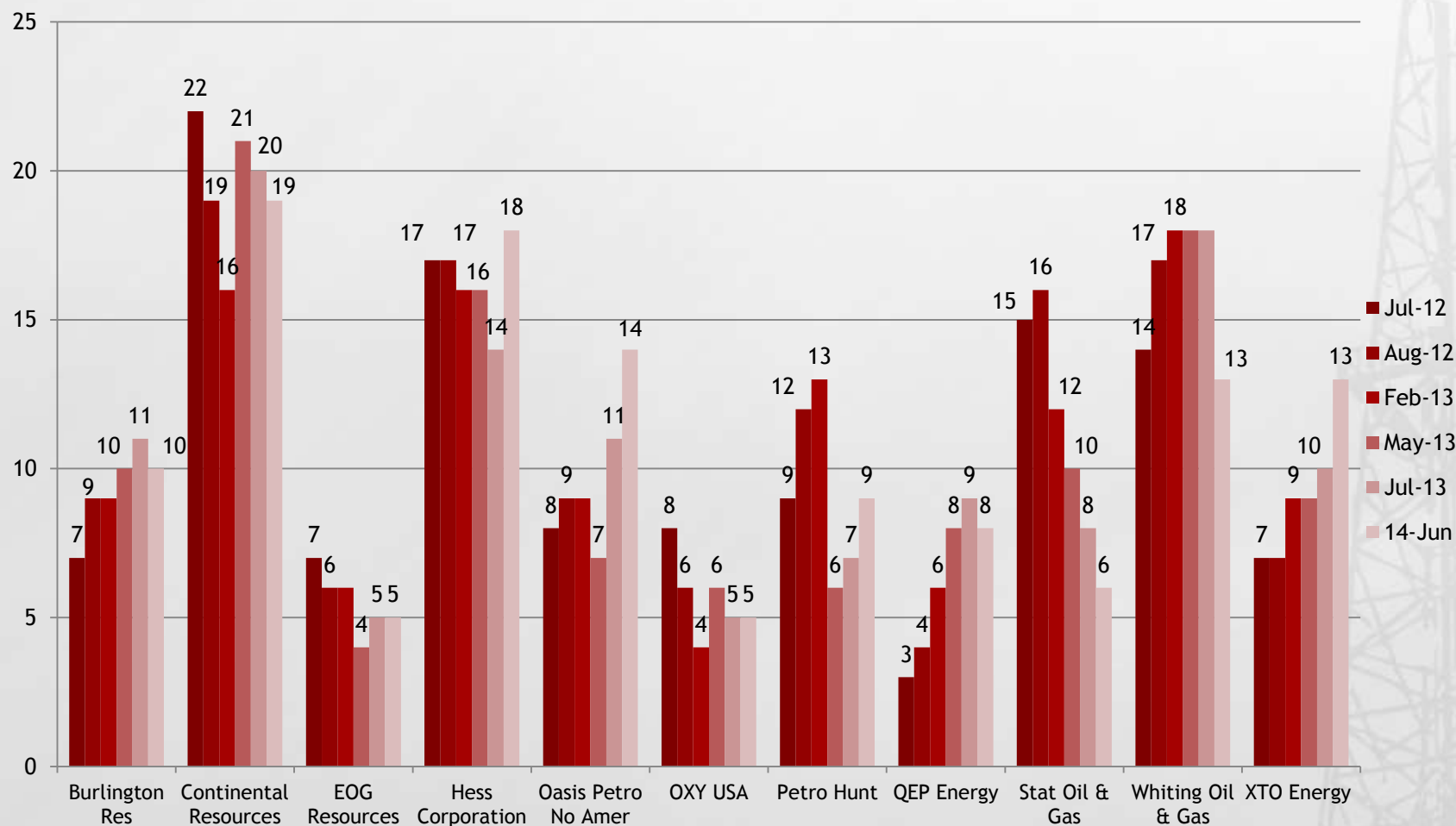


# Additional Producing Wells by Year



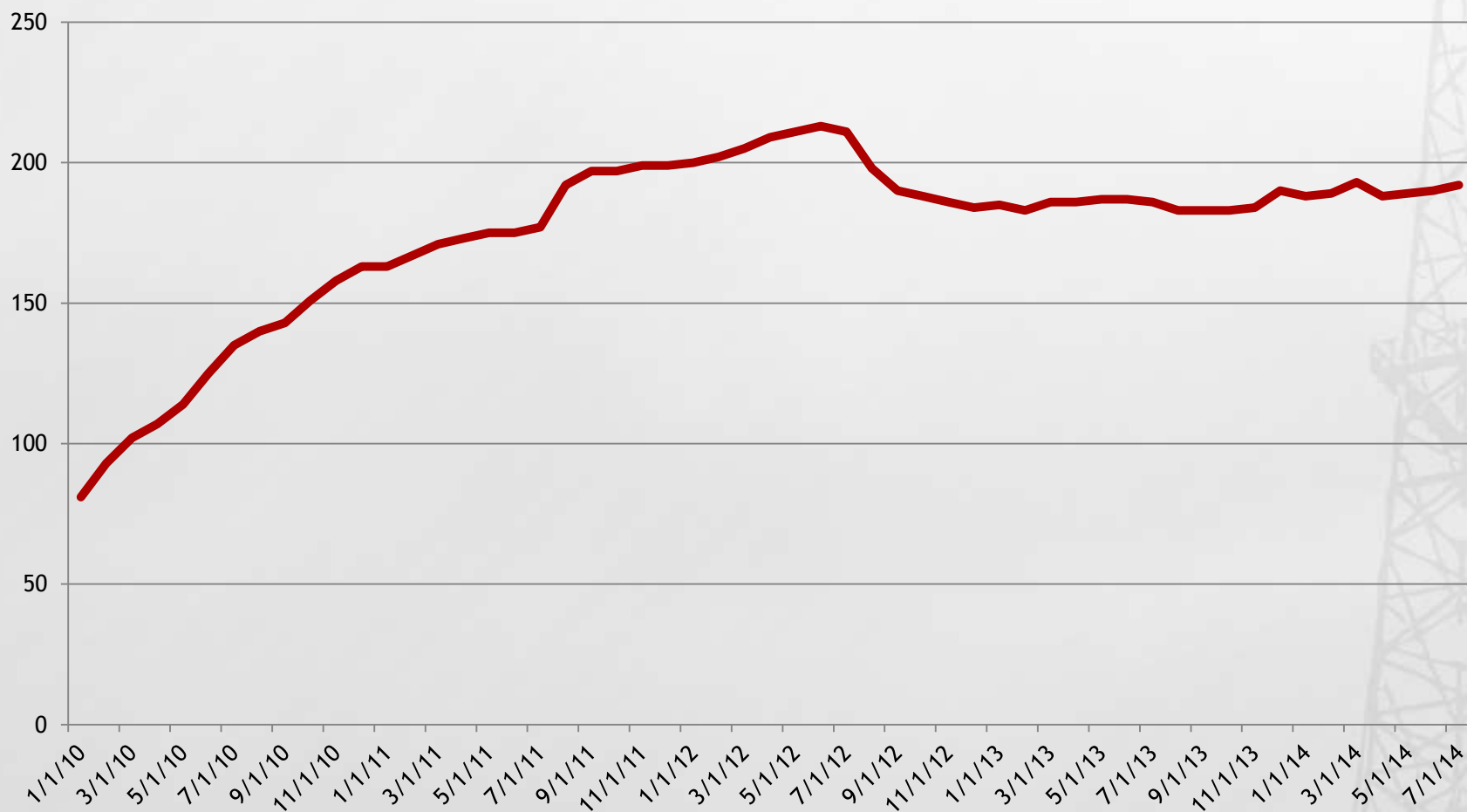


# Rig Count by Operator Jul '12 - Jun '14





# ND Rig Count



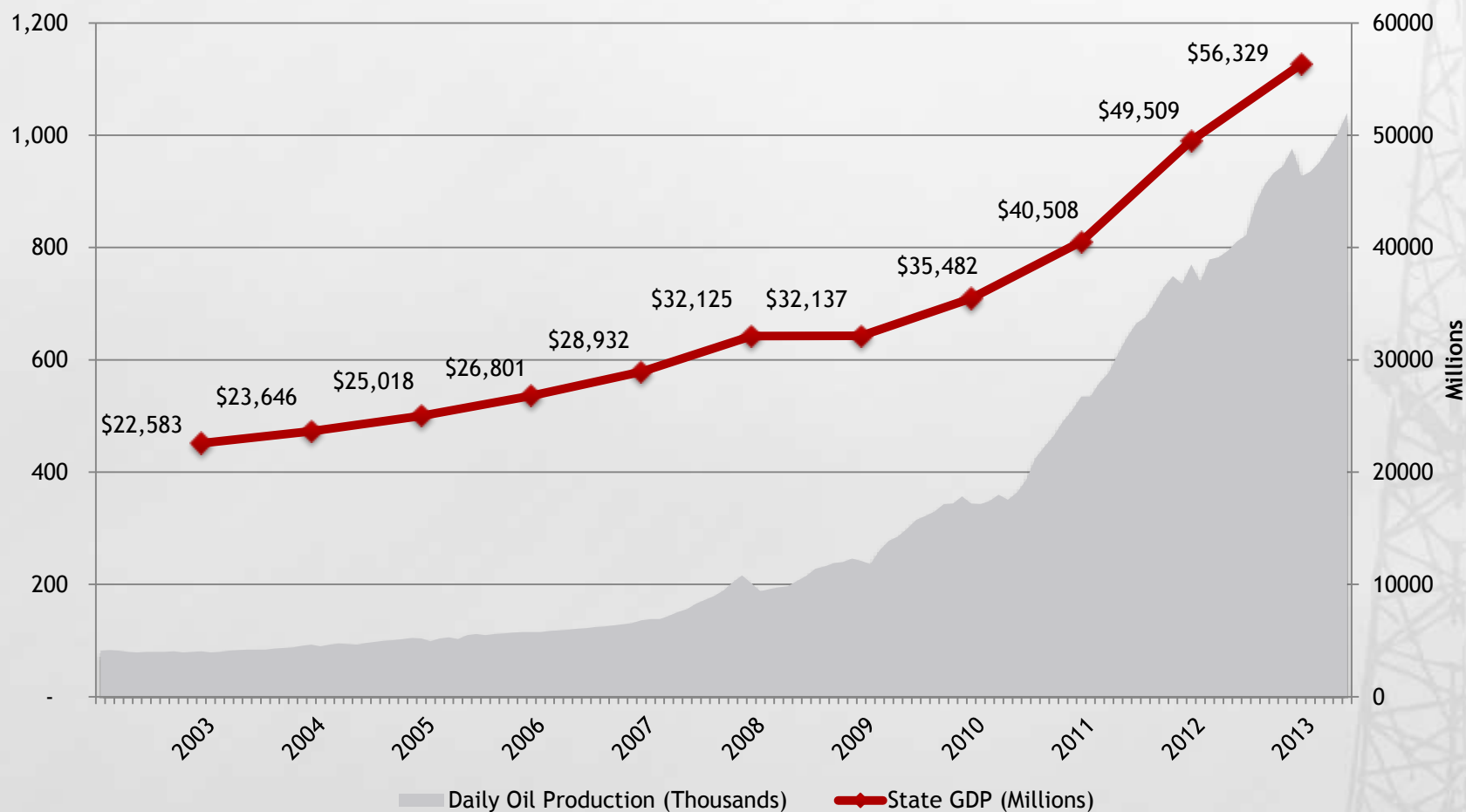




# Economic Activity

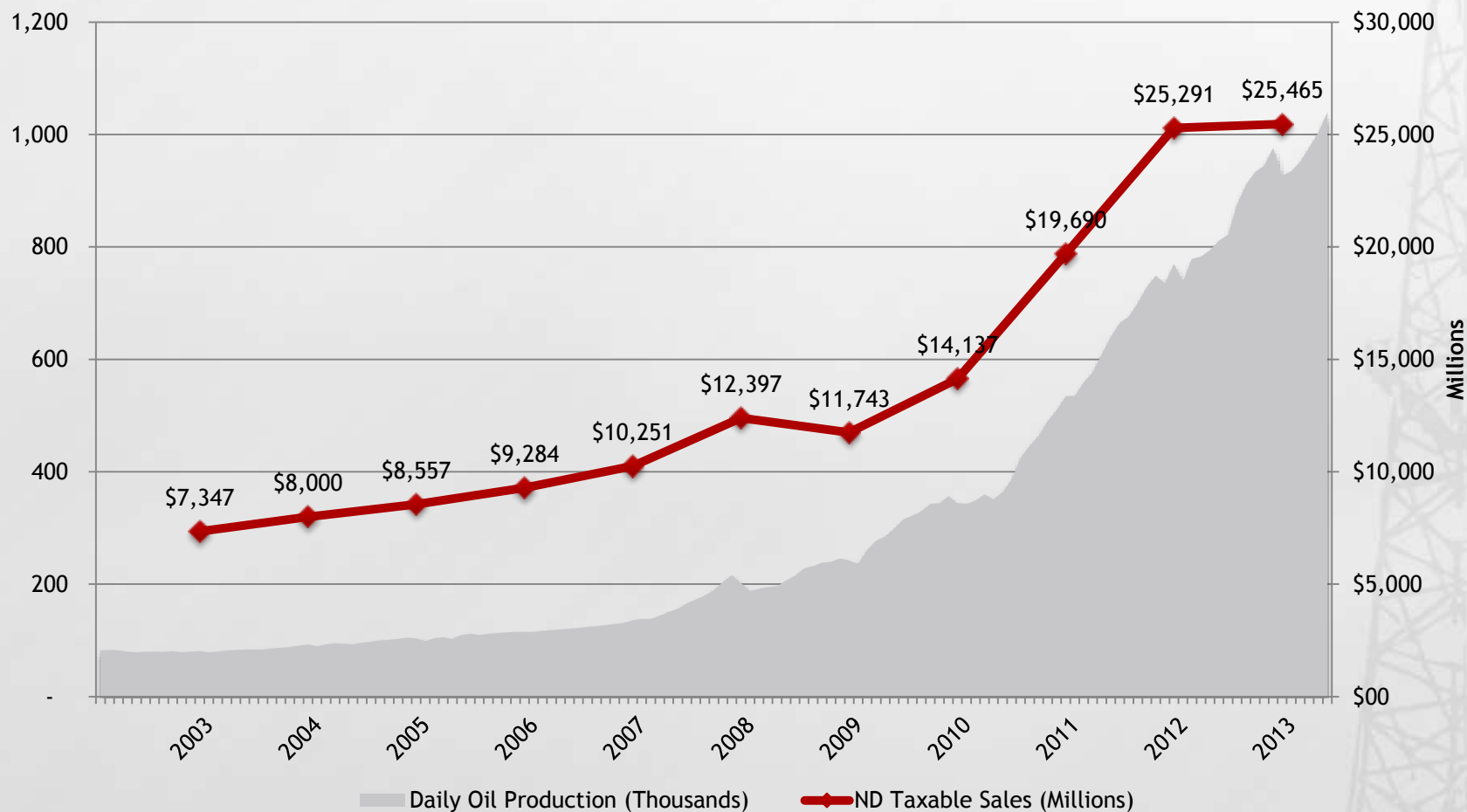


# ND Gross Domestic Product



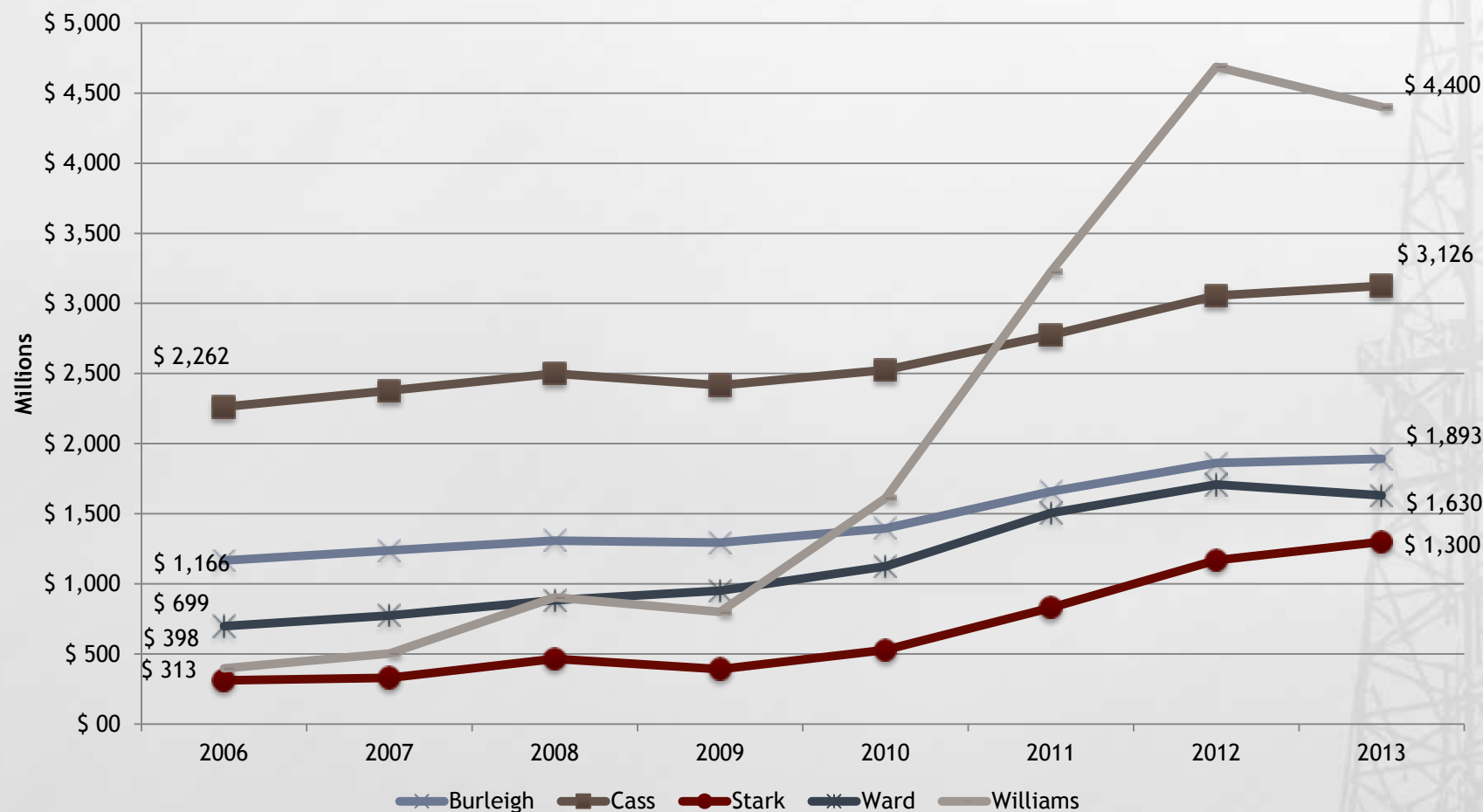


# ND Taxable Sales



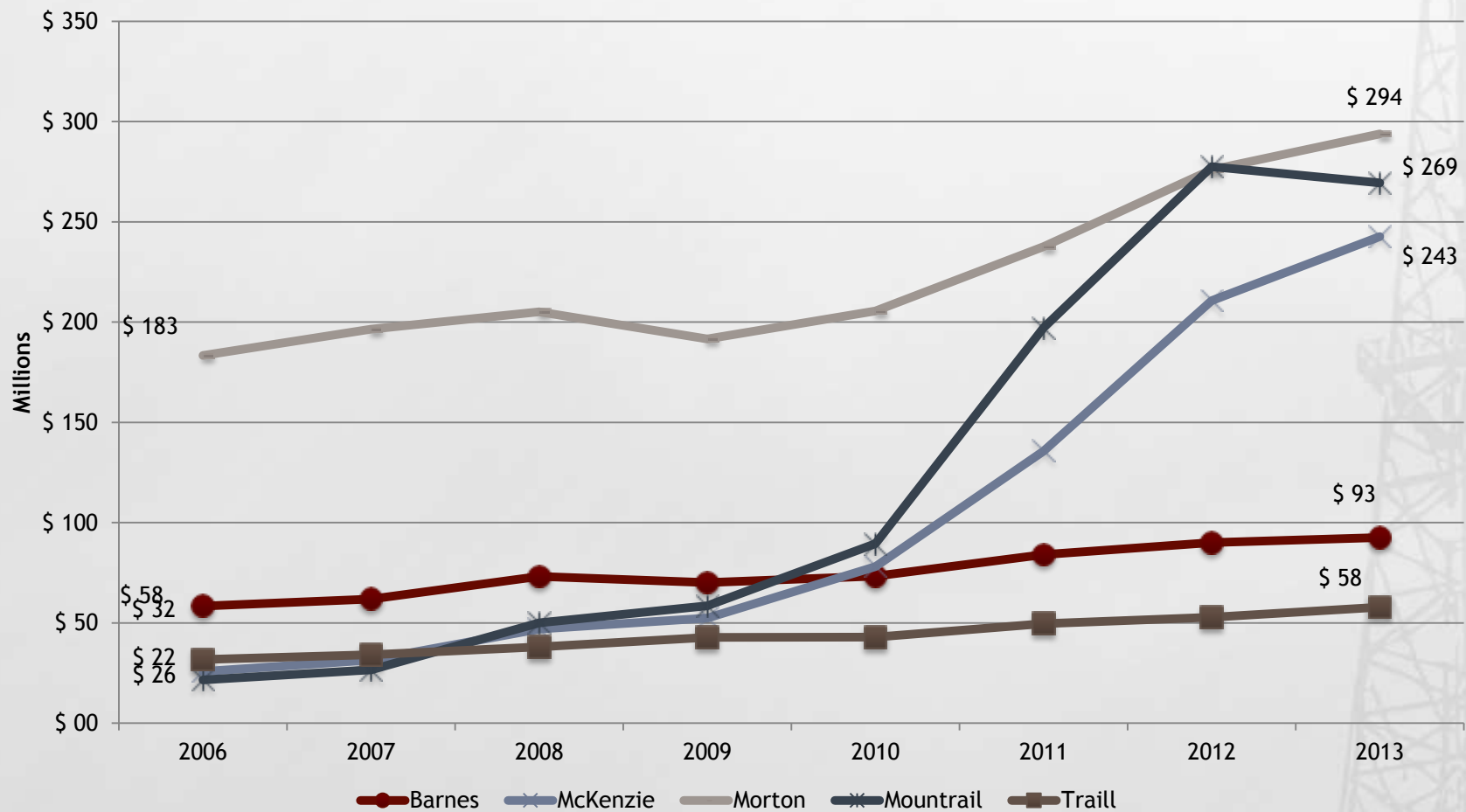


# Taxable Sales By County



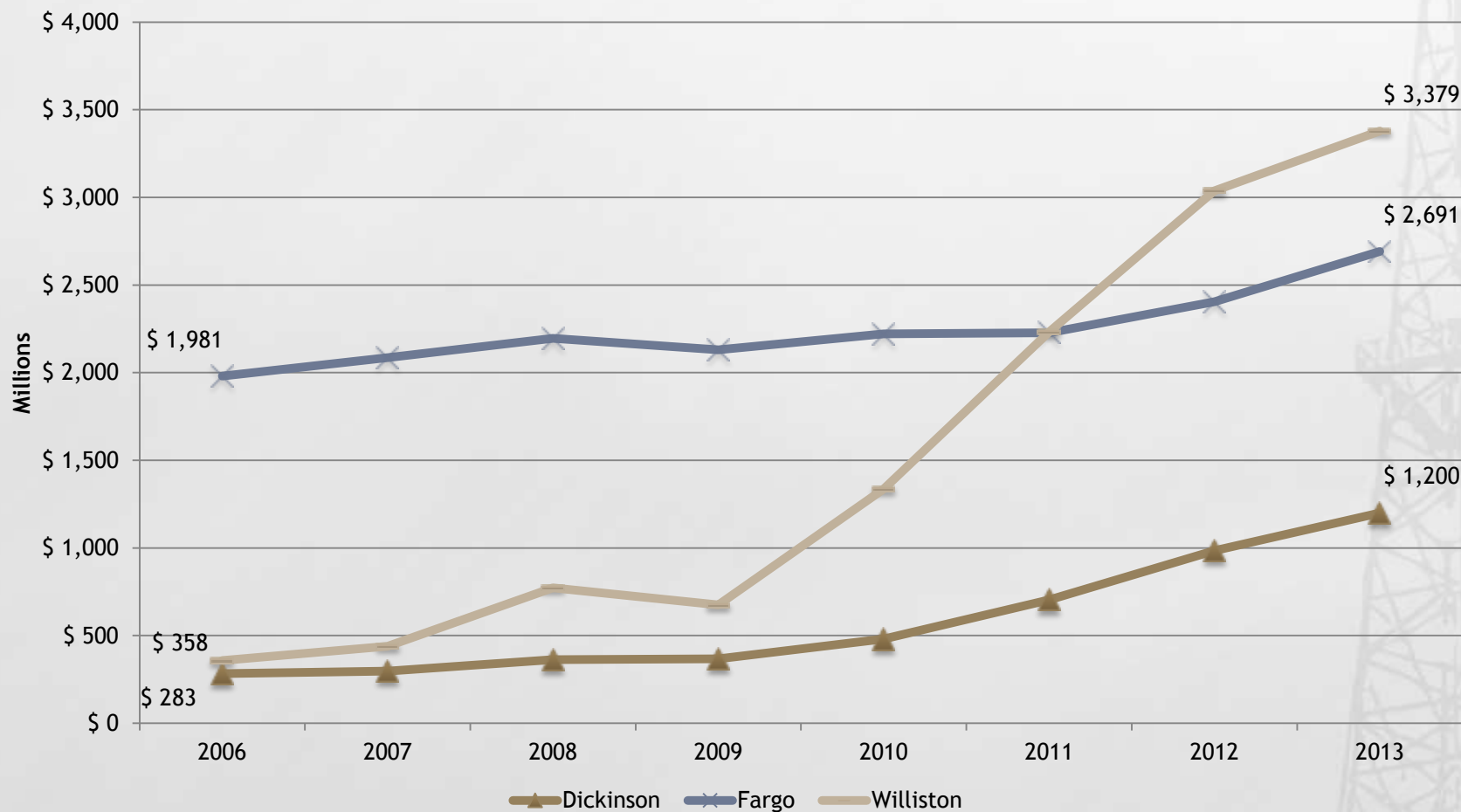


# Taxable Sales By County



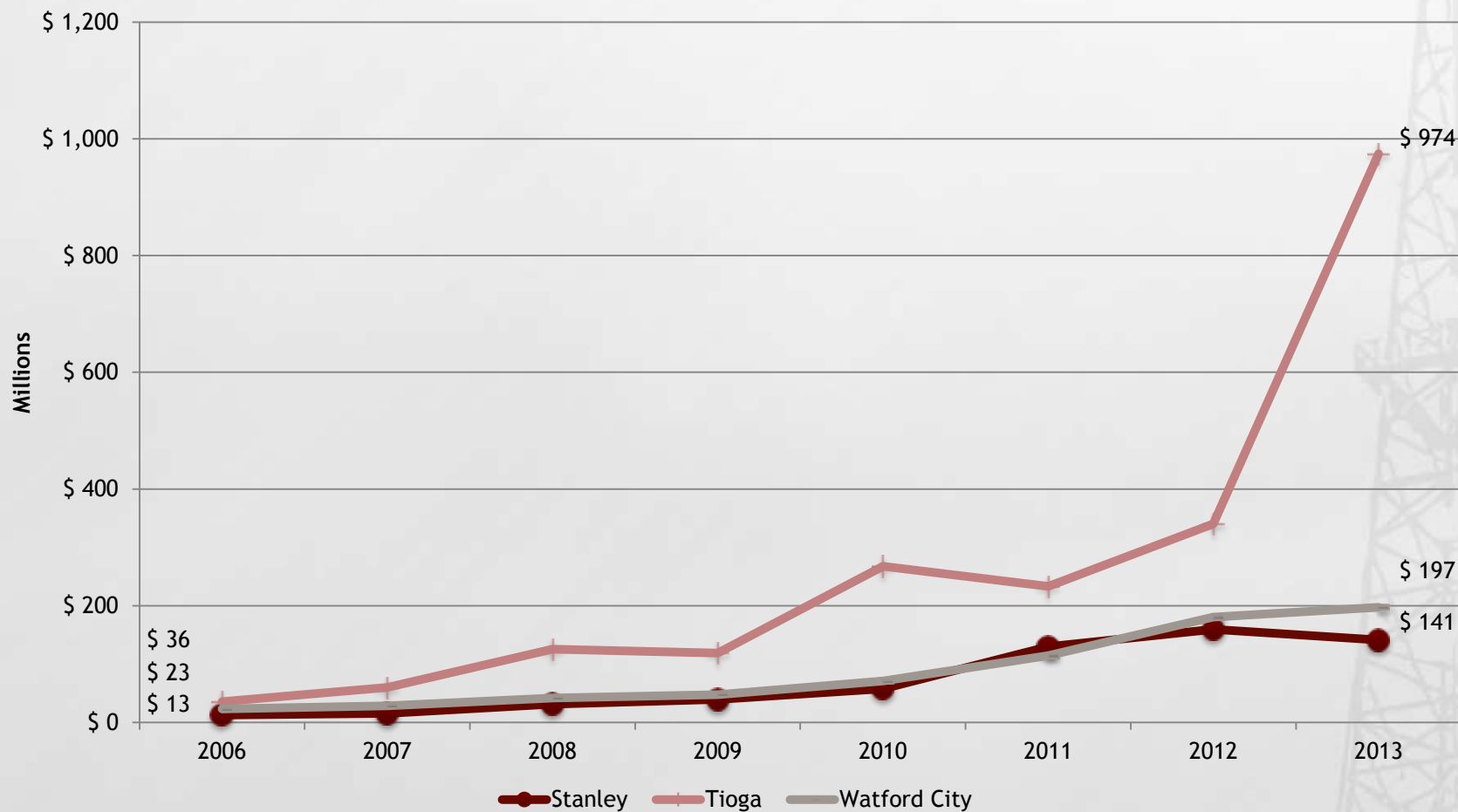


# Taxable Sales **By City**





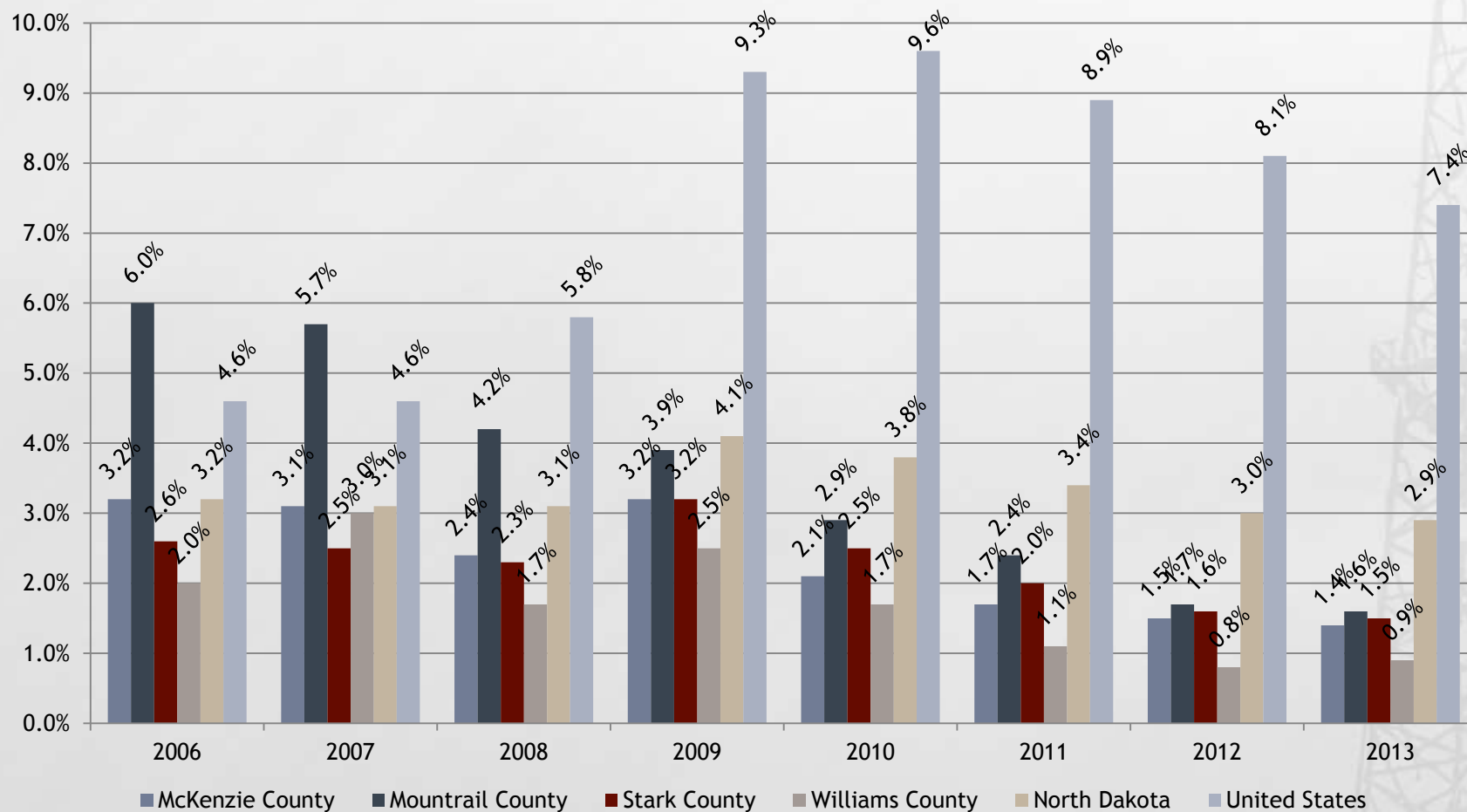
# Taxable Sales By City





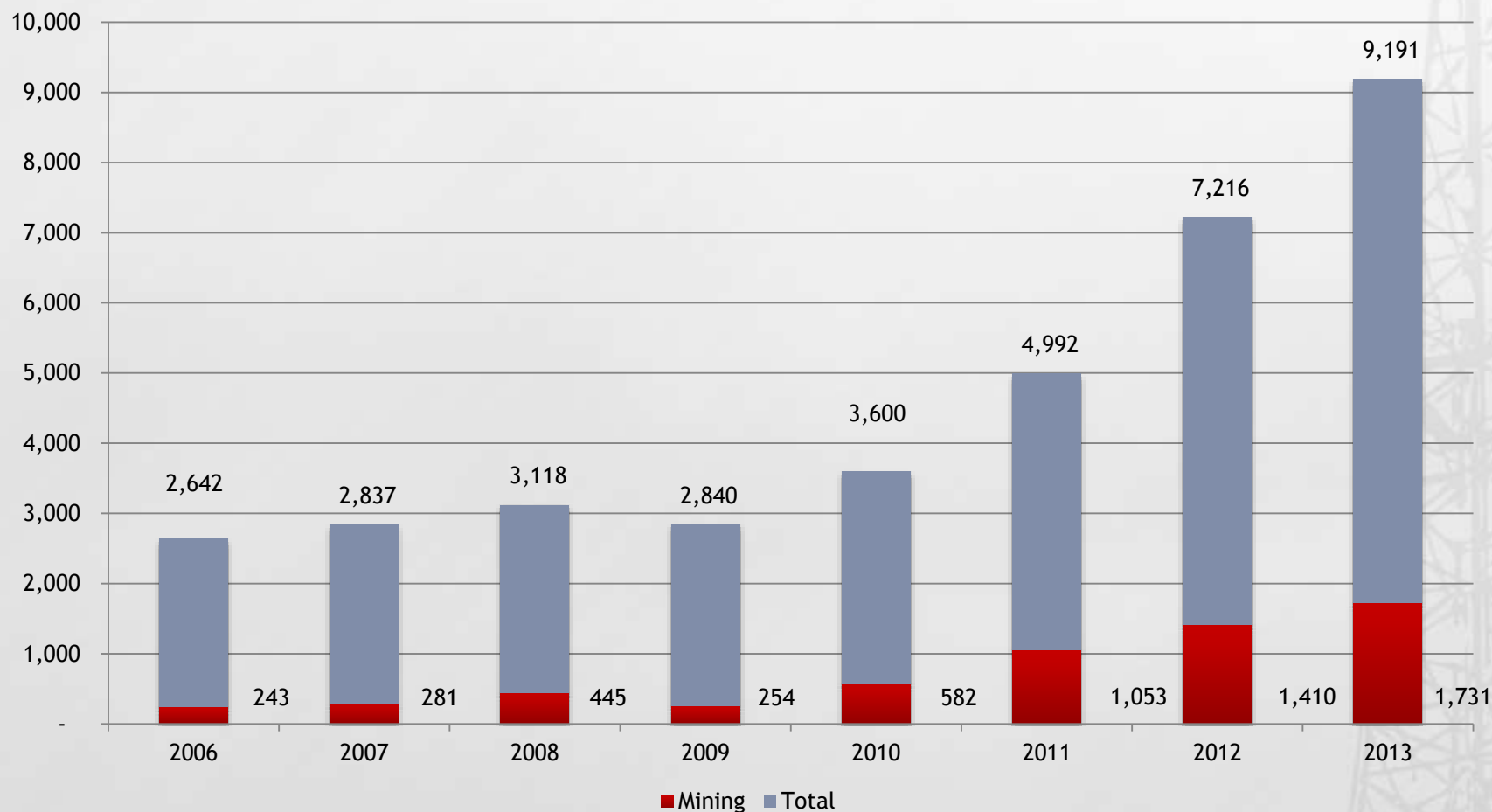


# Unemployment By County



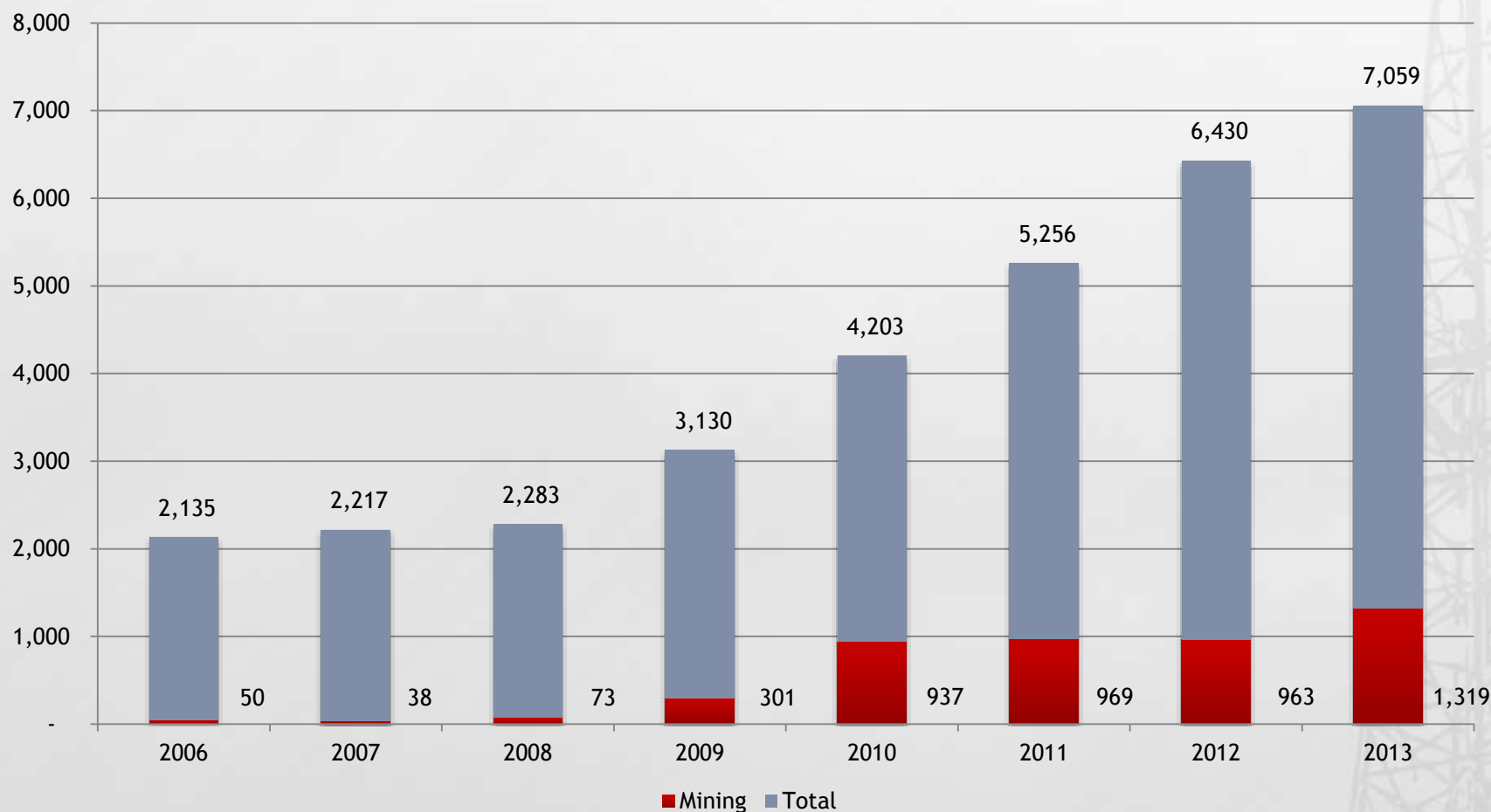


# McKenzie County Employment



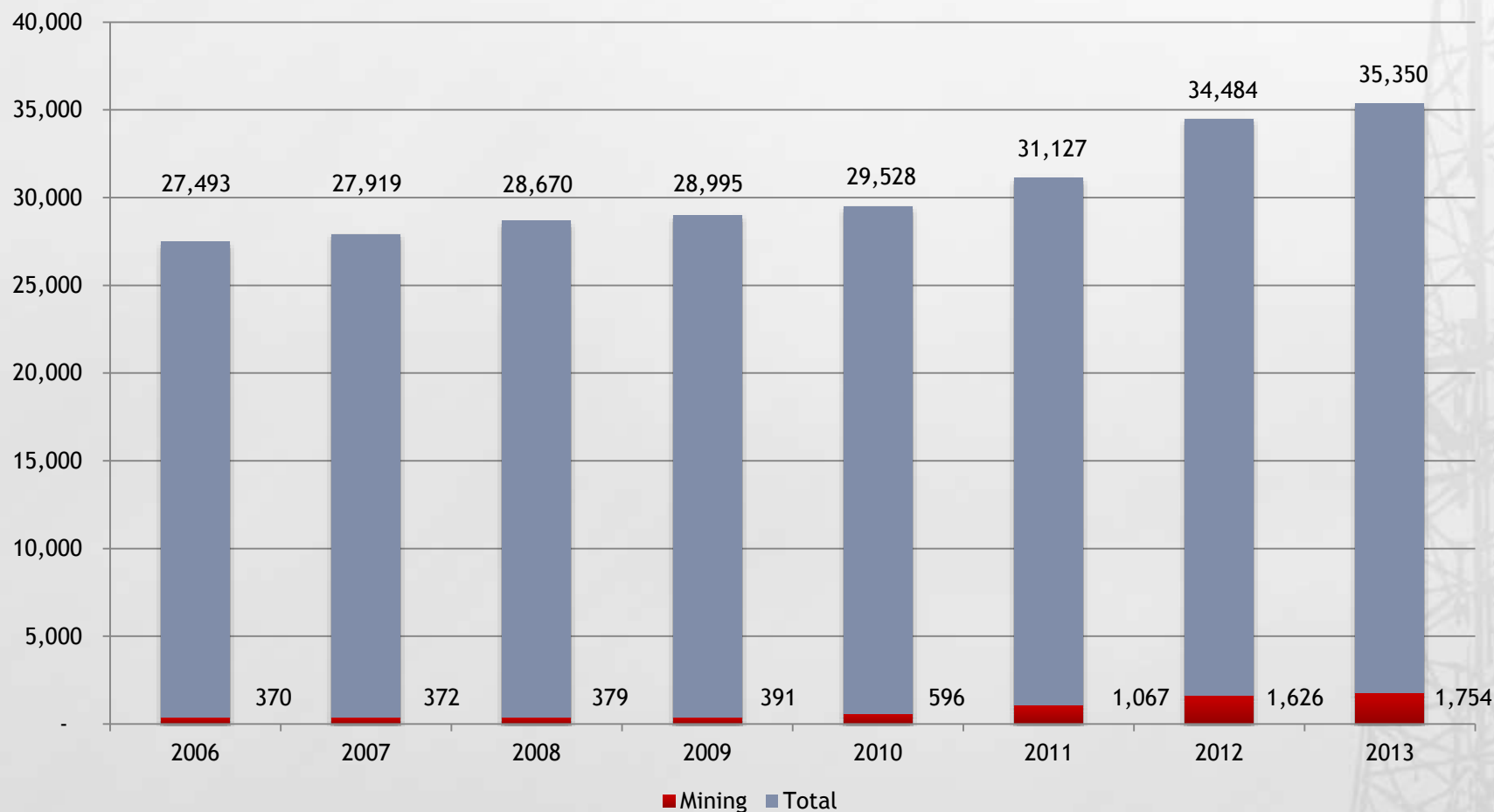


# Mountrail County **Employment**



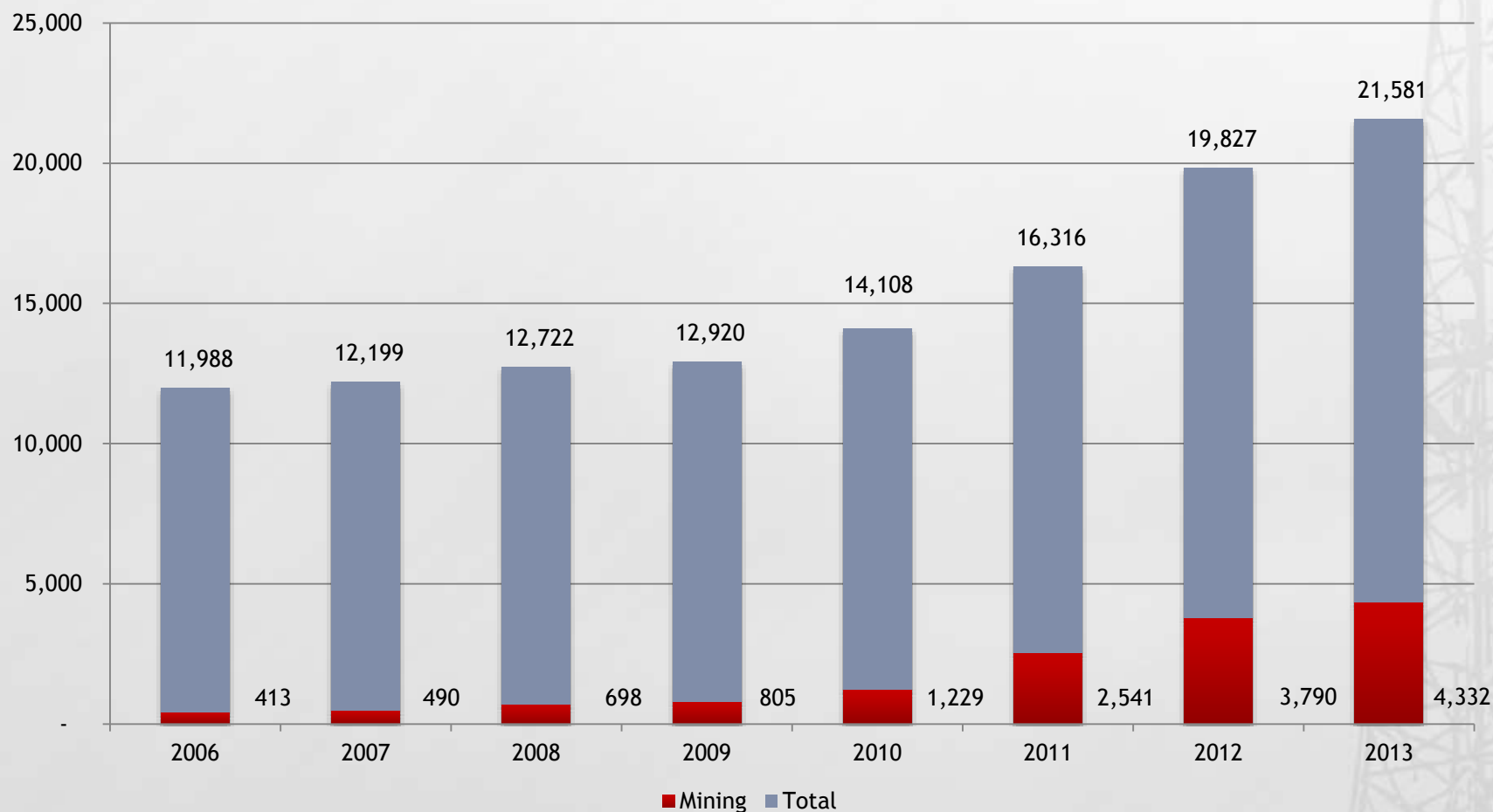


# Ward County **Employment**



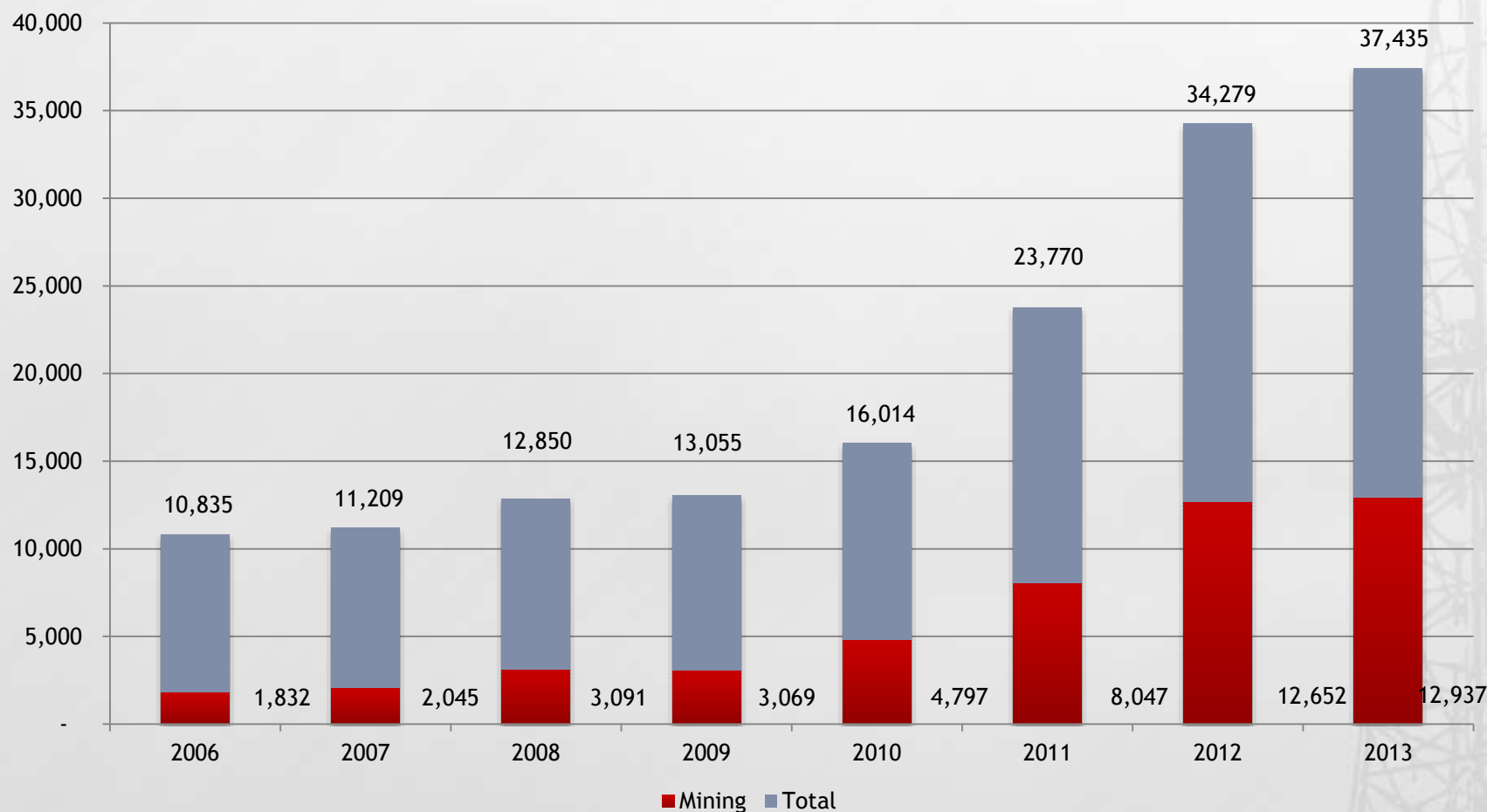


# Stark County **Employment**



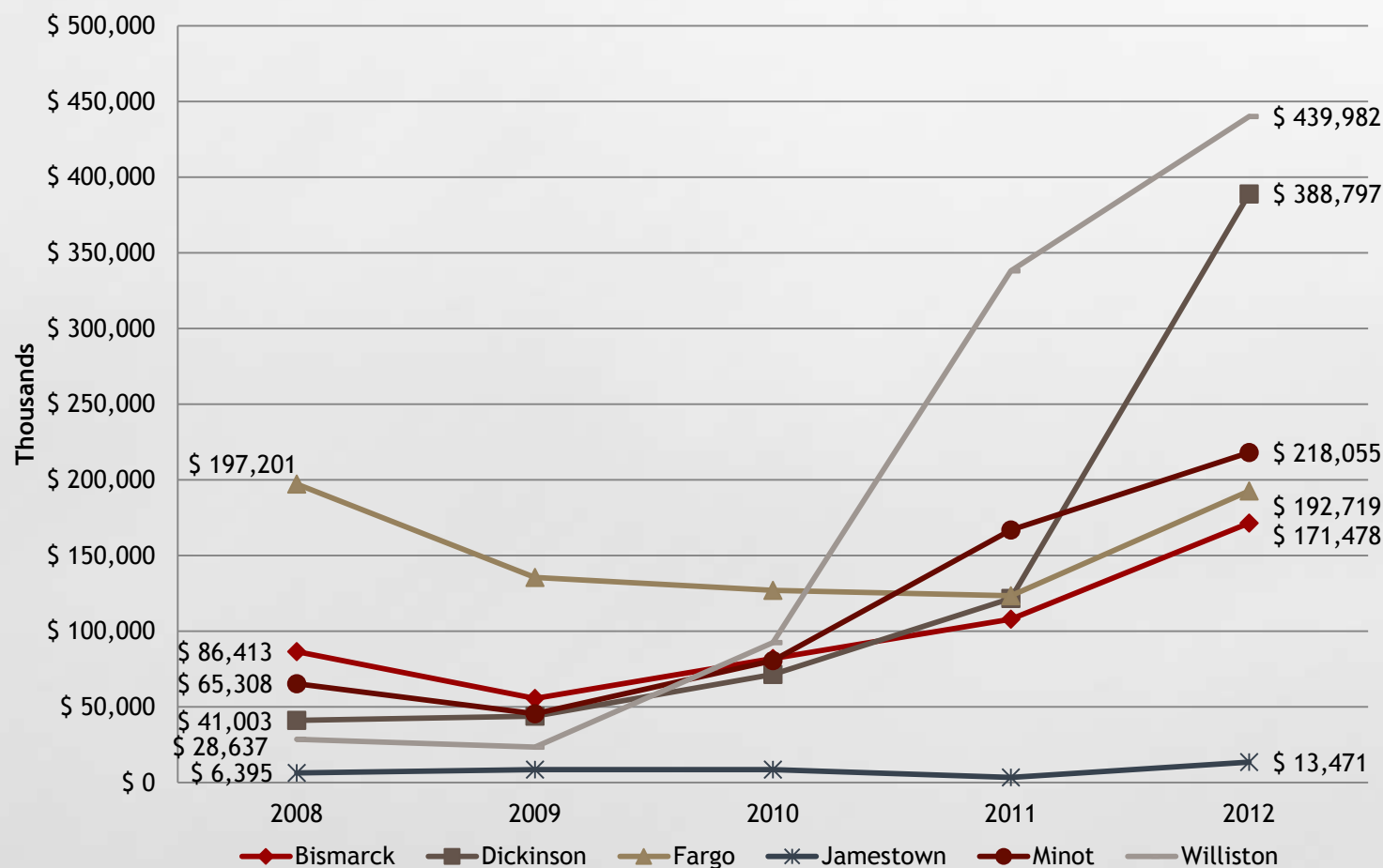


# Williams County **Employment**





# Annual Building Permit Valuation



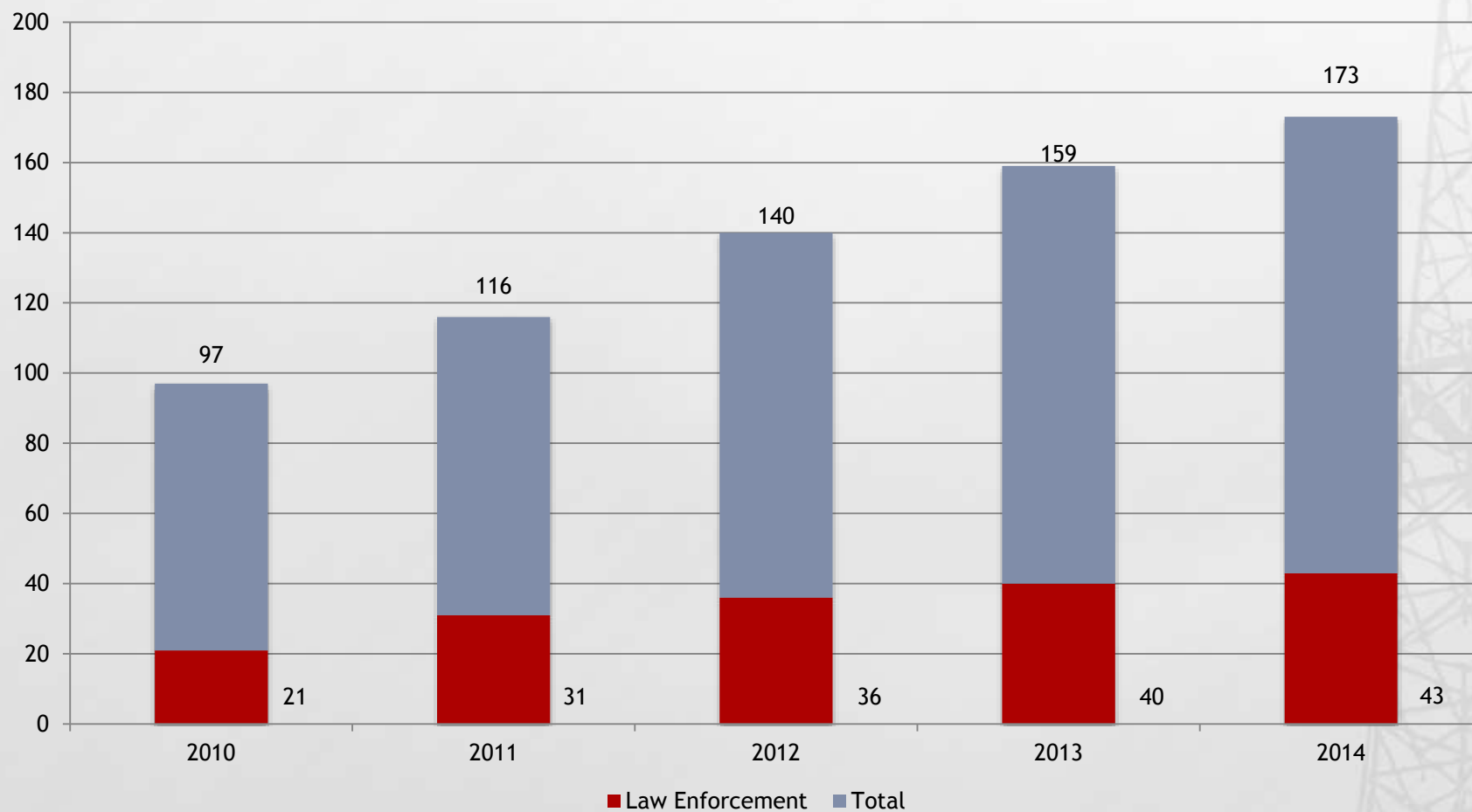




# Community Impacts

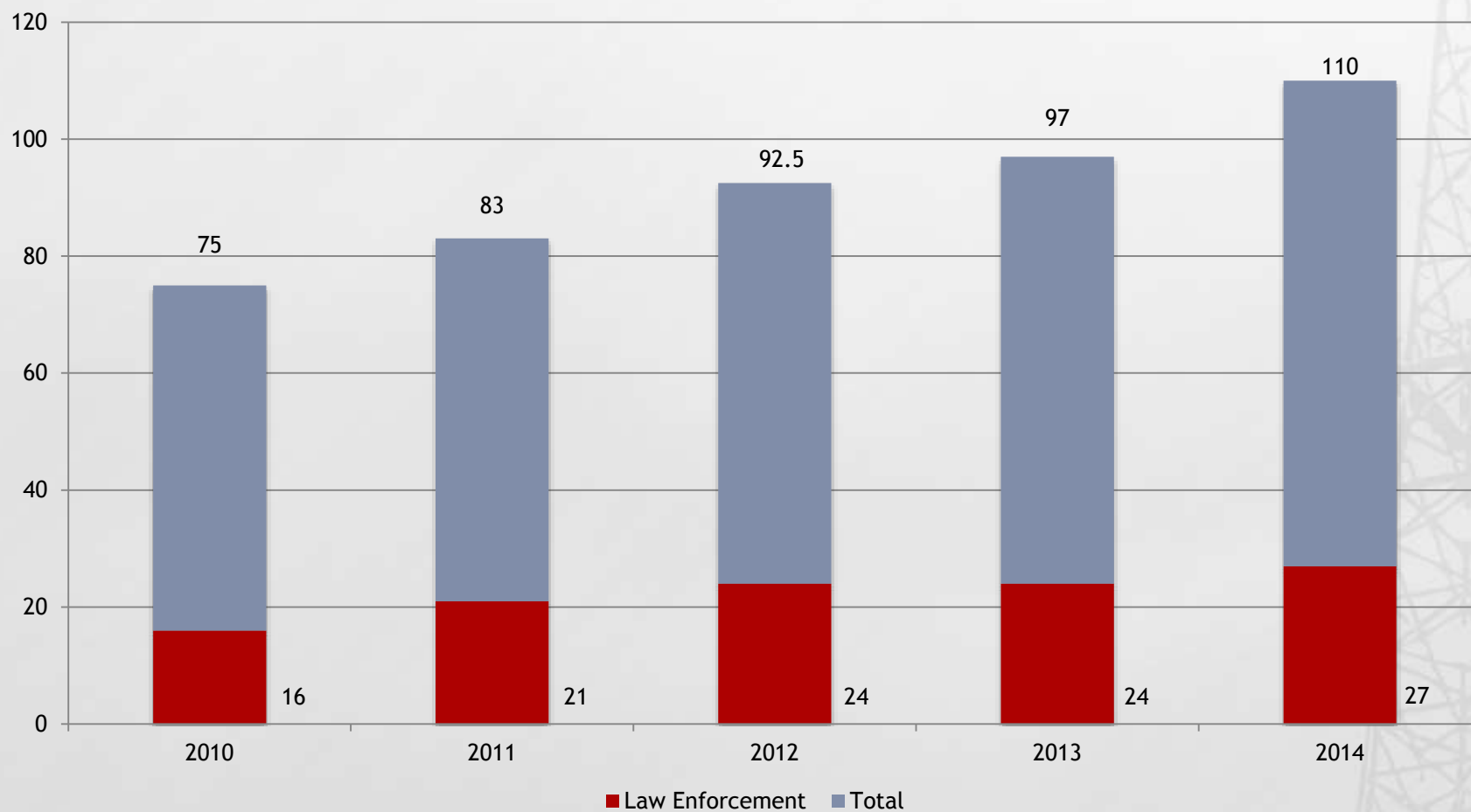


# McKenzie County **Staffing**



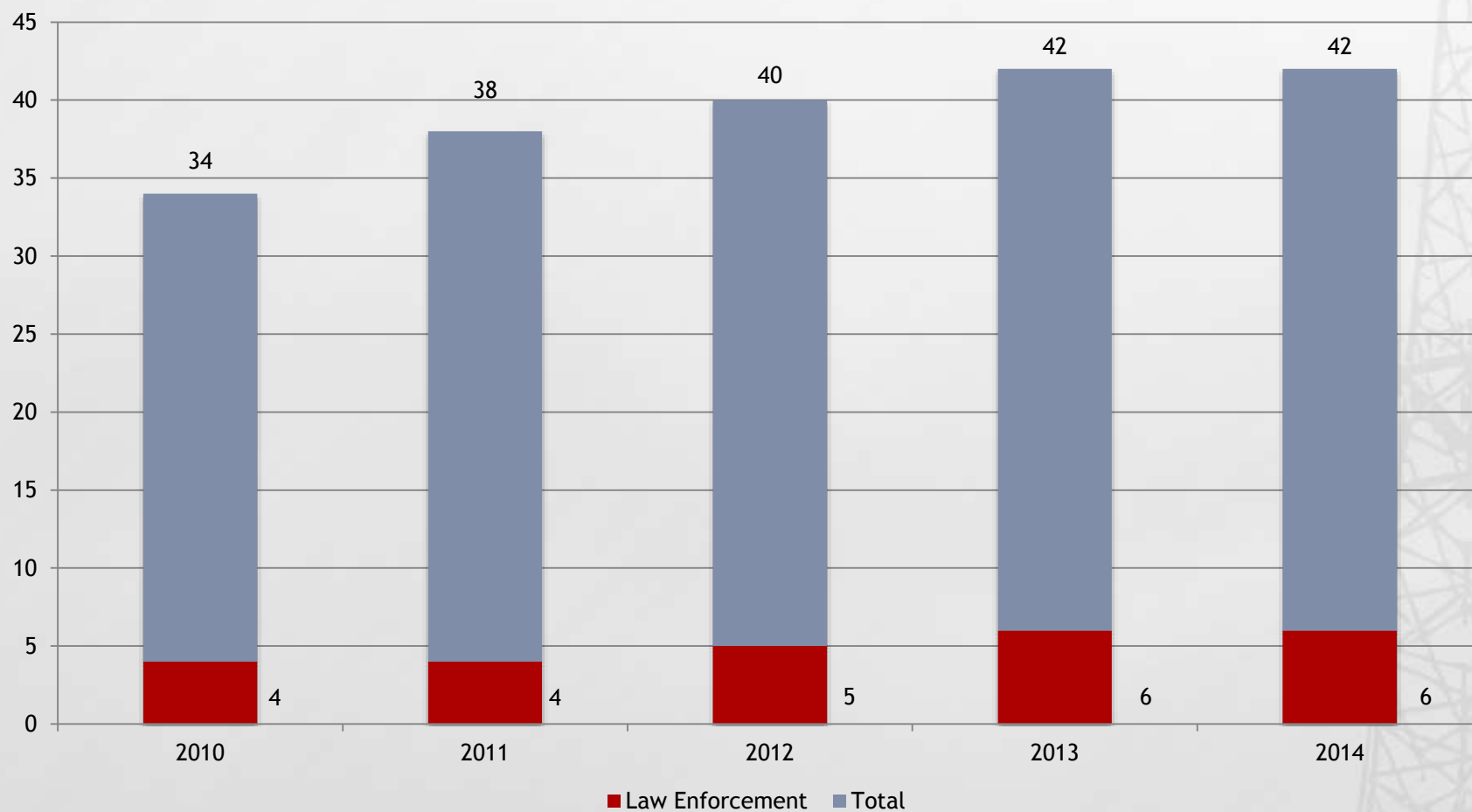


# Mountrail County Staffing



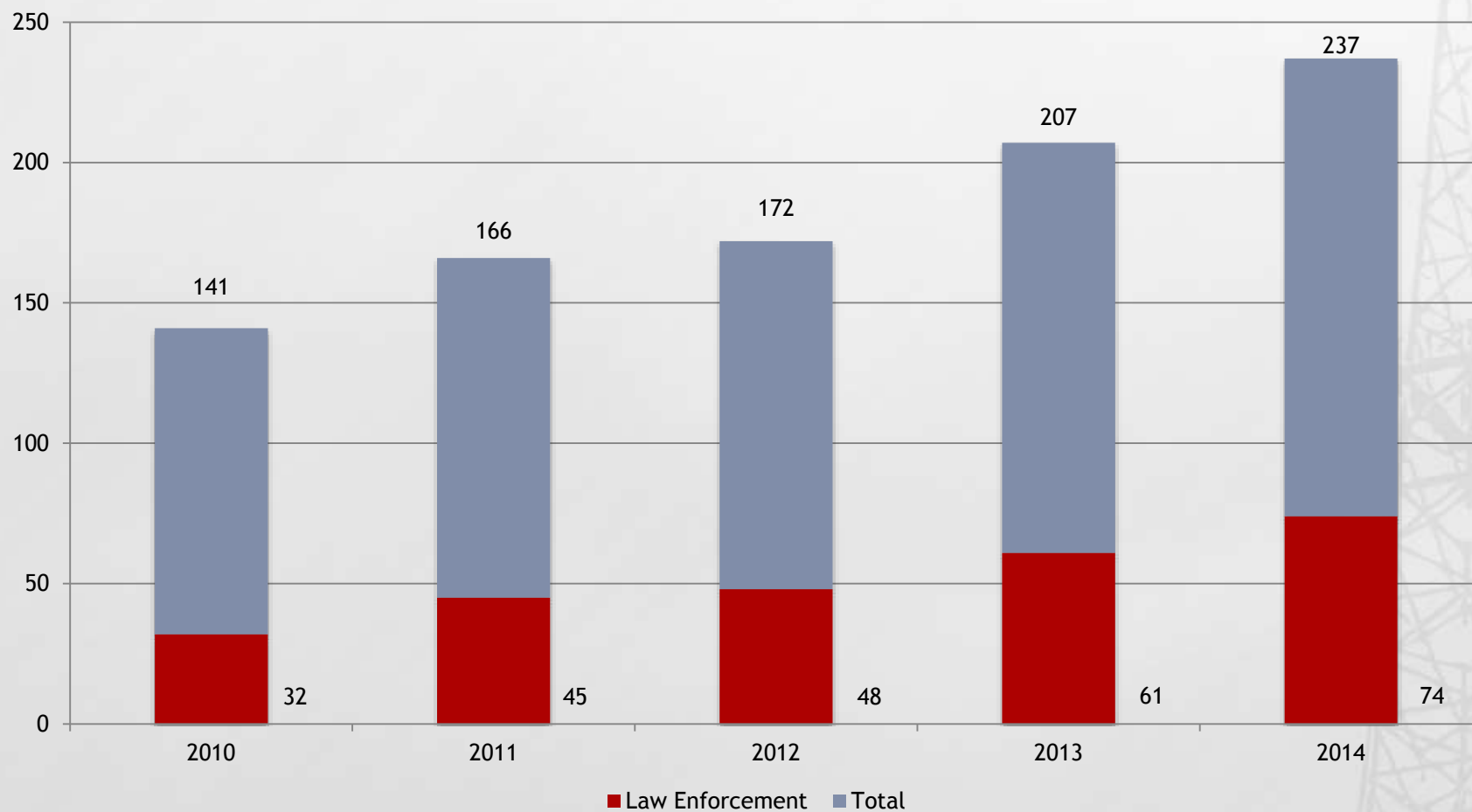


# Billings County Staffing



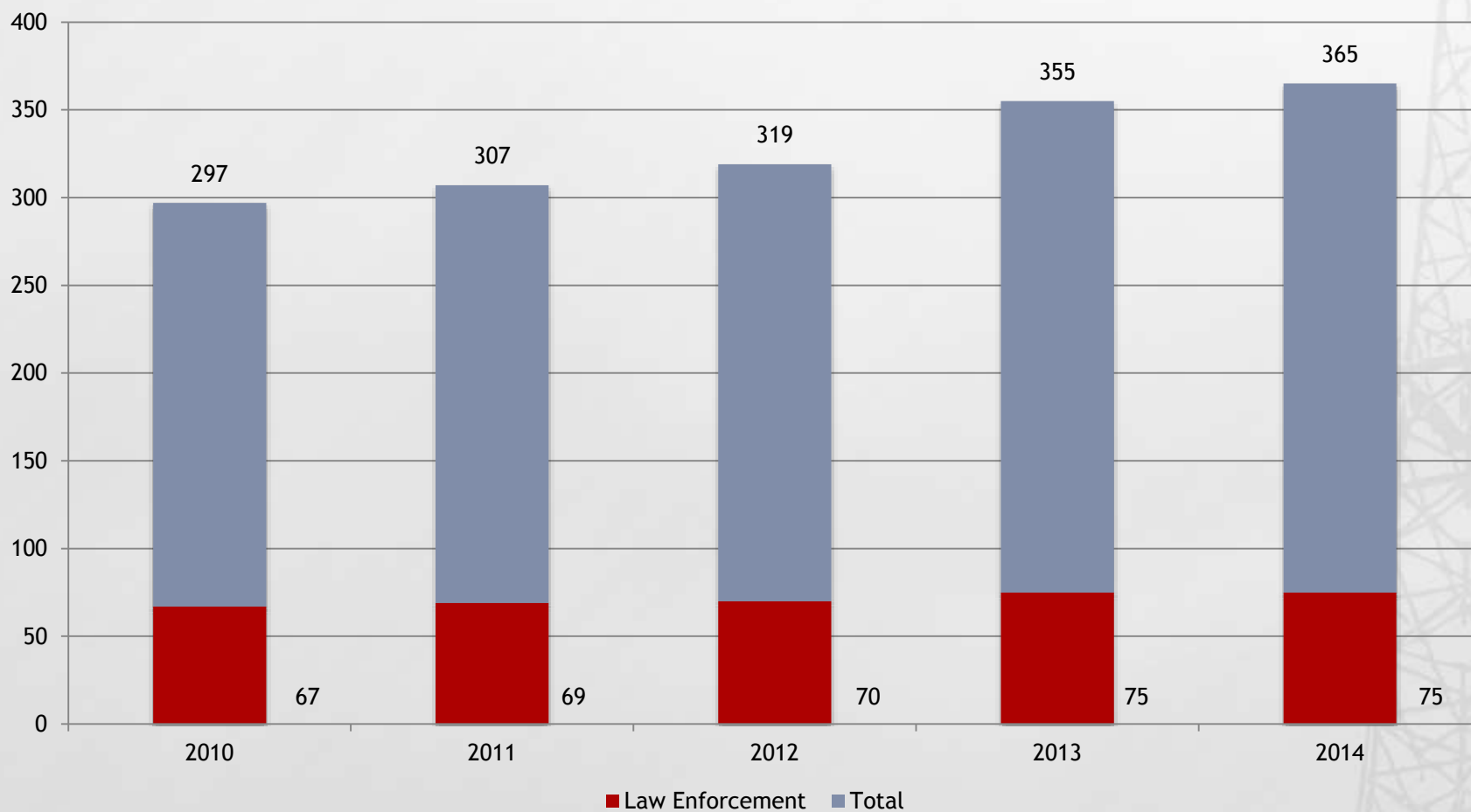


# Williams County **Staffing**



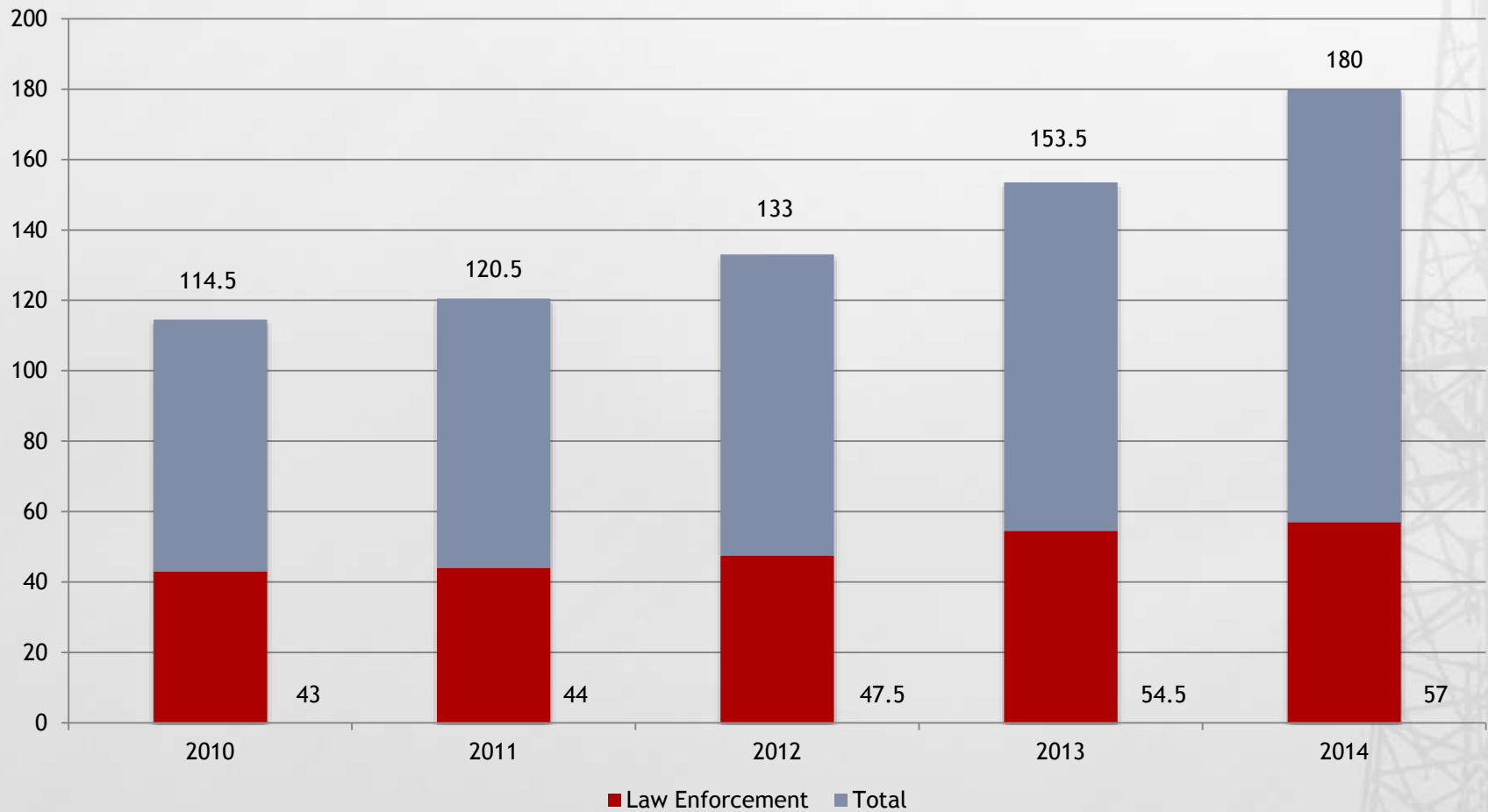


# City of Minot Staffing





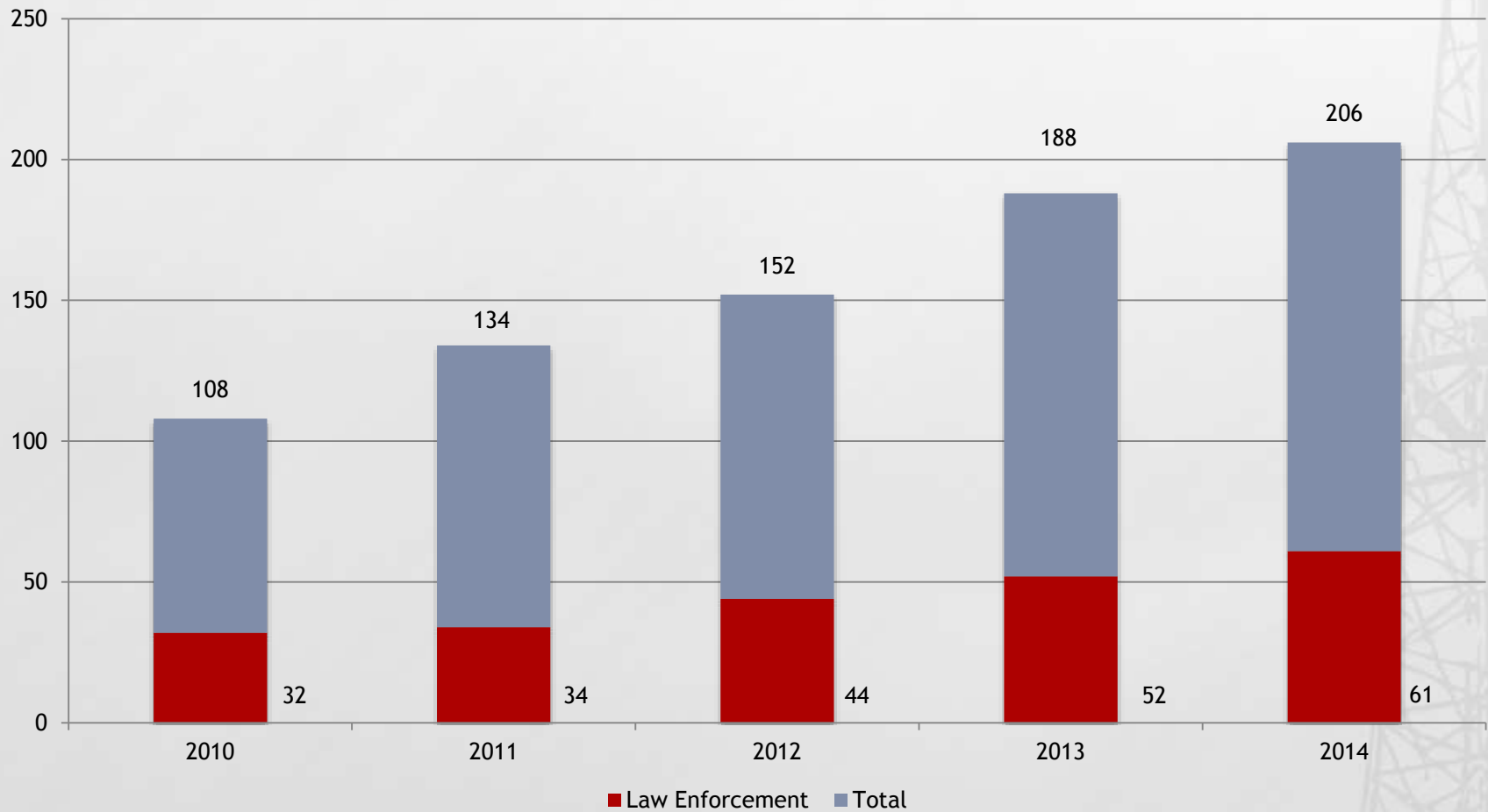
# City of Dickinson **Staffing**





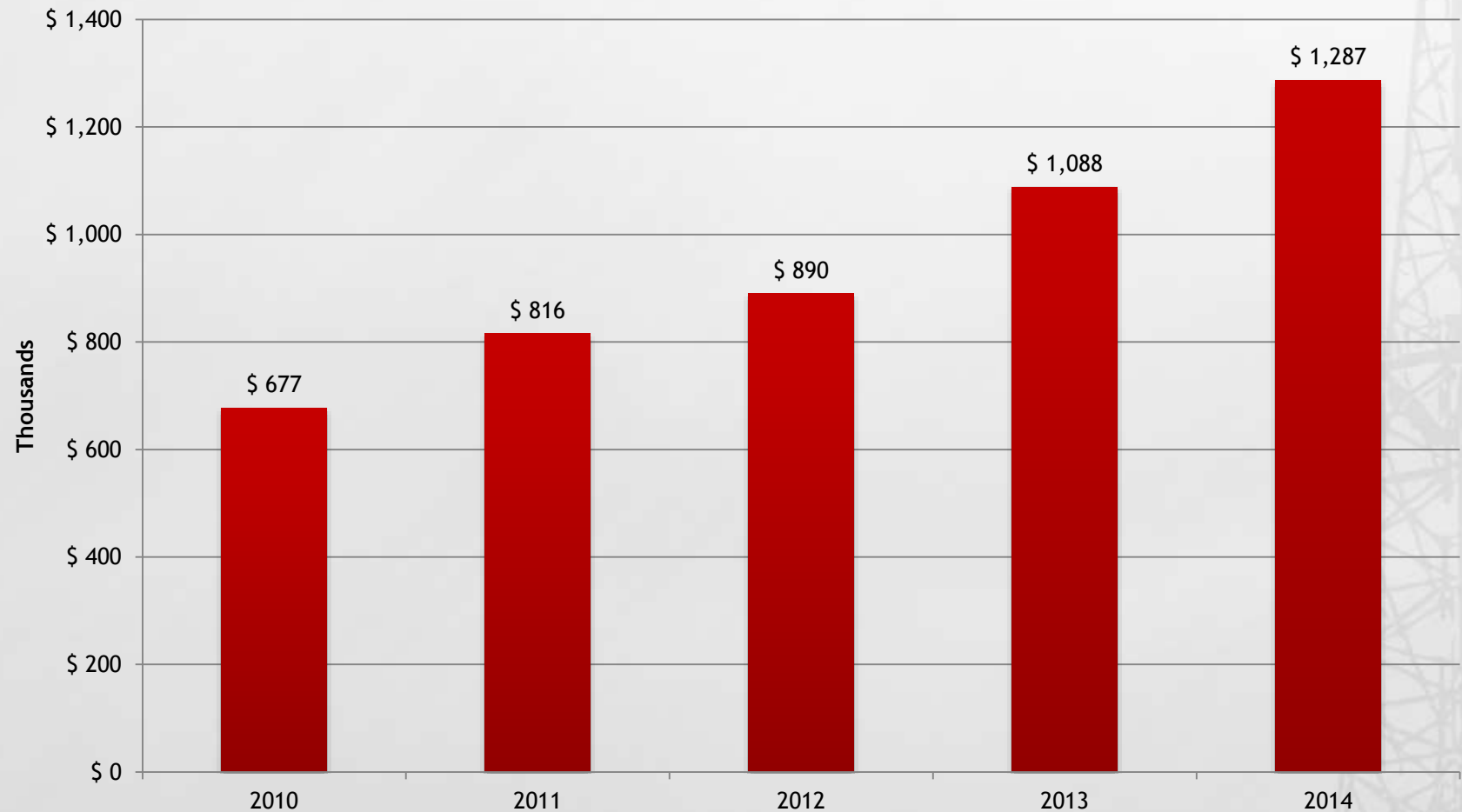


# City of Williston Staffing



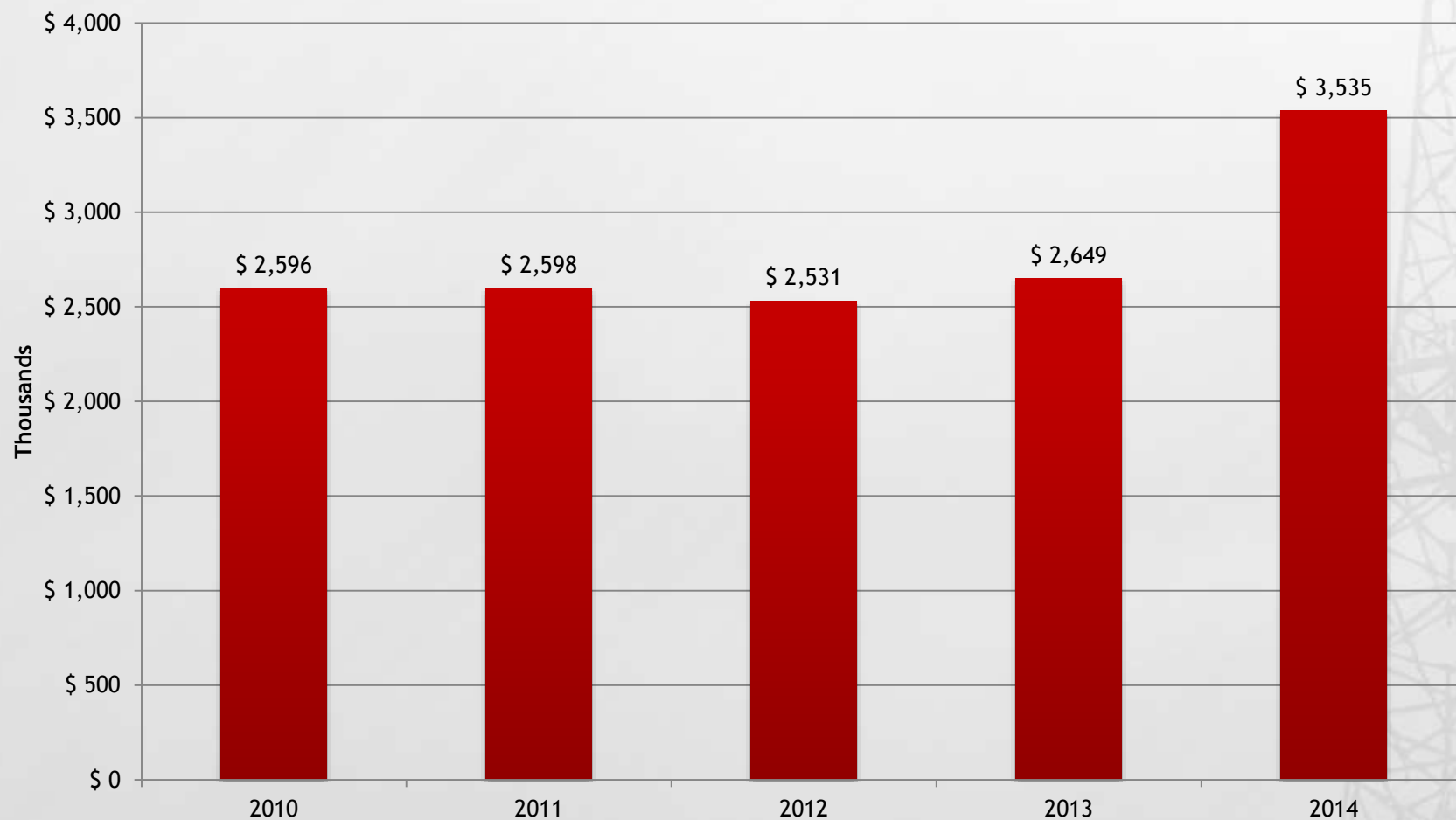


# McKenzie County Social Services



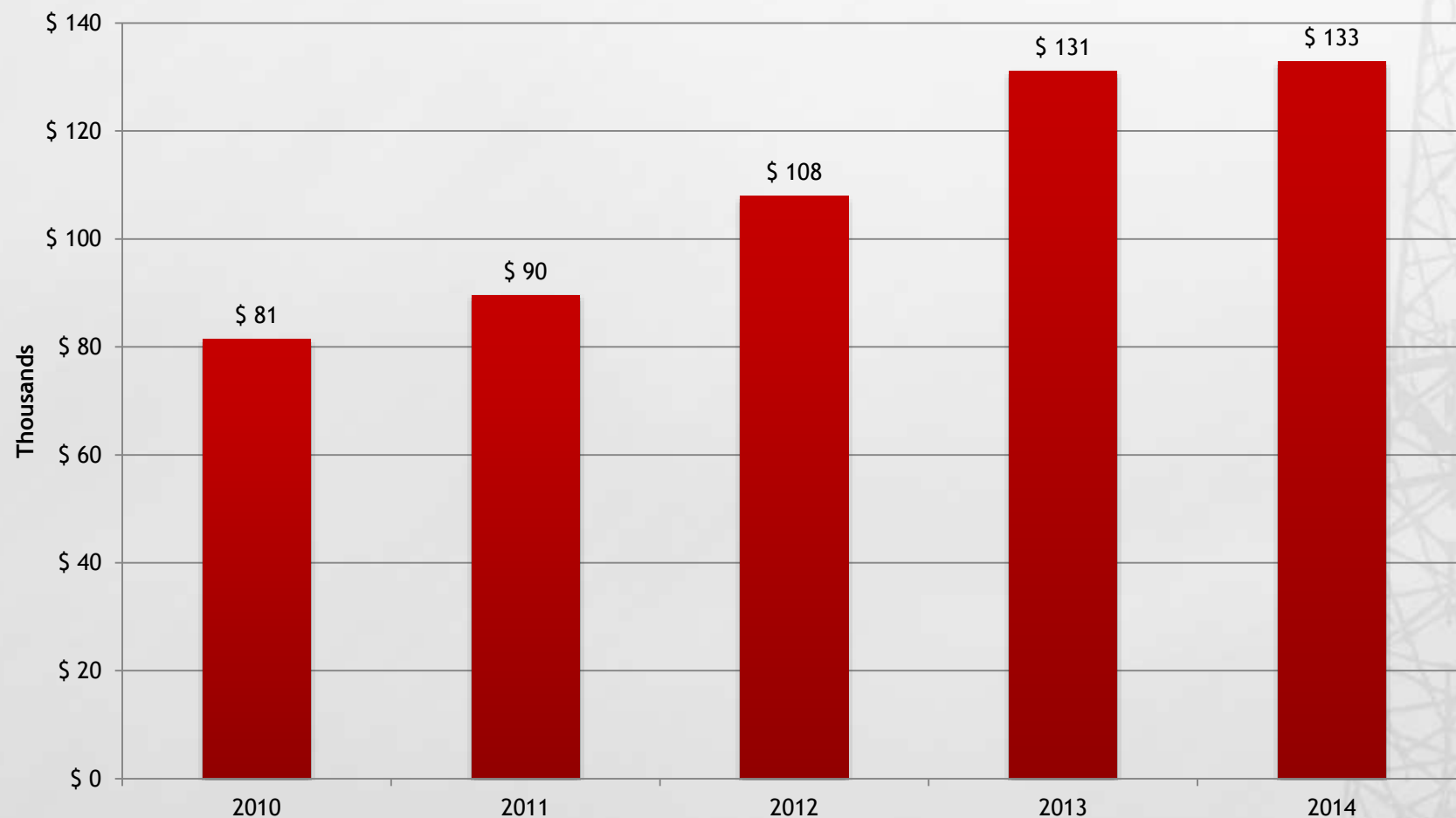


# Stark County Social Services



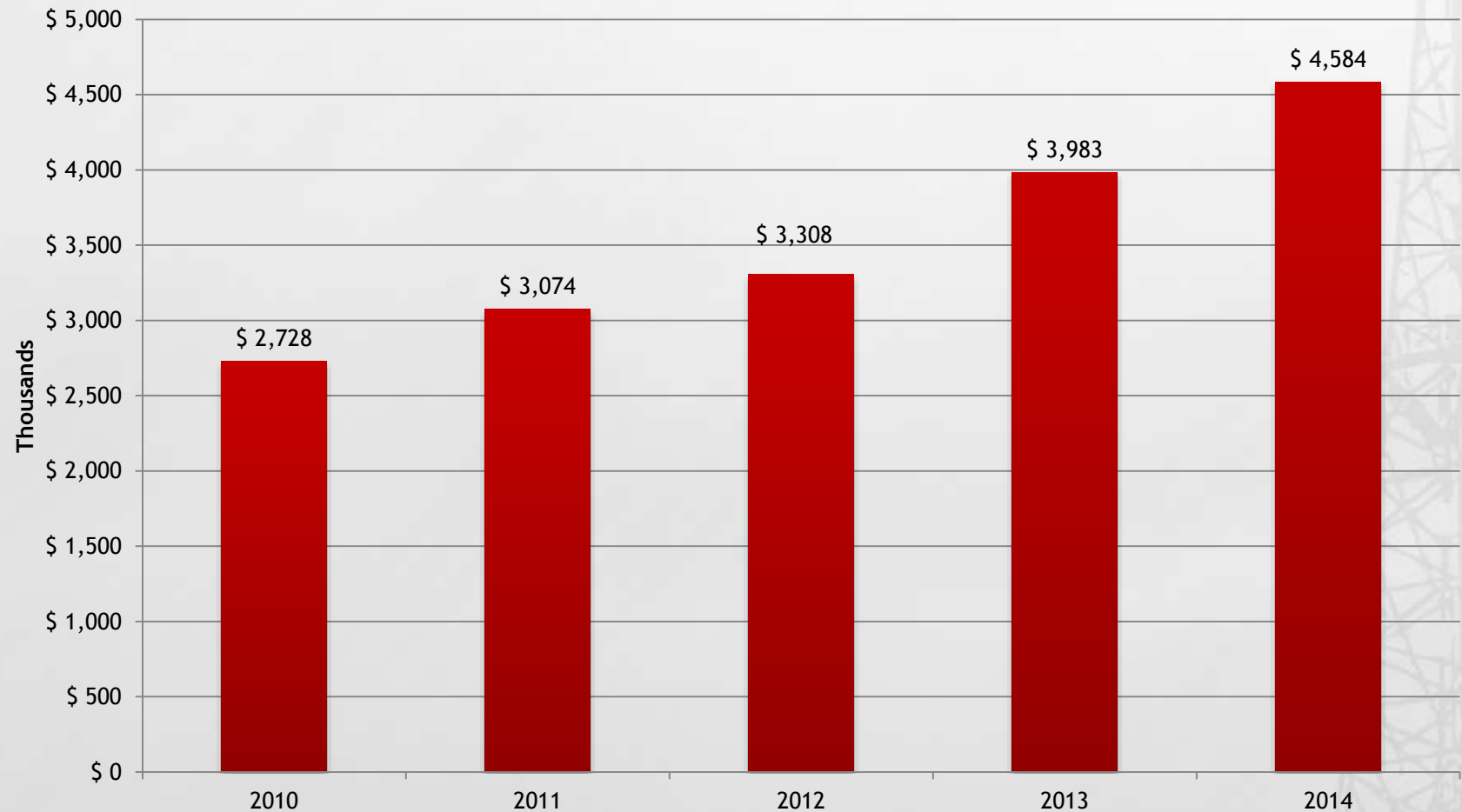


# Billings County Social Services



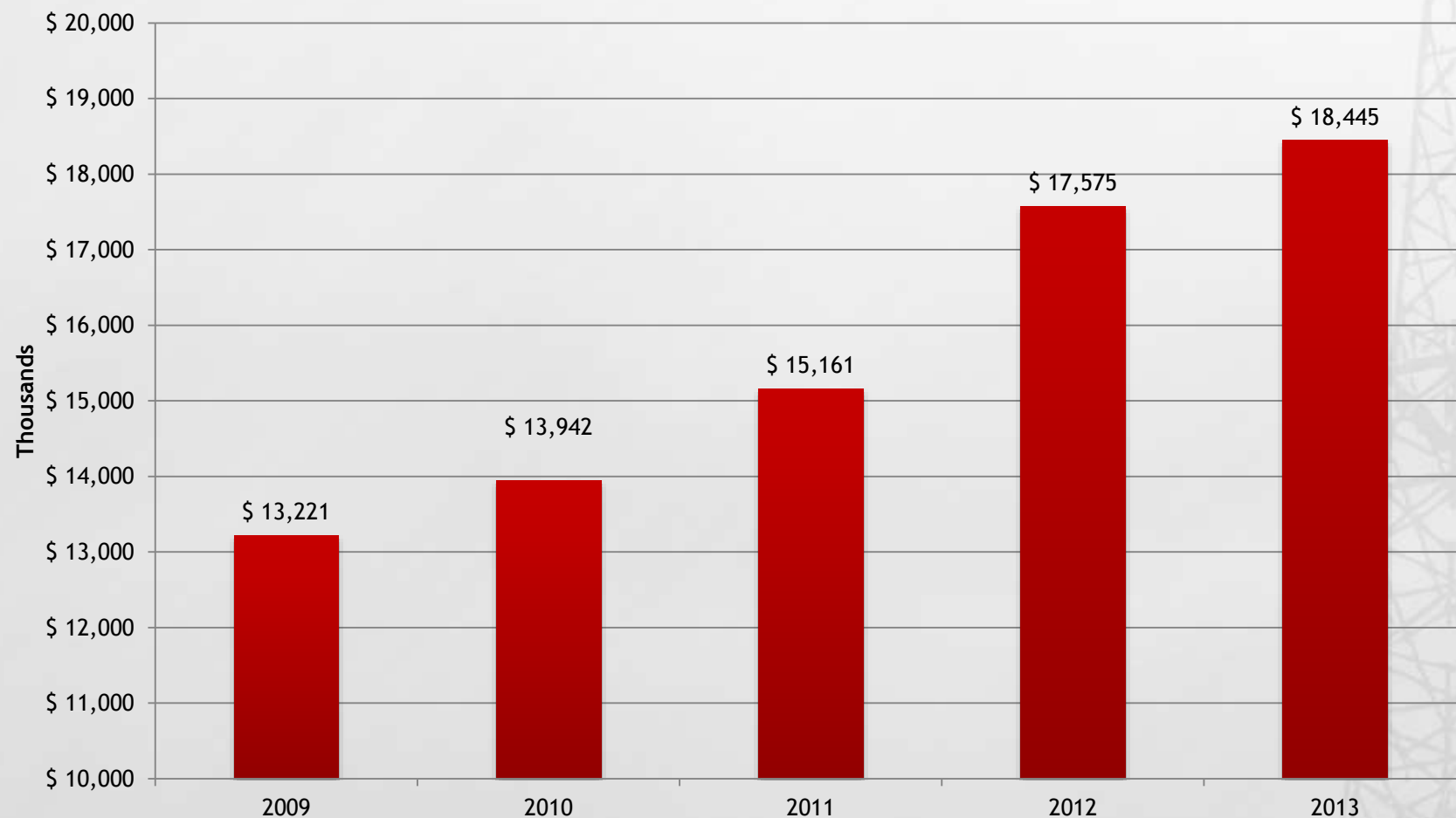


# Williams County Social Services



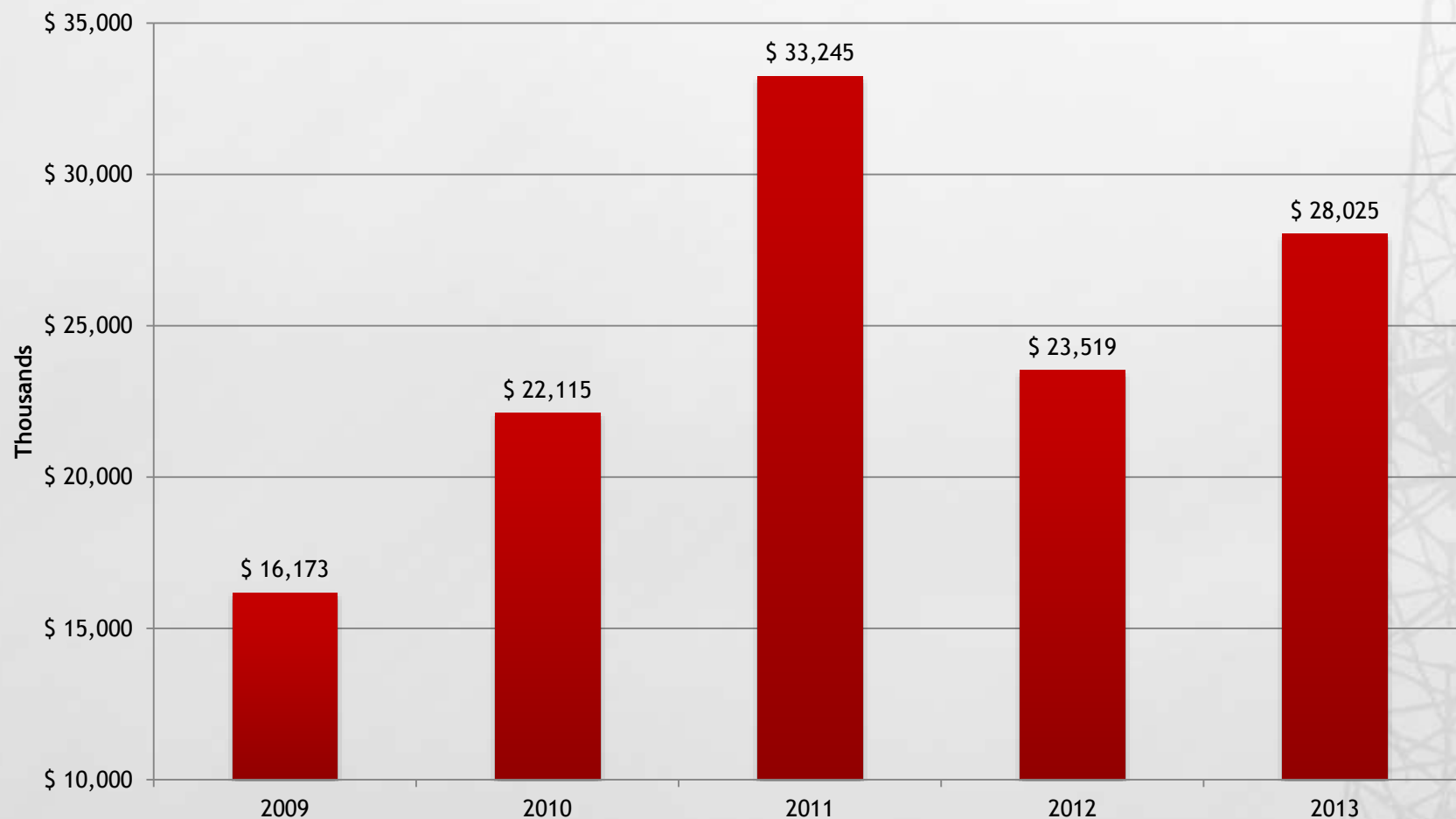


# McKenzie County School Expenditures



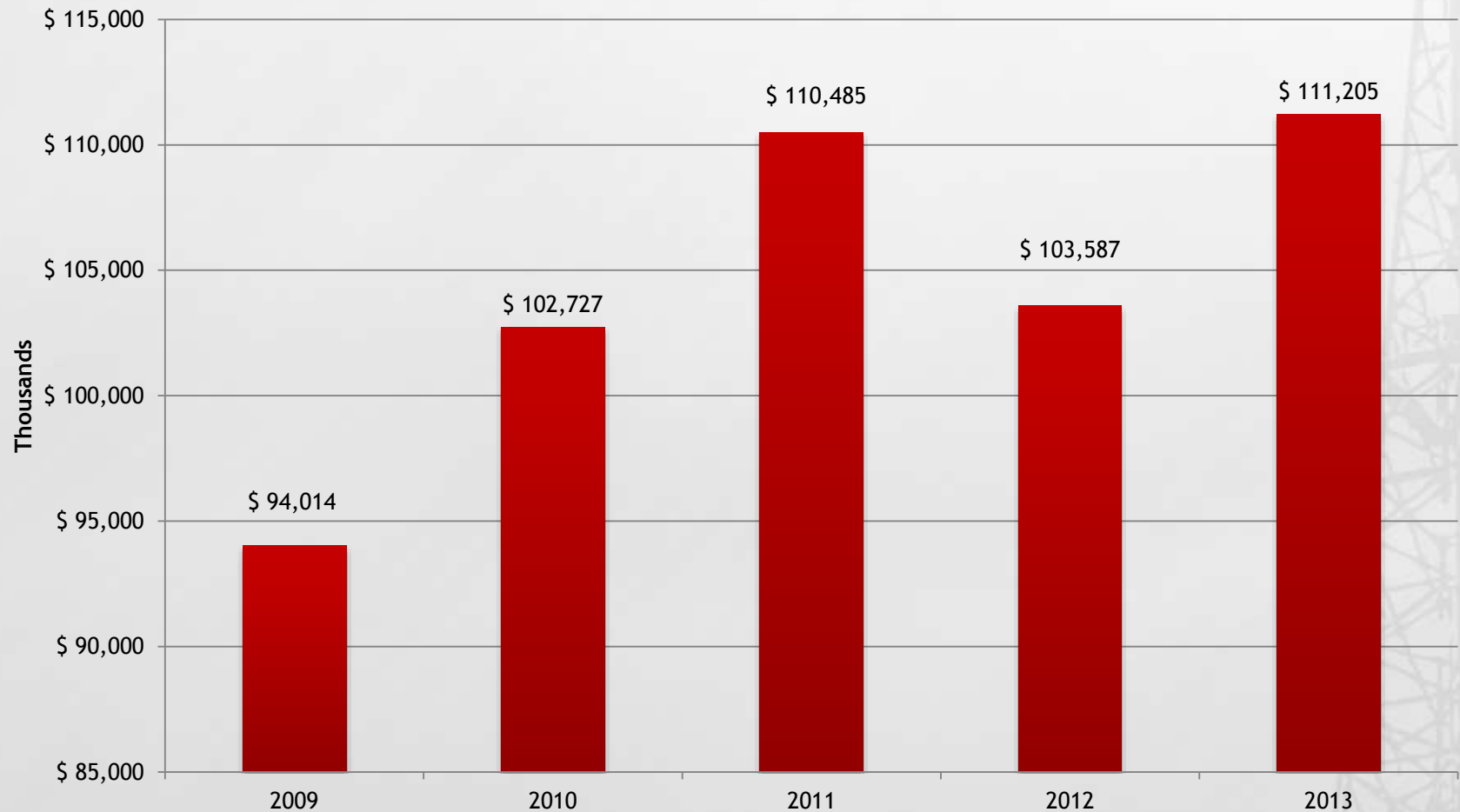


# Mountrail County School Expenditures





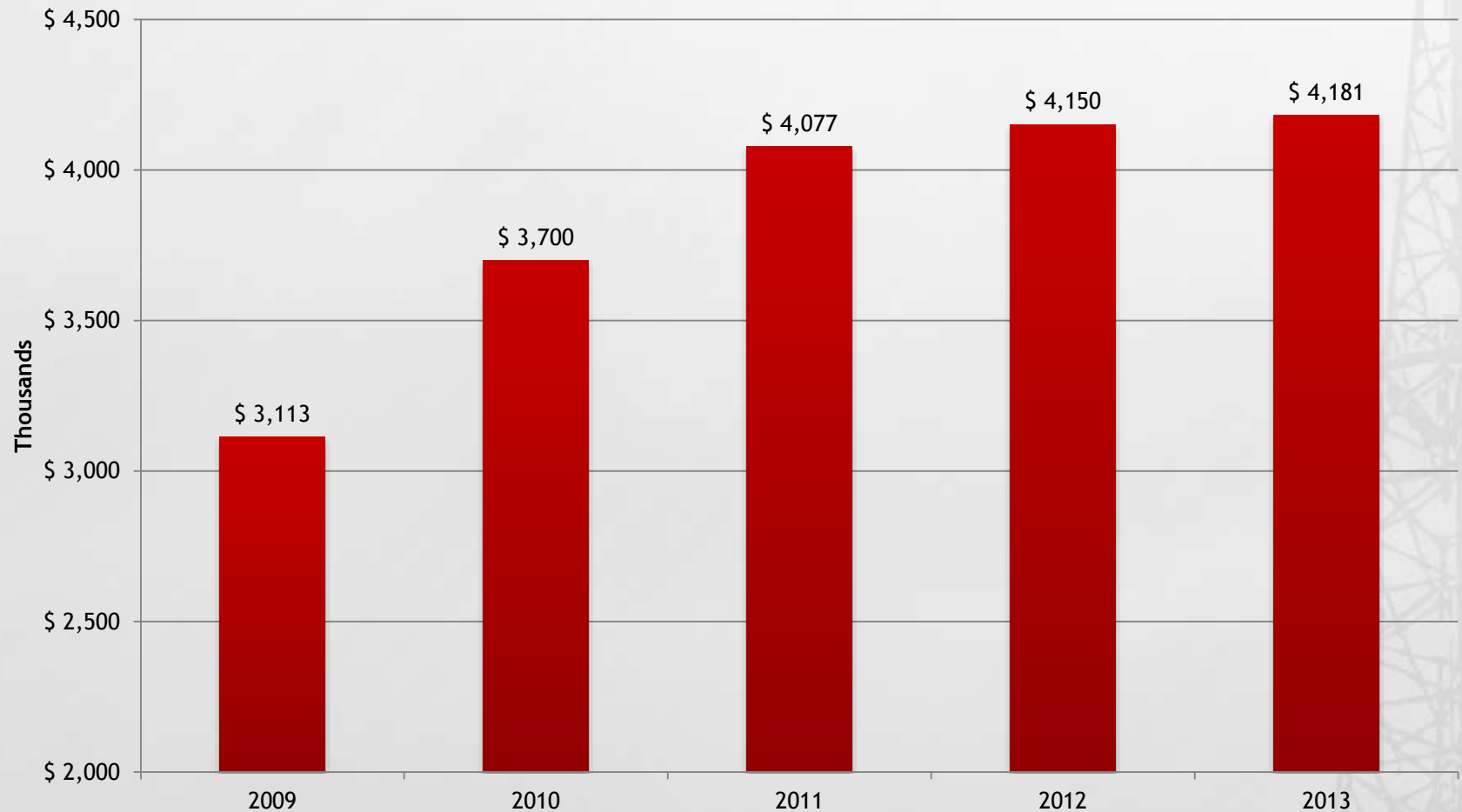
# Ward County School Expenditures





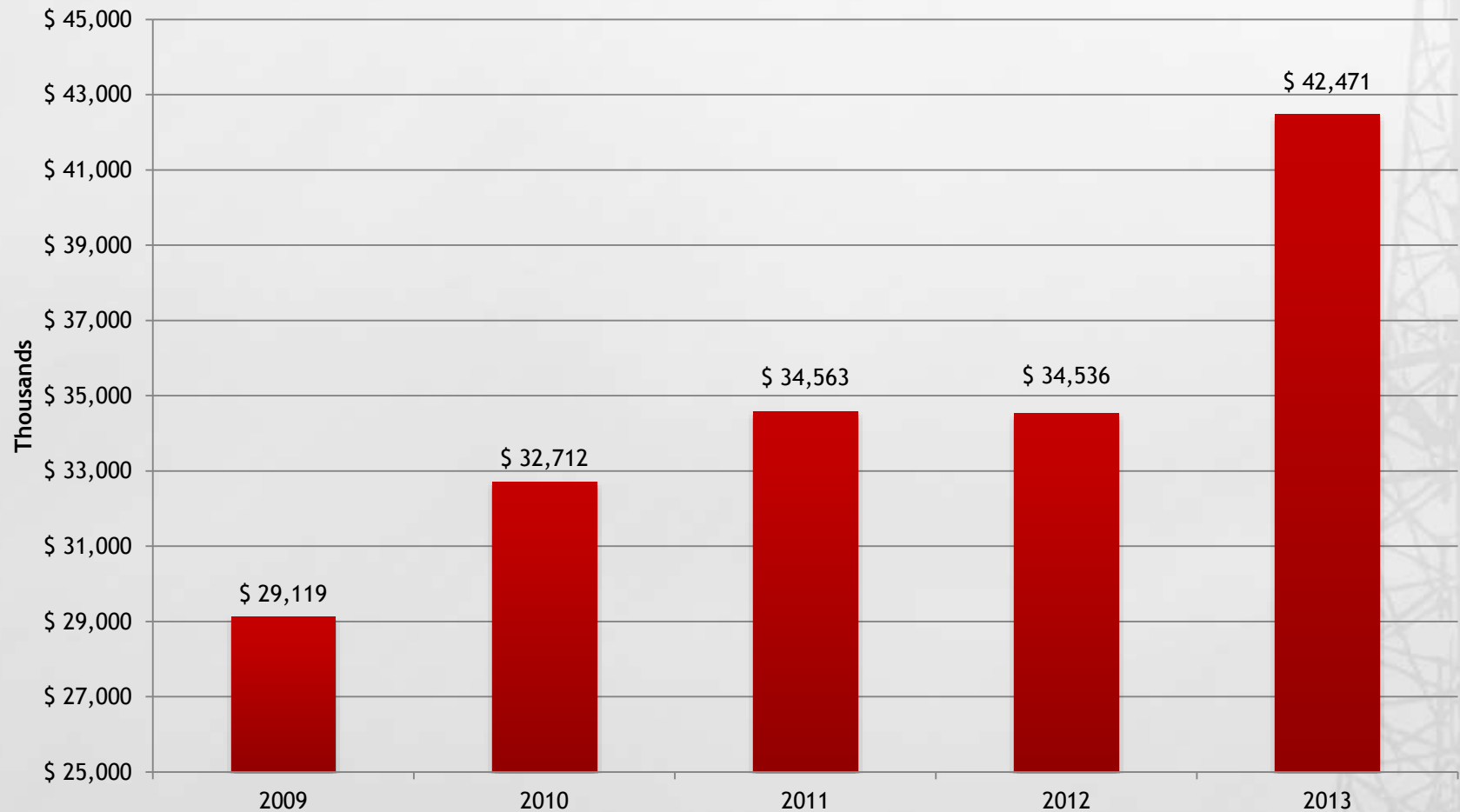


# Divide County School Expenditures



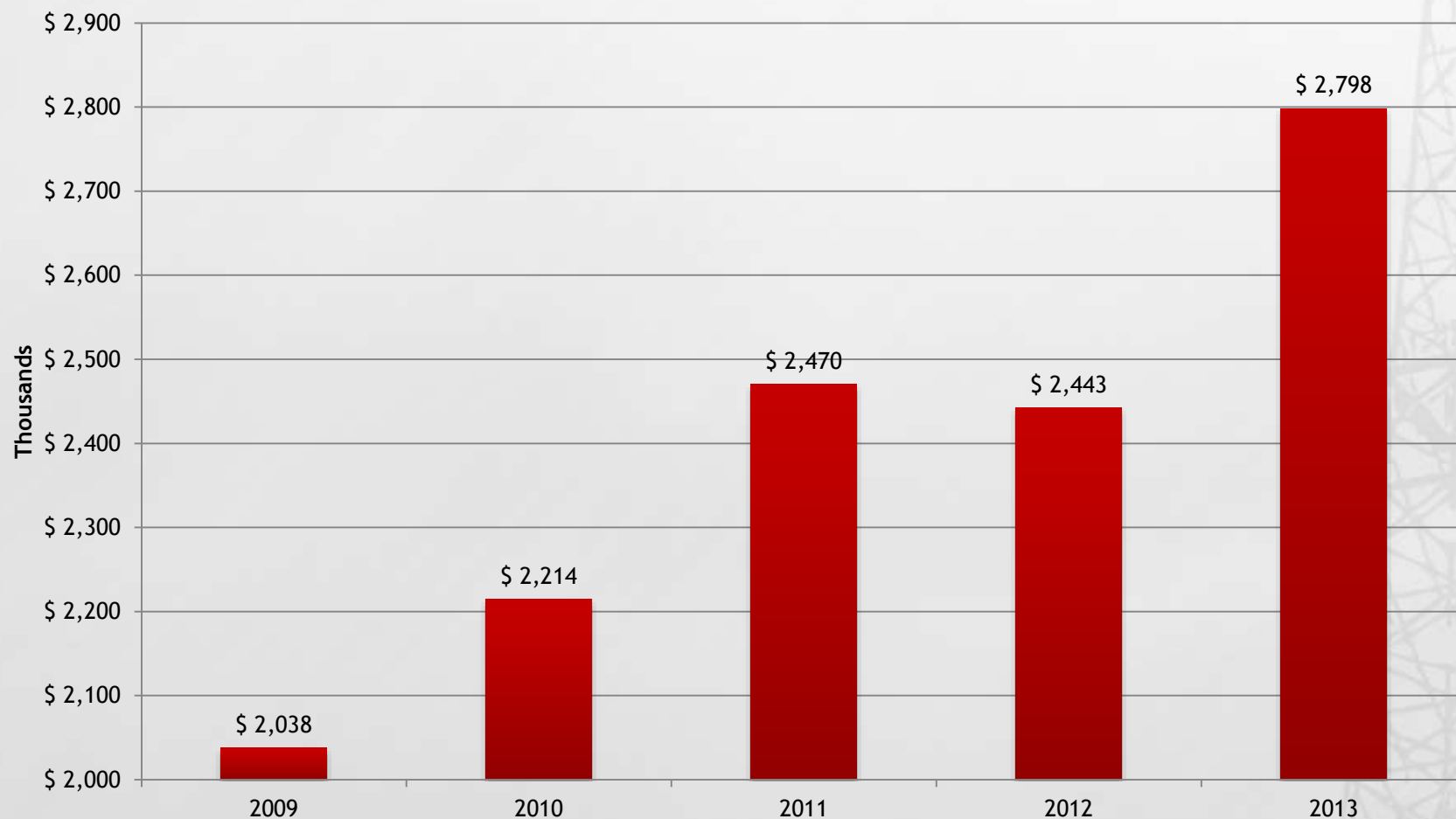


# Stark County School Expenditures



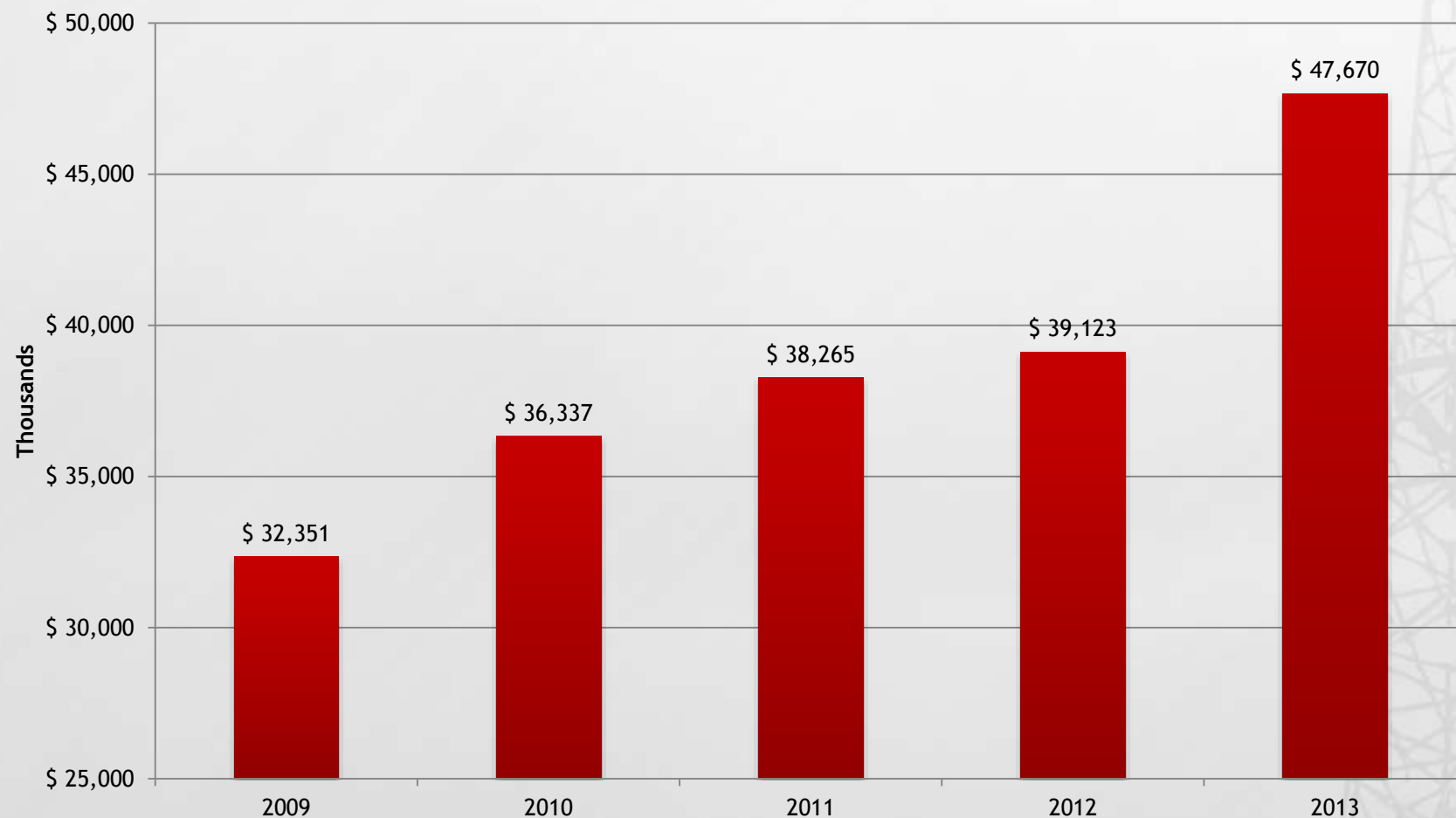


# Billings County School Expenditures



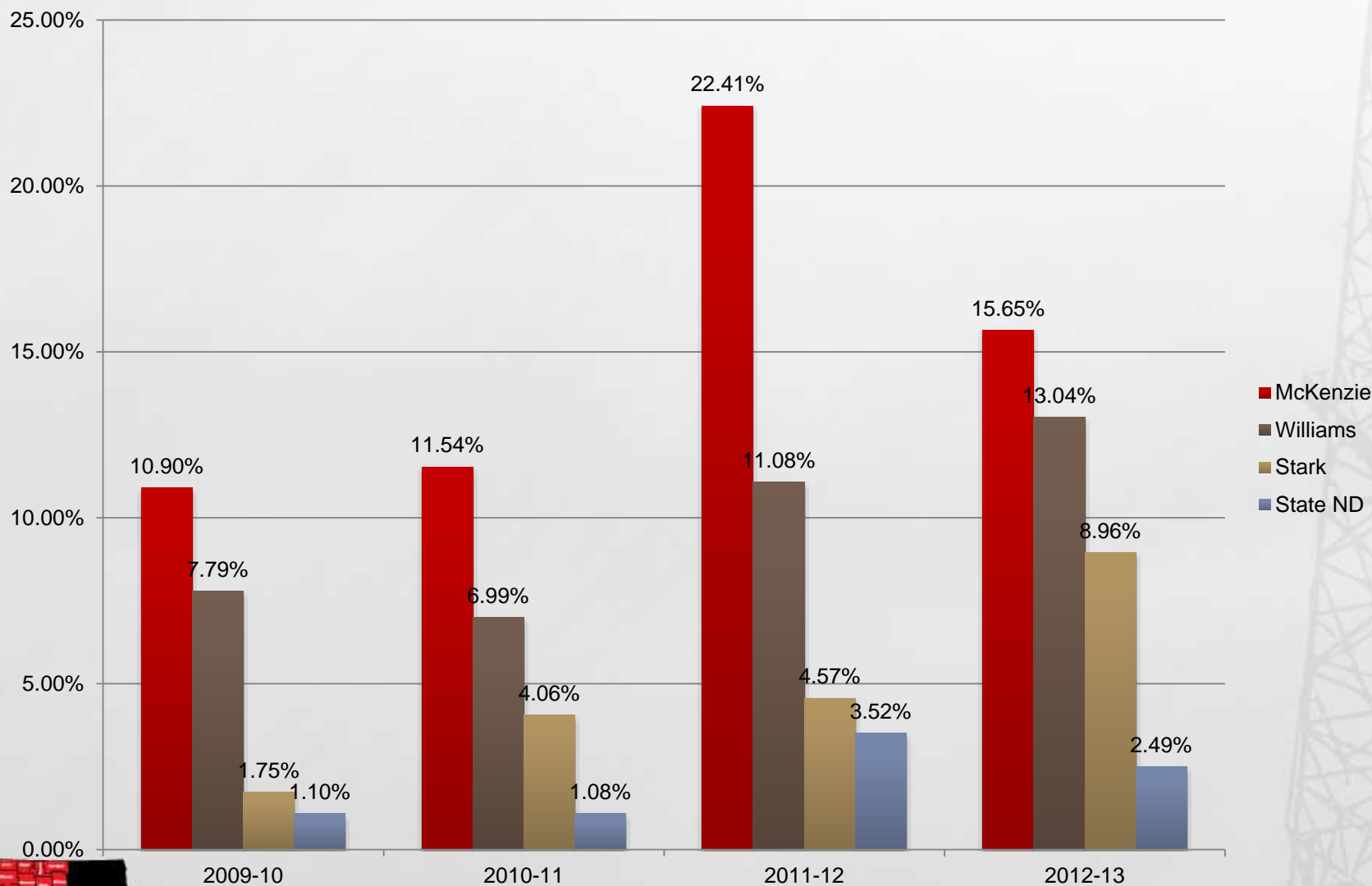


# Williams County School Expenditures

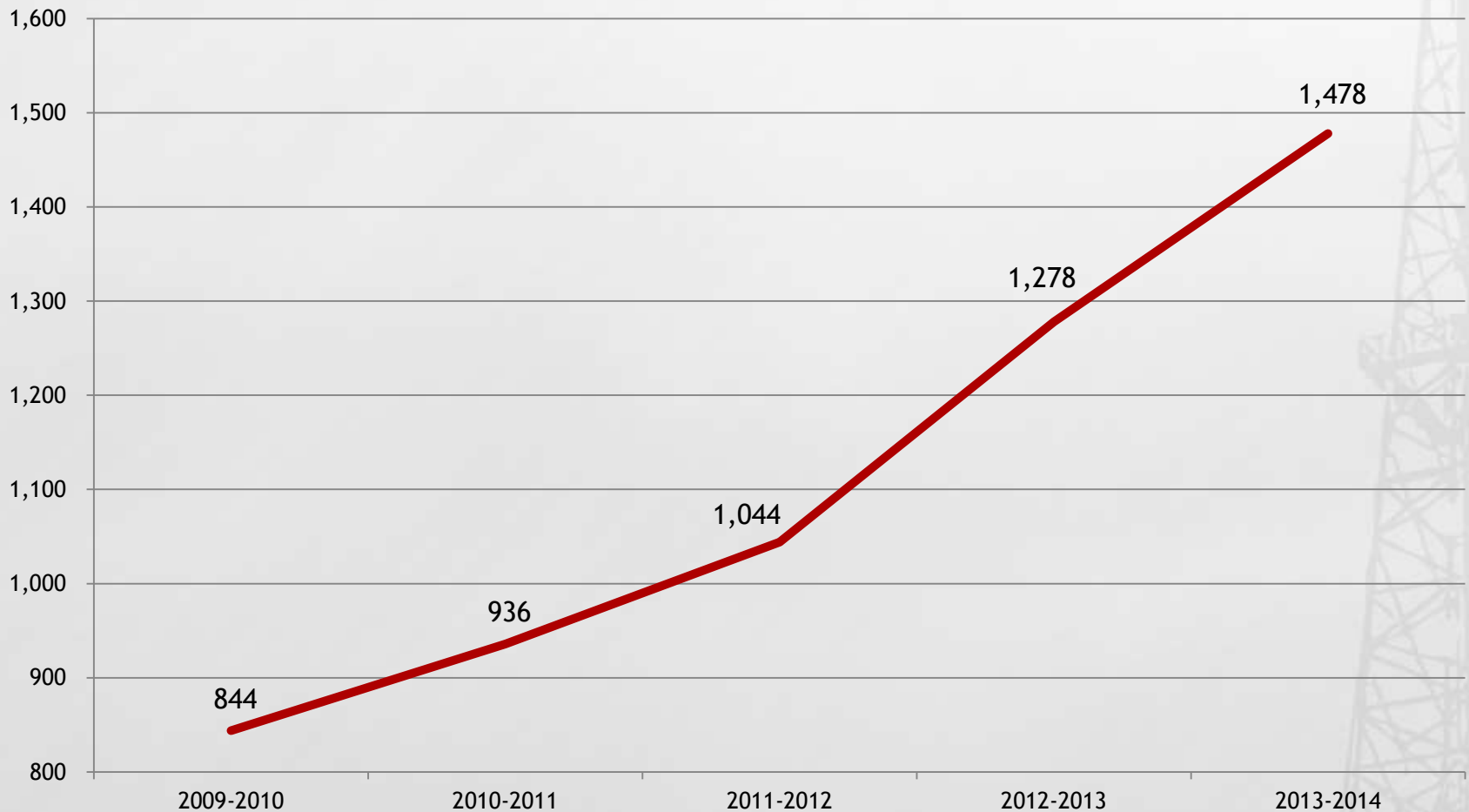




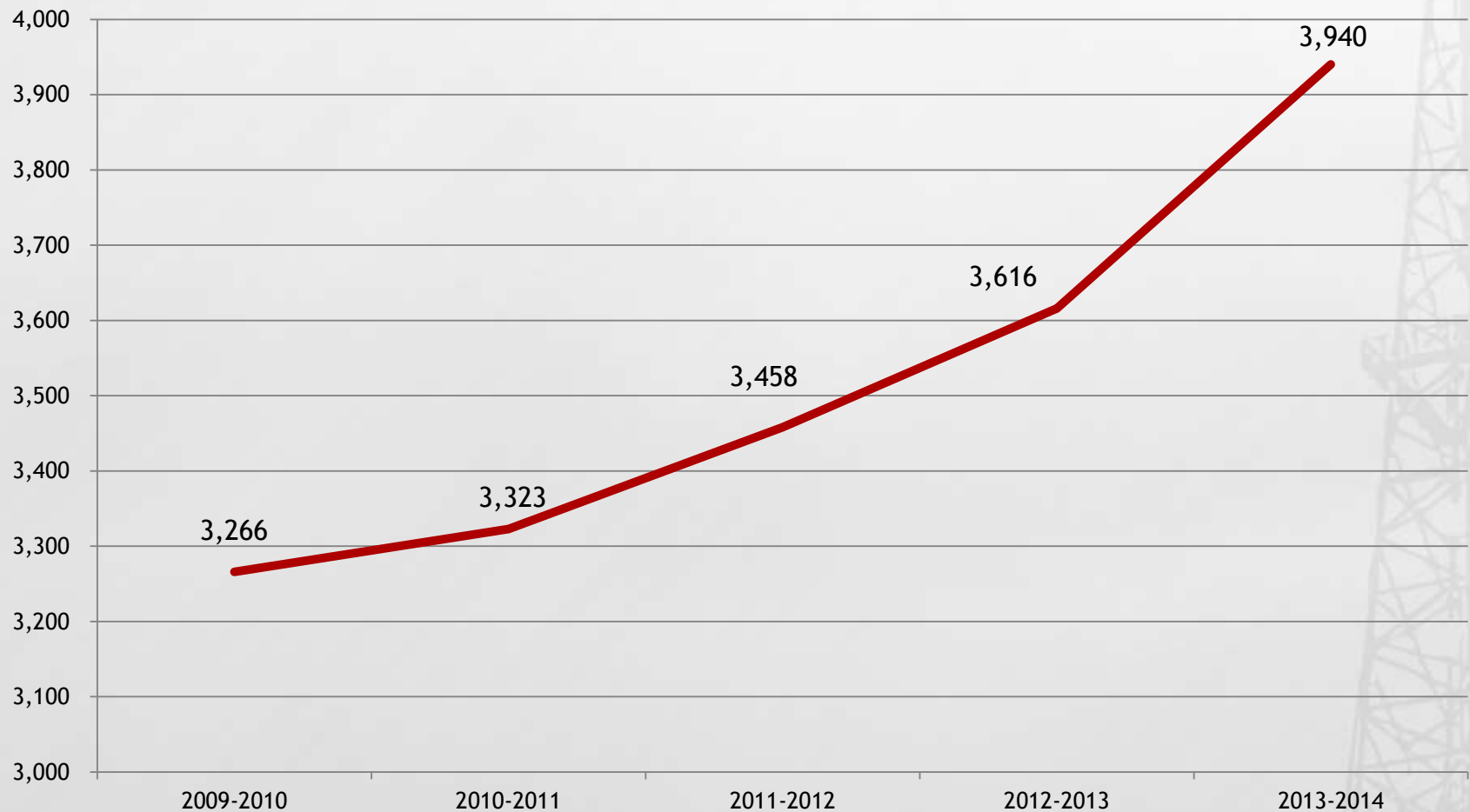
# K-12 Enrollment Growth



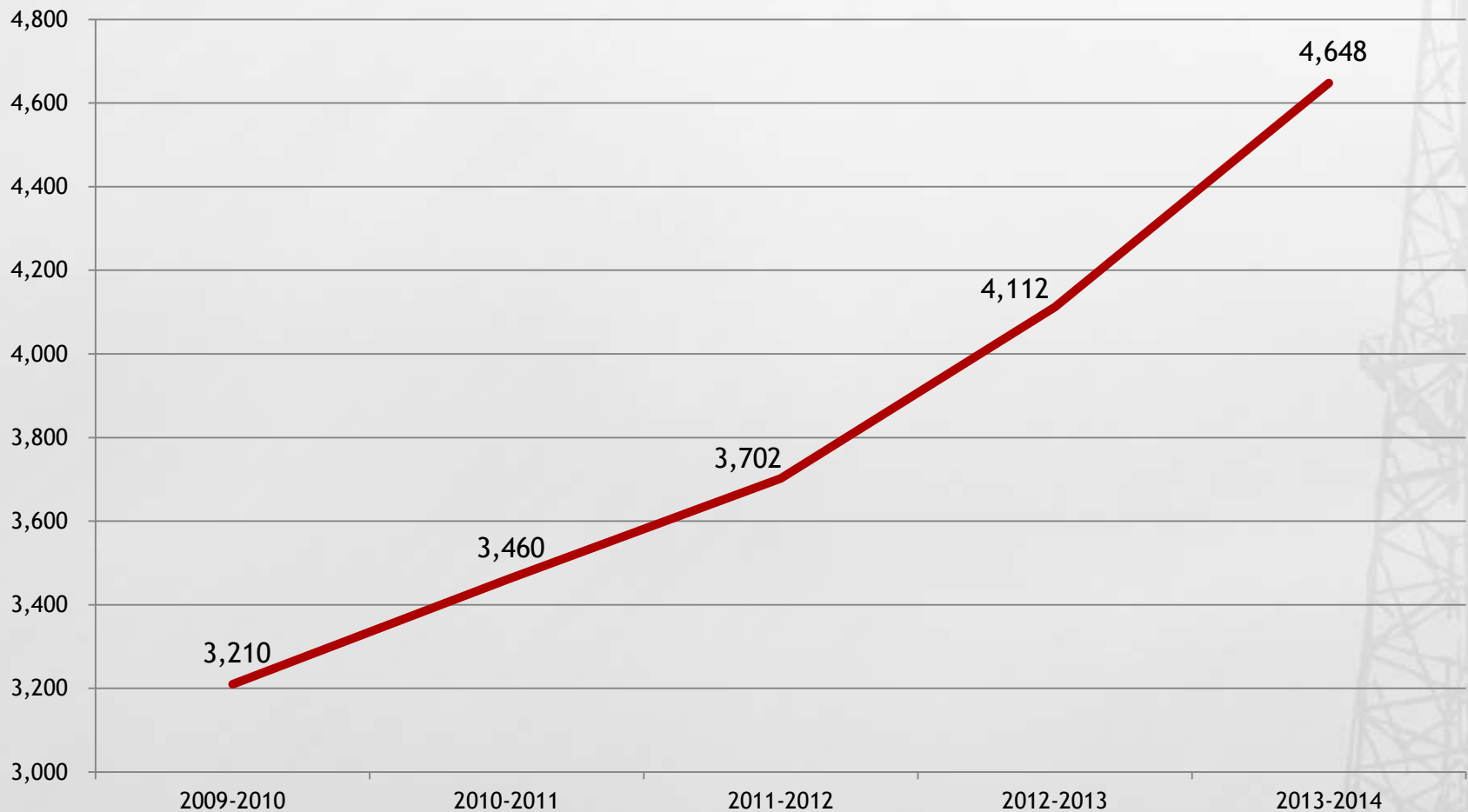
# McKenzie K-12 Enrollment Growth



# Stark K-12 Enrollment Growth



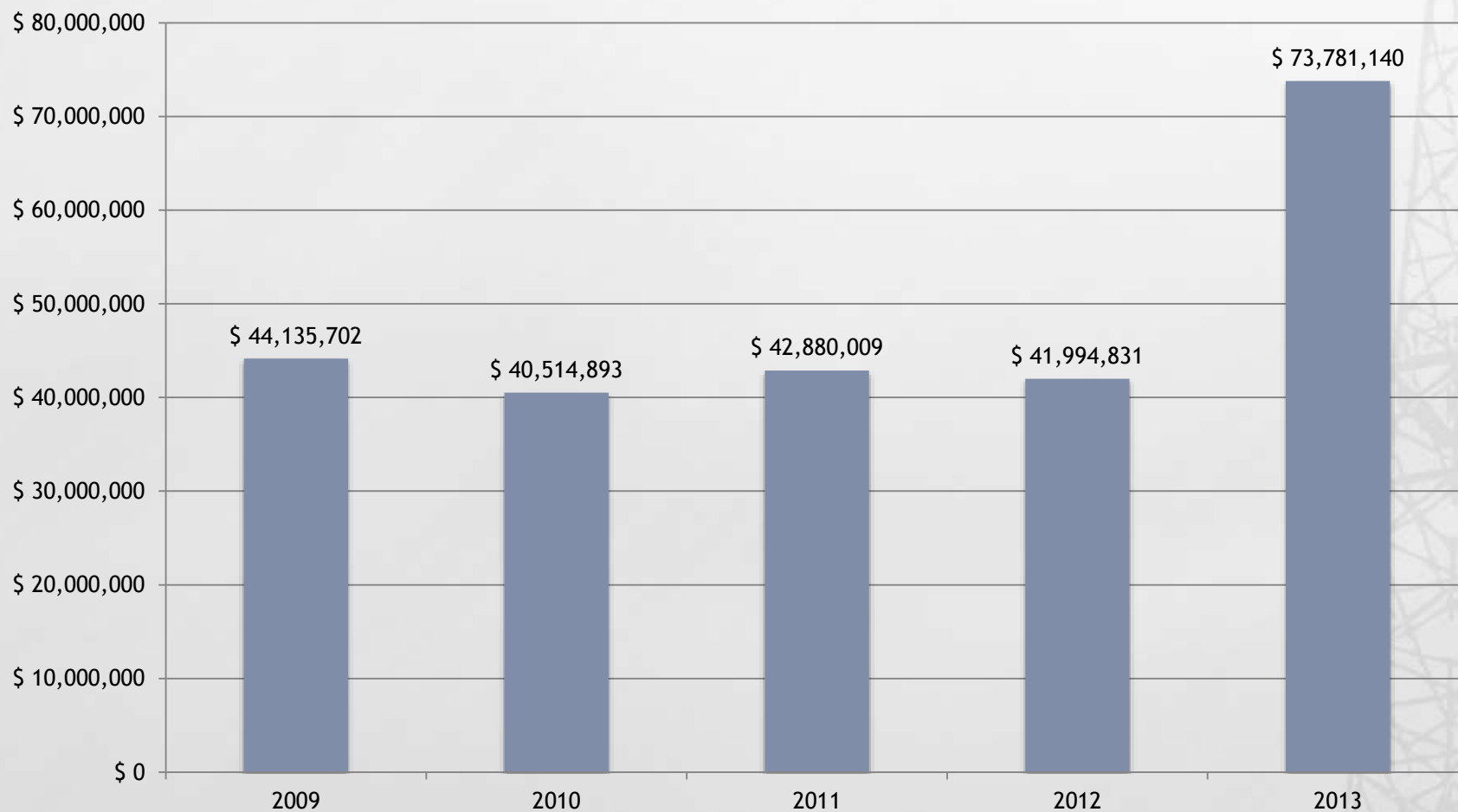
# Williams K-12 Enrollment Growth





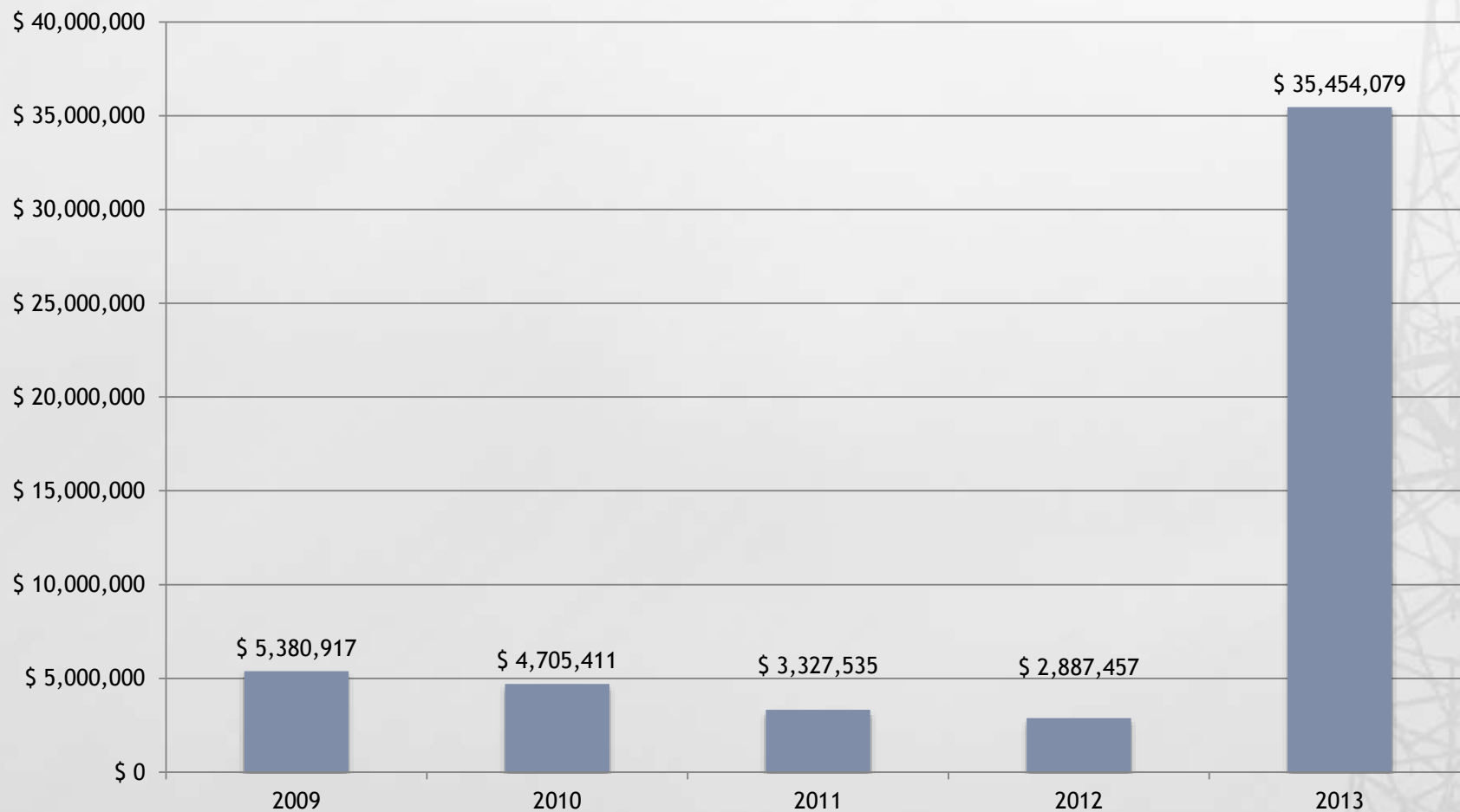


# Minot Debt Load



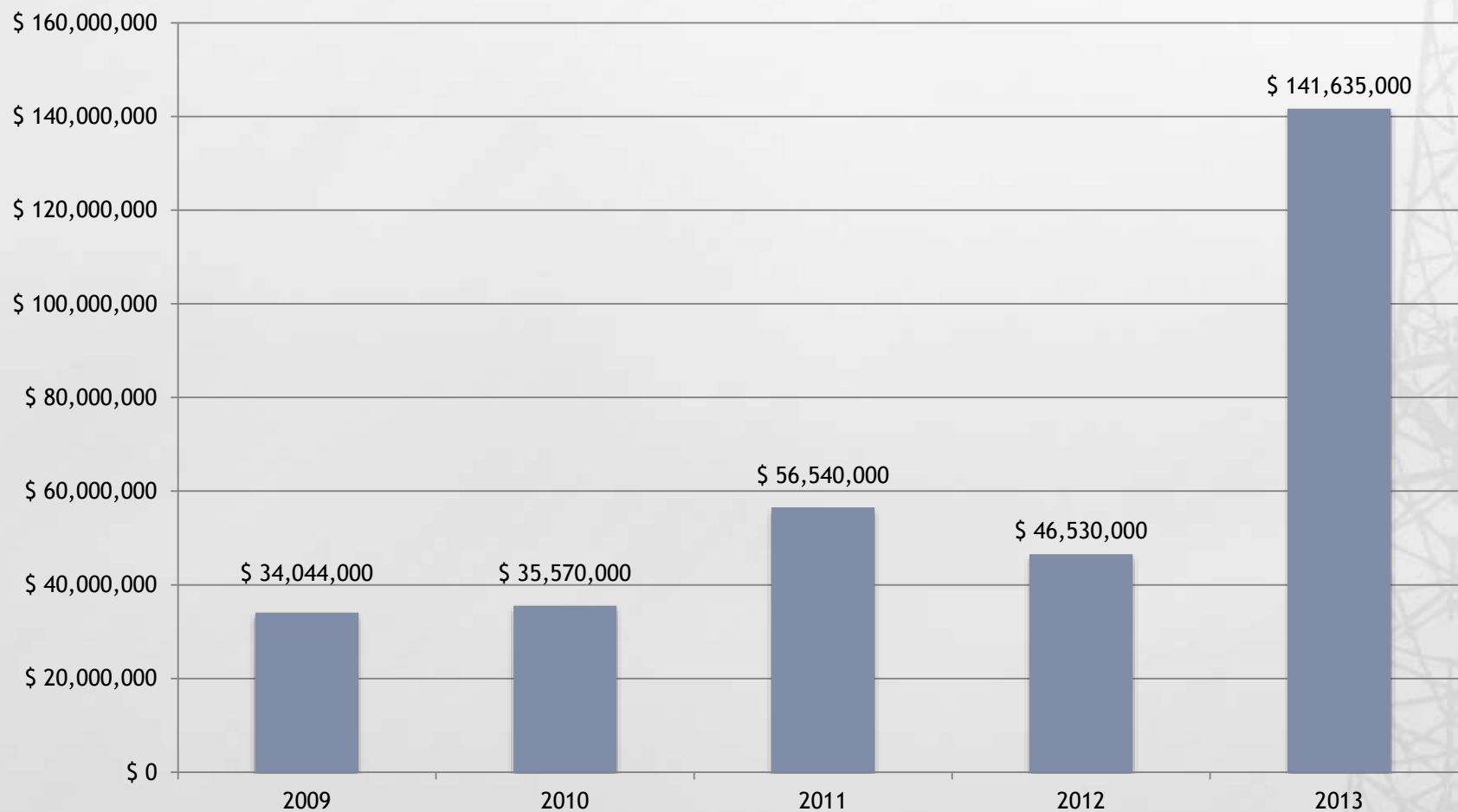


# Dickinson Debt Load



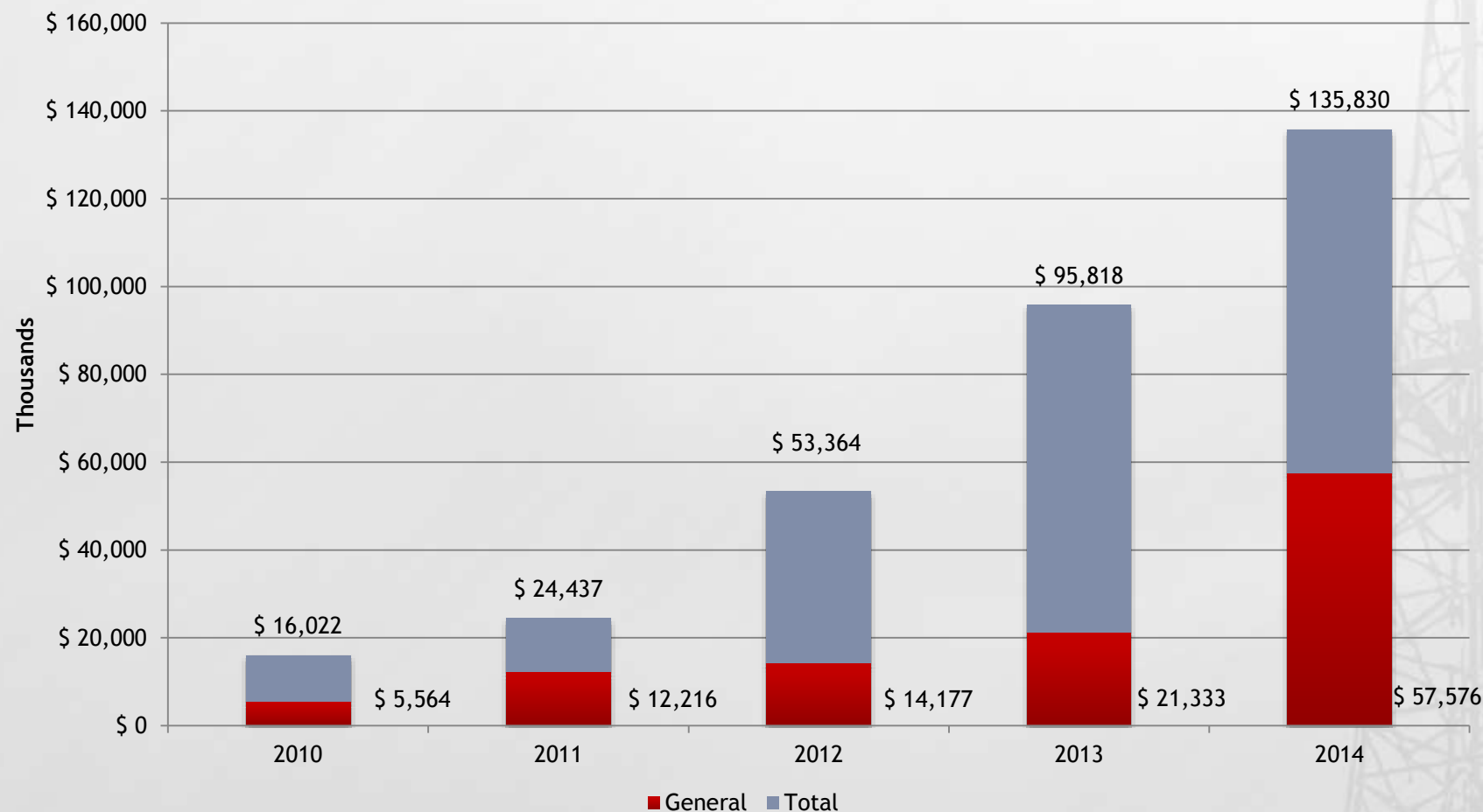


# Williston Debt Load



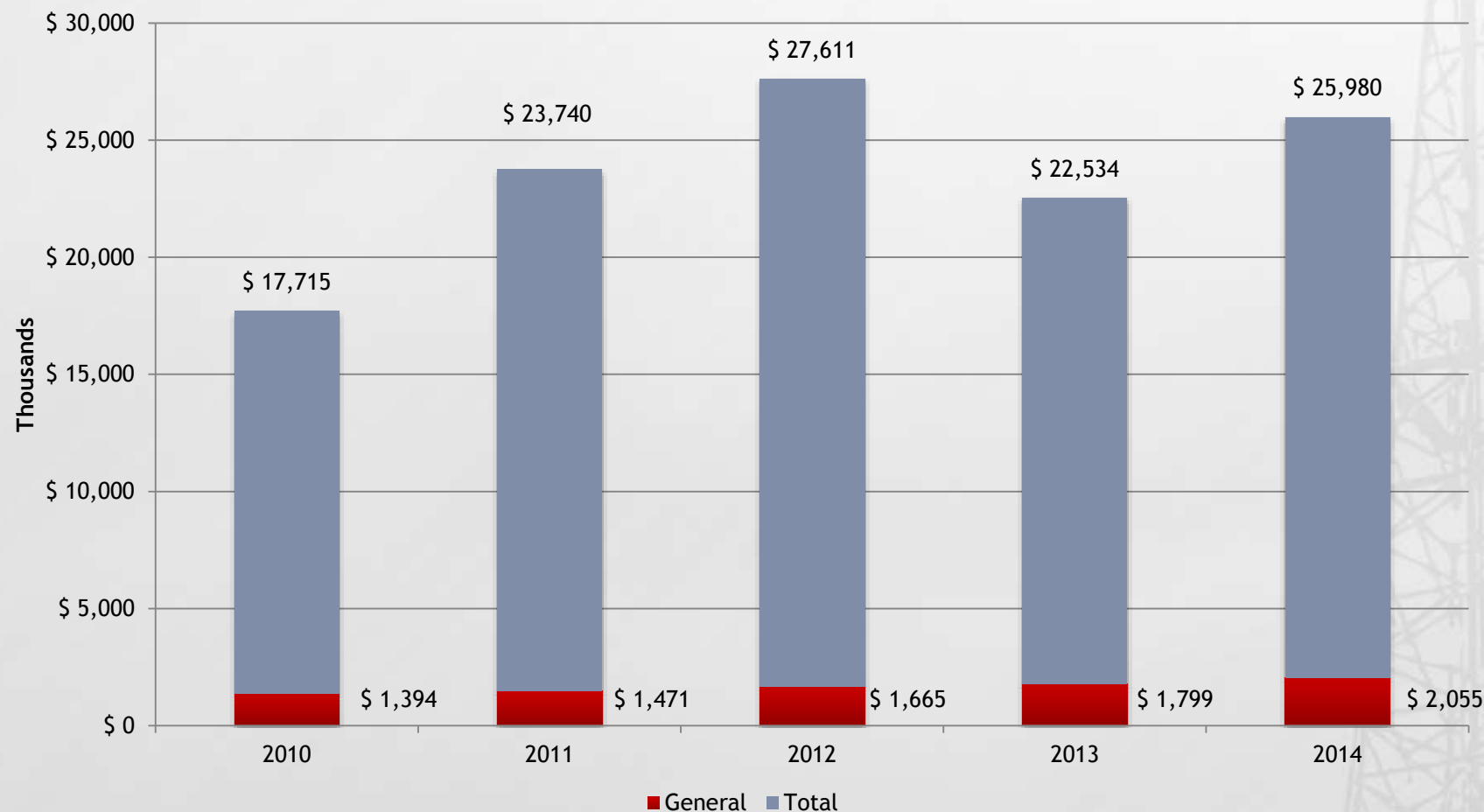


# McKenzie County Budget Growth





# Billings County Budget Growth



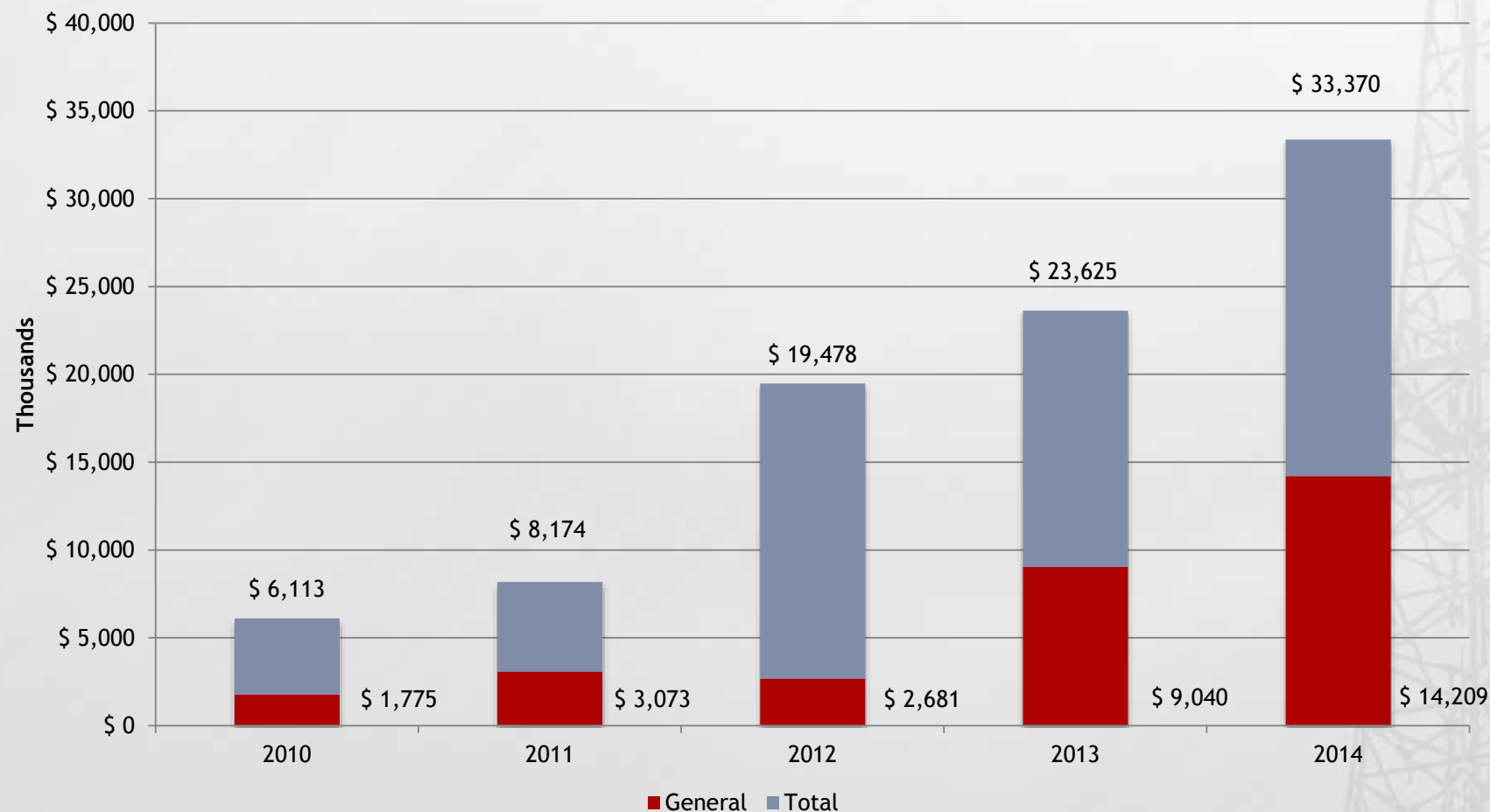


# Williams County Budget Growth



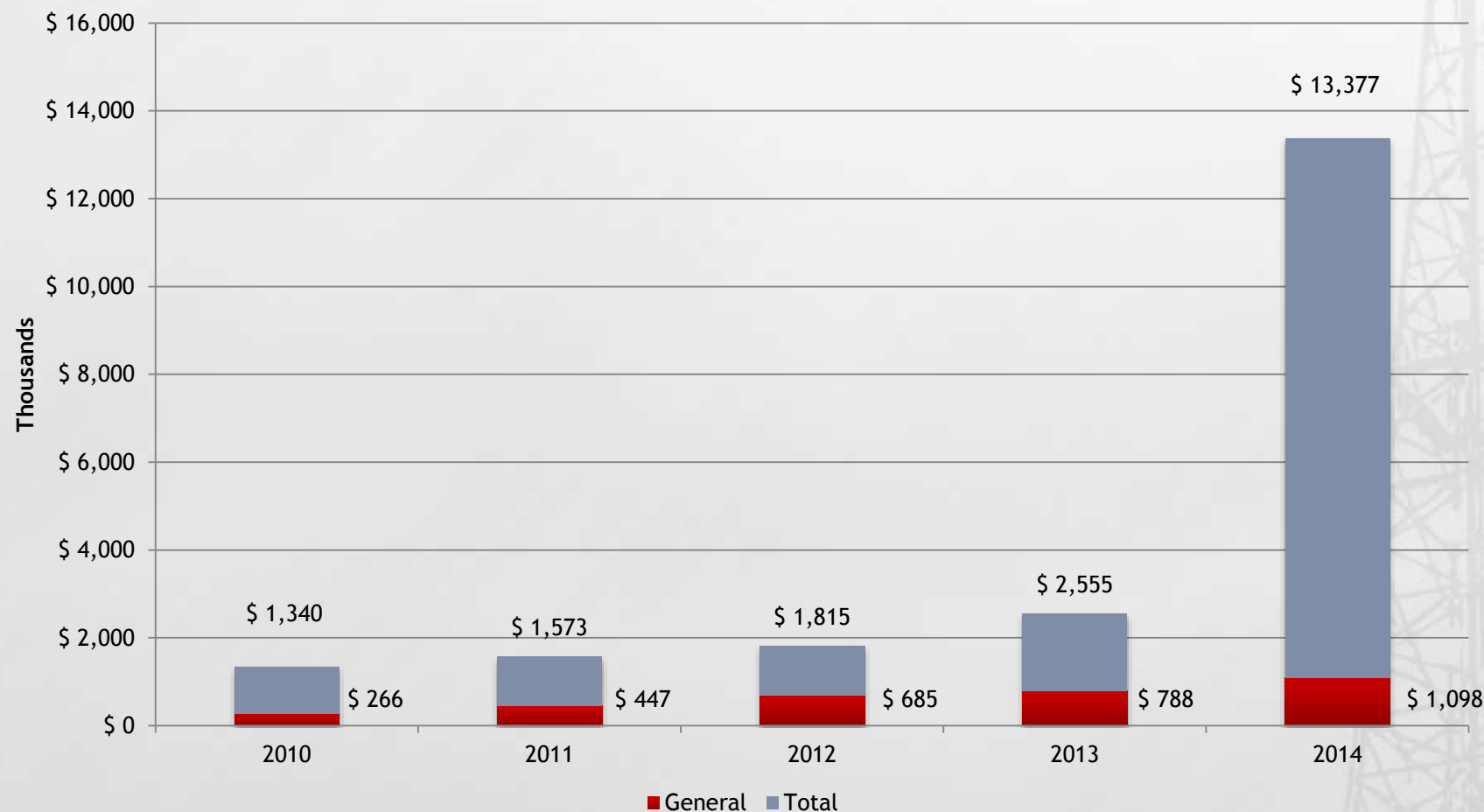


# City of Watford City Budget Growth





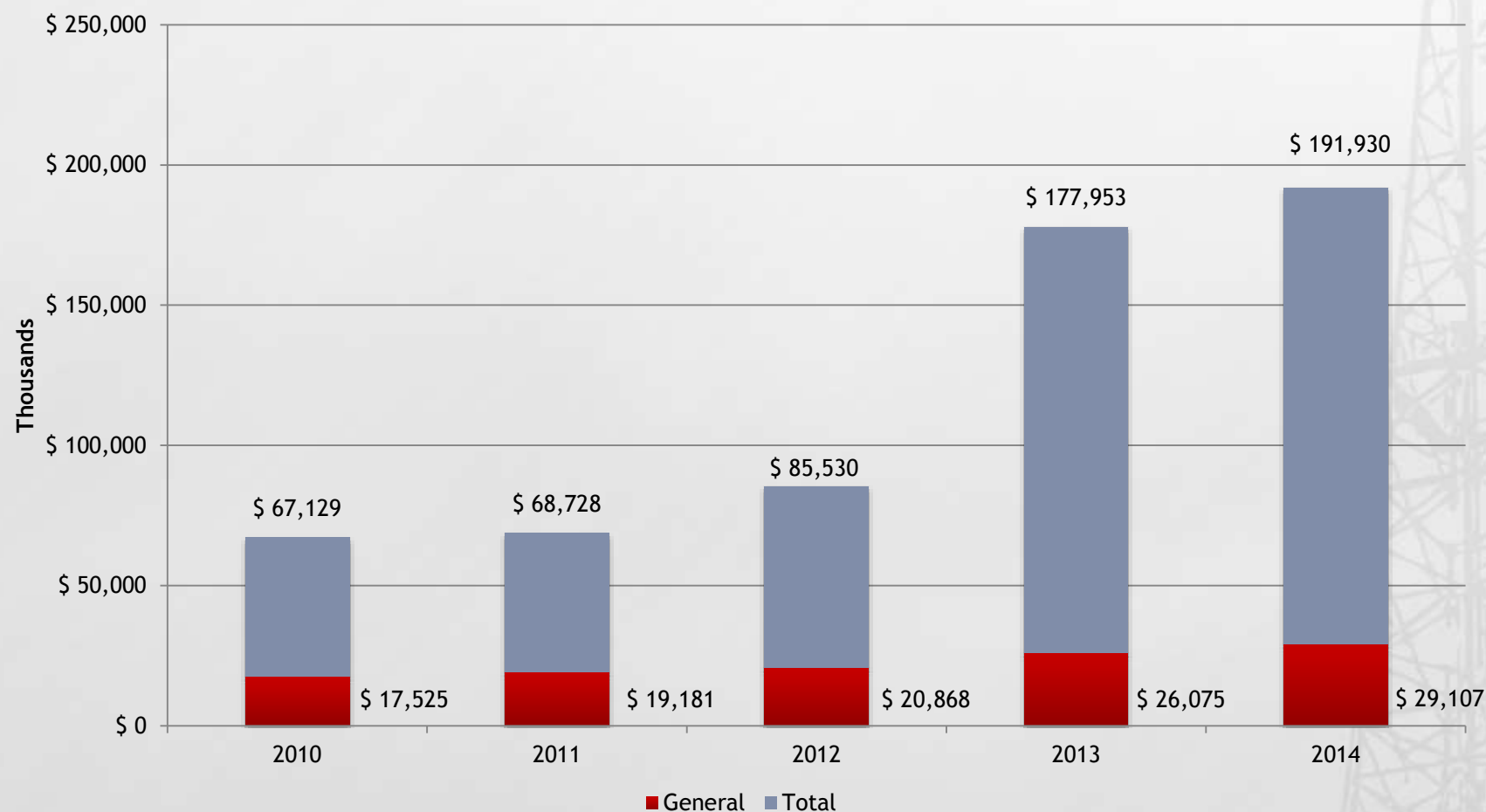
# City of Tioga Budget Growth





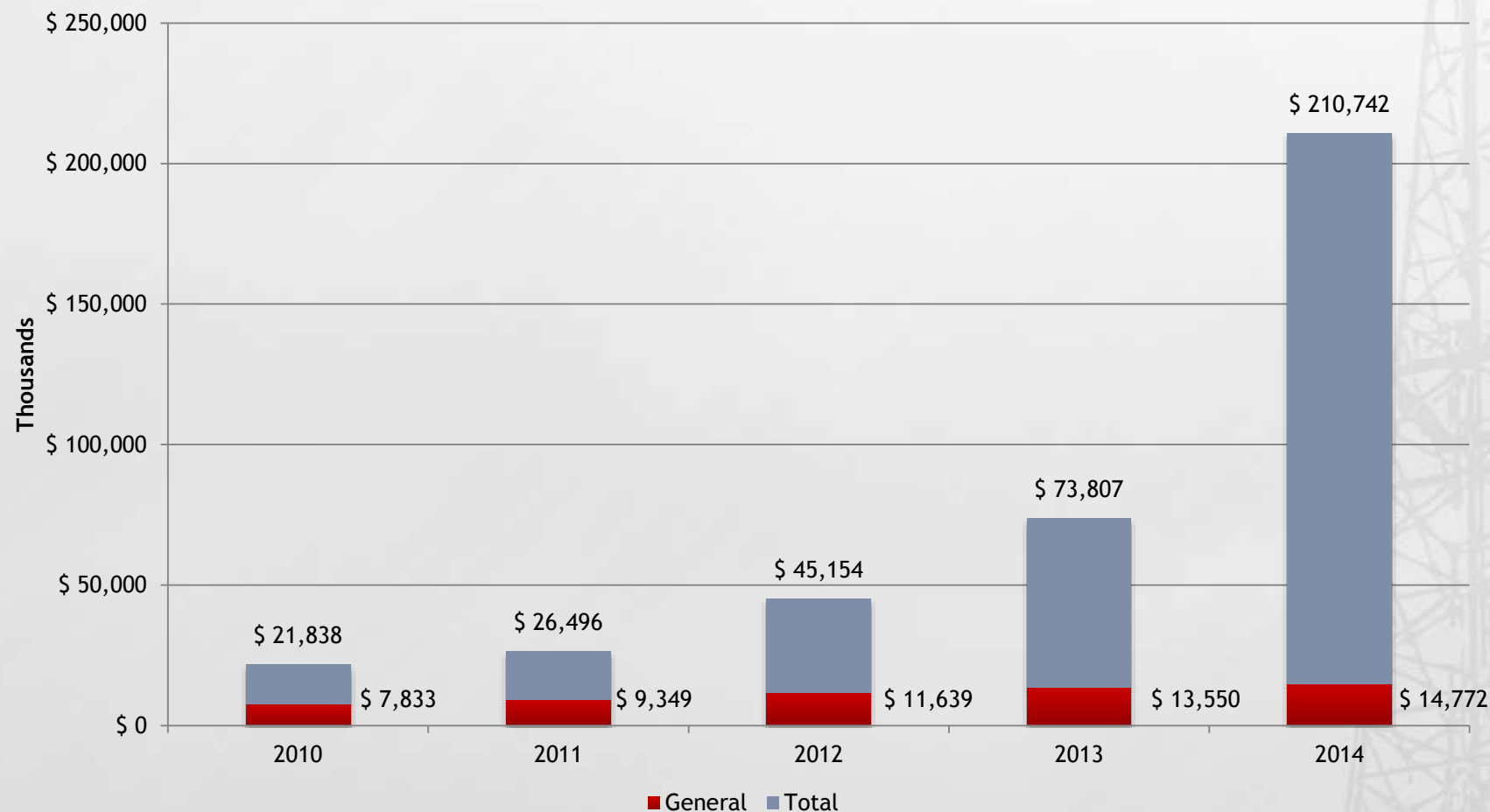


# City of Minot Budget Growth



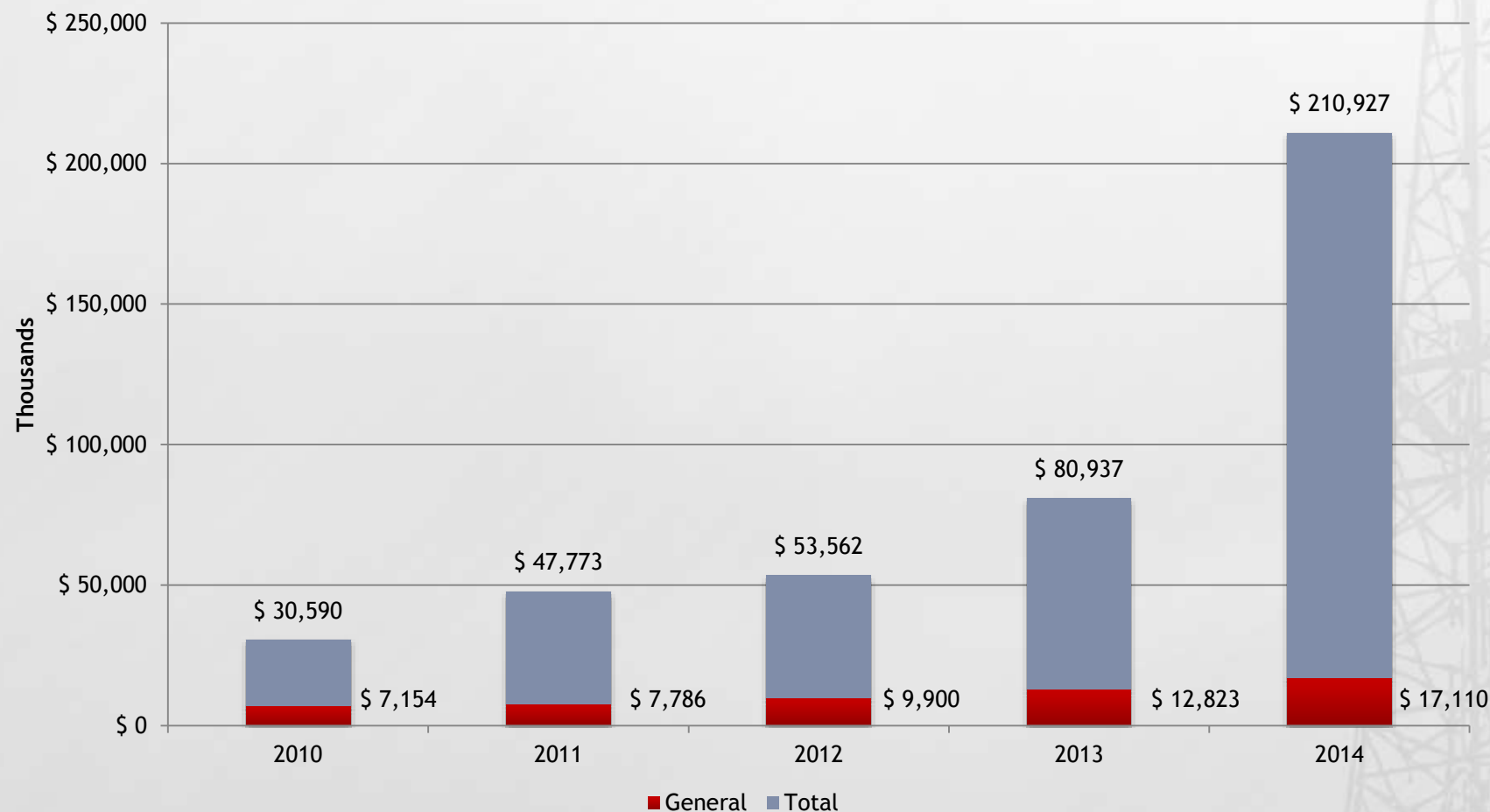


# City of Dickinson Budget Growth





# City of Williston Budget Growth





## Development & Capital Improvements



# Development & Construction

Land Development and Construction activity driven by the need to meet the demands of energy development and economic growth.

Private Developers, Construction Companies, Investors and Lenders

- Land Development
  - Acquisition
  - Entitlement
  - Utilities: water, sewer, roads, and lighting
- Construction
  - Residential: multi-family and single family
  - Industrial: work shops, transload, gas plants, warehouse
  - Commercial: office, medical, professional
  - Retail



# Capital Improvement **Plan**

**State and cities work together to build the transportation infrastructure**

**Cities are responsible for building the infrastructure necessary for development**

- **Water treatment**
- **Waste-water treatment**
- **Water storage, pressure, and distribution**
- **Sewer and storm water collection**



# Watford City Capital Improvement Plan

	Water	Waste Water	Storm Water	Transportation	Airport	Facilities	TOTAL
2015	\$14,749,000	\$28,174,000		\$26,572,000	\$625,000		\$70,120,000
2016	\$4,533,000	\$8,317,000		\$67,374,000	\$250,000		\$80,474,000
2017	\$4,301,000	\$3,361,000		\$70,390,000	\$500,000		\$78,552,000
2018					\$300,000		\$300,000
2019					\$10,000,000		\$10,000,000
	\$23,583,000	\$39,852,000		\$164,336,000	\$11,675,000		\$229,446,000



# Dickinson Capital Improvement Plan

	Water	Waste Water	Storm Water	Transportation	Airport	Facilities	TOTAL
2015	\$21,038,650	\$9,388,750	\$5,375,000	\$207,917,500	\$550,000	\$2,715,000	\$246,984,900
2016	\$11,250,000	\$25,250,000		\$115,845,000	\$3,345,000	\$11,000,000	\$166,690,000
2017	\$19,500,000	\$17,000,000		\$113,880,000	\$16,380,000	\$5,000,000	\$171,760,000
2018	\$8,000,000	\$5,000,000		\$167,000,000	\$52,510,000	\$15,000,000	\$247,510,000
2019					\$45,870,000		\$45,870,000
	\$59,788,650	\$56,638,750	\$5,375,000	\$604,642,500	\$72,785,000	\$33,715,000	\$878,814,900





# Williston Capital Improvement Plan

	Water	Waste Water	Storm Water	Transportation	Airport	Landfill	Facilities	TOTAL
2015	\$8,452,400	\$42,260,400	\$6,476,000	\$85,080,000	\$89,175,500	\$6,840,000	\$13,750,000	\$252,034,300
2016	\$4,620,160	\$33,426,720	\$17,400,000	\$60,645,000	\$89,175,500	\$160,000	\$36,915,000	\$242,342,380
2017	\$9,176,480	\$29,149,520	\$7,911,000	\$98,446,600	\$25,697,250	\$5,130,000	\$50,805,000	\$226,315,850
2018	\$14,432,720	\$11,206,880	\$475,000	\$114,975,000	\$25,697,250	\$3,500,000		\$170,286,850
2019	\$11,499,680	\$9,543,520	\$4,000,000	\$59,455,000			\$6,500,000	\$90,998,200
	\$48,181,440	\$125,587,040	\$36,262,000	\$418,601,600	\$229,745,500	\$15,630,000	\$107,970,000	<b>\$981,977,580</b>



# Funding



# Funding Capital Improvements

**Funding for Industry Growth and Economic Activity**

- **Permit Fees**
- **Property Tax**
- **Service Fees**



# Oil and Gas **Tax Overview**

## **Extraction Tax**

- **1980 Initiated measure creating the 6.5% Oil Extraction Tax**
- **Formula for distributions changes throughout the years**
- **All funds are for various state funds**
  - **Foundation Aid Stabilization Fund**
  - **Common Schools Trust Fund**
  - **Resources Trust Fund**

## **Gross Production Tax (GPT)**

- **Imposed in “lieu” of property tax on oil and gas producing properties**
- **5% rate currently**
- **Formula changed throughout the years**



**Extraction Tax  
6.5%**

**11.5% Total O&G Tax**

**Gross Production Tax  
5 %**

**Legacy Fund 30% of All Collections**

**Tribal Share 50% of All Tribal Production**

**Oil & Gas Research Fund \$10 M**

**Extraction Tax Distribution**

**Gross Production Tax (GPT) Distribution**

**Constitutional & Statutory Distributions**

- Foundation Aid Stabilization
- Common Schools Trust Fund
- Resources Trust Fund
- Energy Conservation Fund
- Renewable Energy Fund

**State Distributions**

- General Fund
- Property Tax Relief
- General Fund
- Strategic Investment Fund (SIF)
- State Disaster Relief Fund

**Remaining Funds**

- Legacy Fund
- Strategic Investment Fund (SIF)

**Impact Grant Fund**

**Hub Cities Distributions**

- Hub Cities (\$375k/1% O&G)
- Hub City Schools
- (\$125k/1% O&G)

**Statutory Distributions**

- O & G Stabilization Fund
- Outdoor Heritage Fund
- Abandoned Well & Site Reclamation fund

**1/5**

**4/5**

**O&G Communities  
\$10M**

**75%**

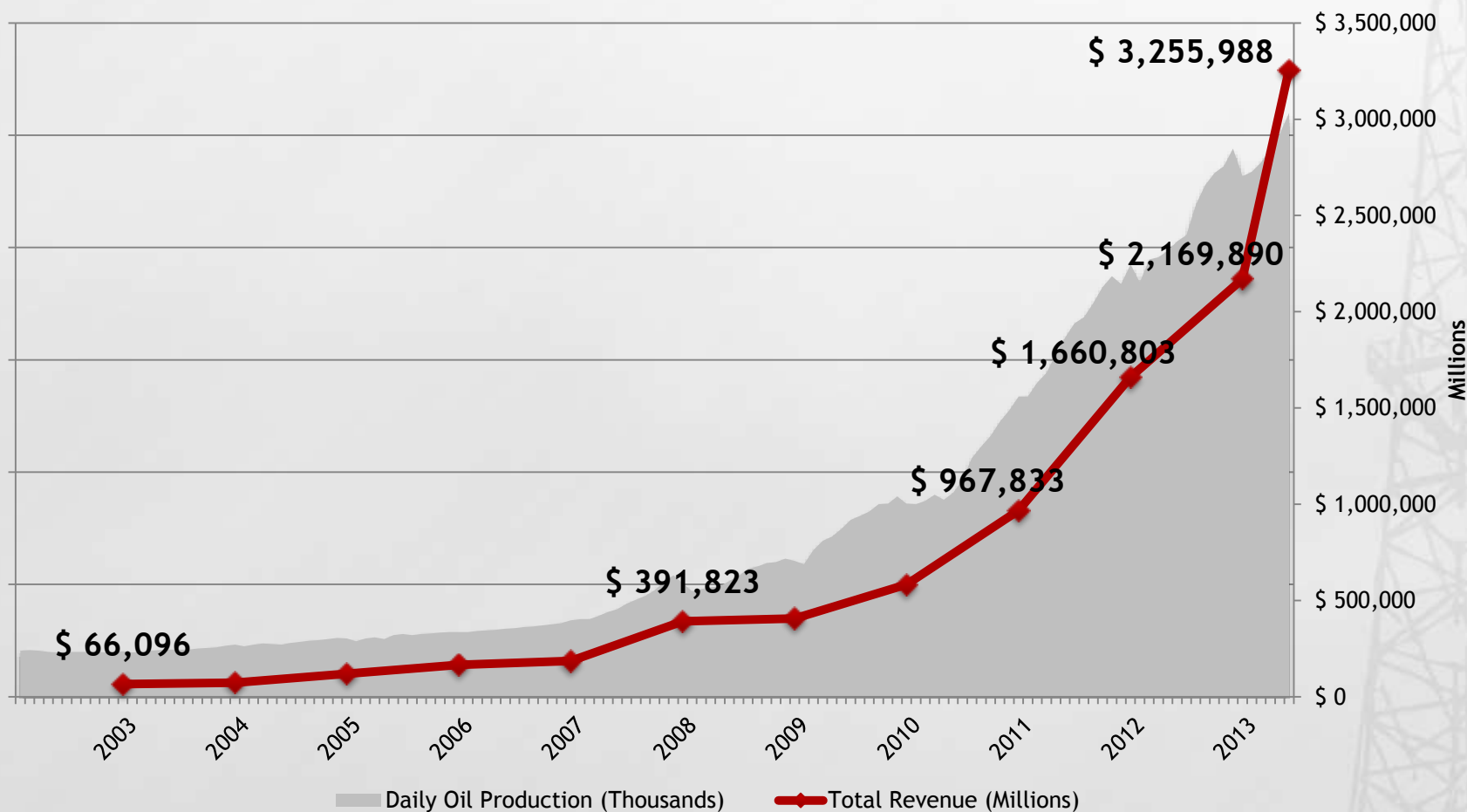
**25%**

**Oil & Gas Communities Distributions**

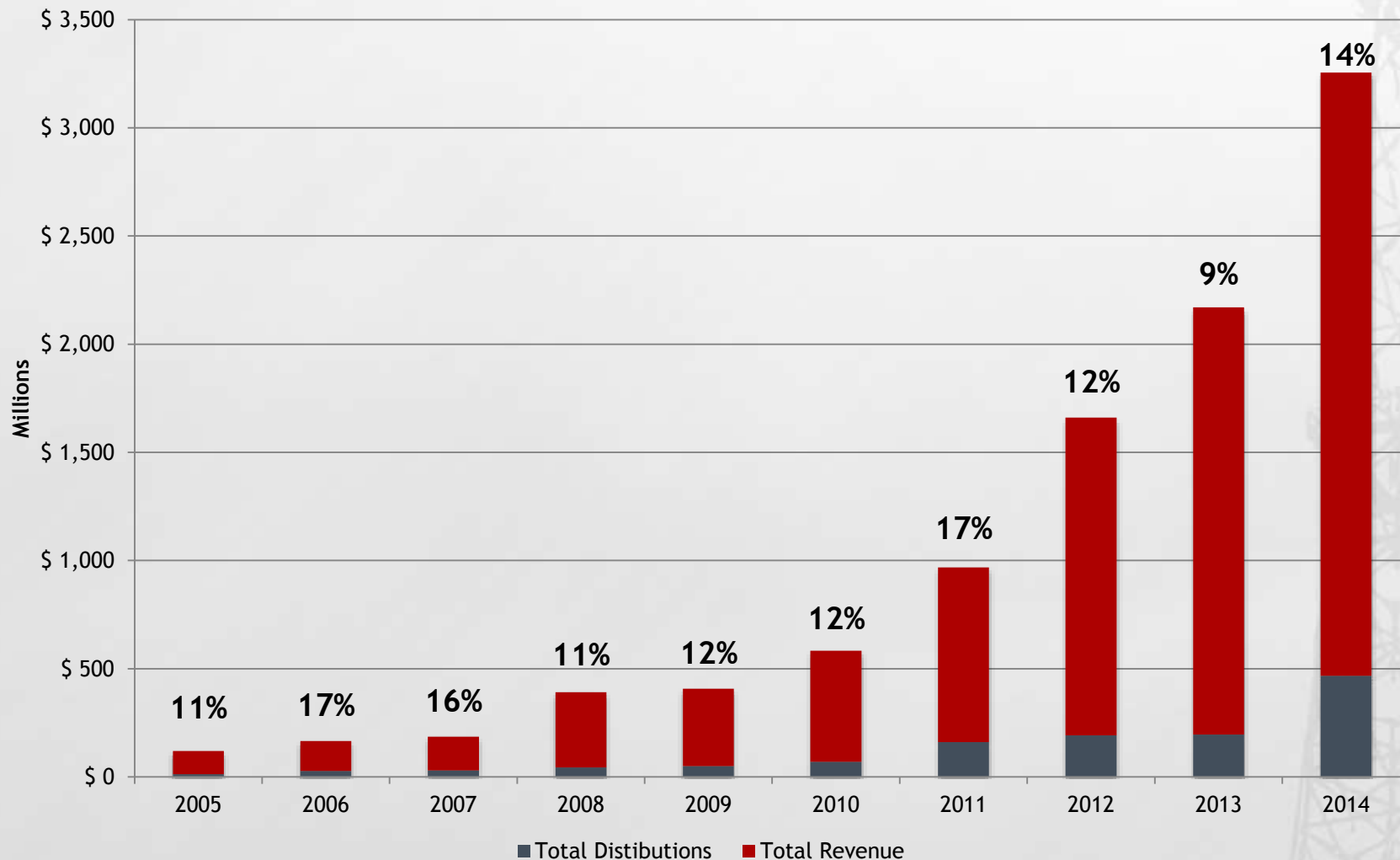
- Counties
- Cities
- Townships
- Schools
- Hub Cities
- Hub City Schools



# Total Revenue From O&G



# O&G Tax Distributions % to O&G Counties





# Option 1: **Local Sources Funding**

**Local funding:**

- **Property taxes**
- **Service fees (Enterprise Accounts)**
- **GPT distributions (existing formula)**
- **Other revenue sources (federal grants, etc.)**





# Watford City: Local Sources Funding

		20 Year Bond Term
CIP Total Investment		\$286,000,000
Interest Rate		5%
Term of Bond		20
Annual Debt Service		\$24,100,000
<b>Debt Service Funding</b>		
Enterprise Revenue Debt Coverage	15%	
Enterprise Accounts		\$3,600,000
Current GPT Distribution	\$13,000,000	
% GPT to Debt Servicing	60%	
GPT to Debt Serving		\$7,800,000
Other Revenue Sources		-
Non-Funded Debt for Servicing		\$12,700,000
Mill Levy for Bond Servicing		1625
\$ Assessed to Resident		\$12,880
~~~ Average Home	\$176,130.00	



# City of Dickinson: Local Sources Funding

		20 Year Bond Term
CIP Total Investment		\$878,814,900
Interest Rate		5%
Term of Bond		20
Annual Debt Service		\$74,000,000
<b>Debt Service Funding</b>		
Enterprise Revenue Debt Coverage	15%	
Enterprise Accounts		\$11,100,000
Current GPT Distribution	\$15,800,000	
% GPT to Debt Servicing	85%	
GPT to Debt Serving		\$13,390,000
Other Revenue Sources		\$15,000,000
Non-Funded Debt for Servicing		\$34,510,000
Mill Levy for Bond Servicing		395
\$ Assessed to Resident		\$3,660
~~~ Average Home	\$205,940.00	



# City of Williston: Local Sources Funding

		20 Year Bond Term
CIP Total Investment		\$1,000,000,000
Interest Rate		5%
Term of Bond		20
Annual Debt Service		\$84,300,000
<b>Debt Service Funding</b>		
Enterprise Revenue Debt Coverage	15%	
Enterprise Accounts		\$12,600,000
Current GPT Distribution	\$32,000,000	
% GPT to Debt Servicing	85%	
GPT to Debt Serving		\$27,200,000
Other Revenue Sources		\$15,000,000
Non-Funded Debt for Servicing		\$29,500,000
Mill Levy for Bond Servicing		343
\$ Assessed to Resident		\$3,330
~~~ Average Home	\$215,940.00	



# Option 2: **Adjustment to GPT Funding**

## **Formula Distribution Change**

- **State Share of GPT change from 75% to 40%**
- **Local Share of GPT change from 25% to 60%**

## **Adjustment to the formula does not impact the Extraction Tax of 6.5%**

- **No Changes to Common School Trust Fund**
- **No Changes to Resources Trust Fund**
- **No Changes to the Foundation Aid Stabilization Fund**



**Extraction Tax  
6.5%**

**11.5% Total O&G Tax**

**Gross Production Tax  
5 %**

**Legacy Fund 30% of All Collections**

**Tribal Share 50% of All Tribal Production**

**Oil & Gas Research Fund \$10 M**

**Extraction Tax Distribution**

**Gross Production Tax (GPT) Distribution**

**Constitutional & Statutory Distributions**

- Foundation Aid Stabilization
- Common Schools Trust Fund
- Resources Trust Fund
- Energy Conservation Fund
- Renewable Energy Fund

**State Distributions**

- General Fund
- Property Tax Relief
- General Fund
- Strategic Investment Fund (SIF)
- State Disaster Relief Fund

**Remaining Funds**

- Legacy Fund
- Strategic Investment Fund (SIF)

**Impact Grant Fund**

**Hub Cities Distributions**

- Hub Cities (\$375k/1% O&G)
- Hub City Schools
- (\$125k/1% O&G)

**Statutory Distributions**

- O & G Stabilization Fund
- Outdoor Heritage Fund
- Abandoned Well & Site Reclamation fund

**1/5**

**4/5**

**O&G Communities  
\$10M**

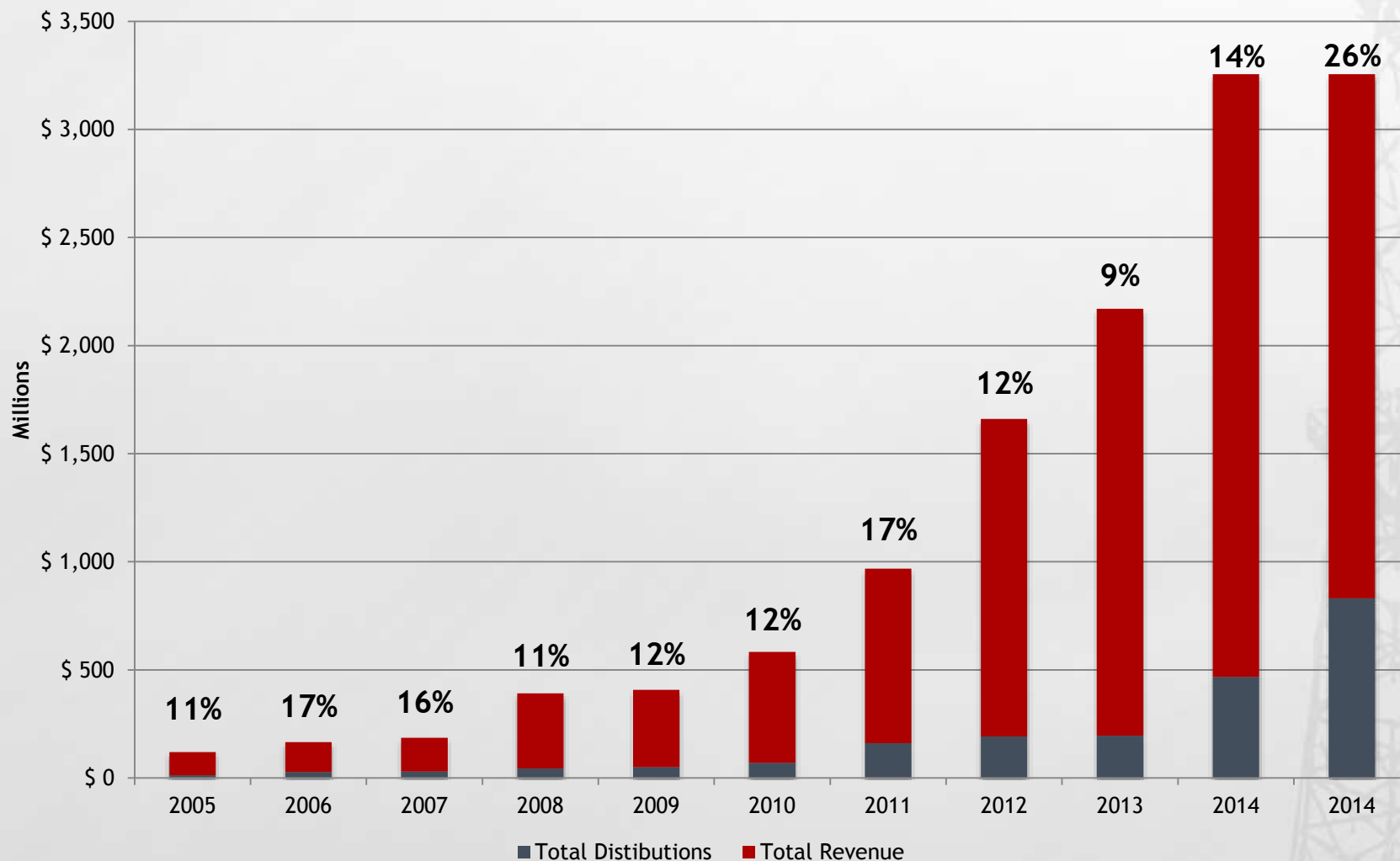
**40%**

**60%**

**Oil & Gas Communities Distributions**

- Counties
- Cities
- Townships
- Schools
- Hub Cities
- Hub City Schools

# O&G Tax Distributions % to O&G Counties





# Watford City:

## New GPT Distribution Funding

		20 Year Bond Term
CIP Total Investment		\$286,000,000
Interest Rate		5%
Term of Bond		20
Annual Debt Service		\$24,100,000
<b>Debt Service Funding</b>		
Enterprise Revenue Debt Coverage	15%	
Enterprise Accounts		\$3,600,000
Current GPT Distribution	\$13,000,000	
Additional GPT Distribution	\$19,700,000	
Total GPT Distribution	\$32,700,000	
% GPT to Debt Servicing	60%	
GPT to Debt Serving		\$19,620,000
Other Revenue Sources		-
Non-Funded Debt for Servicing		\$880,000,000
Mill Levy for Debt Servicing		110
\$ Assessed to Resident		\$880
~~~ Average Home	\$176,130	



# City of Dickinson:

## New GPT Distribution Funding

		20 Year Bond Term
CIP Total Investment		\$878,814,900
Interest Rate		5%
Term of Bond		20
Annual Debt Service		\$74,000,000
<b>Debt Service Funding</b>		
Enterprise Revenue Debt Coverage	15%	
Enterprise Accounts		\$11,100,000
Current GPT Distribution	\$15,800,000	
Additional GPT Distribution	\$9,400,000	
Total GPT Distribution	\$25,200,000	
% GPT to Debt Servicing	85%	
GPT to Debt Serving		\$21,340,000
Other Revenue Sources		\$15,000,000
Non-Funded Debt for Servicing		\$26,560,000
Mill Levy for Debt Servicing		304.00
\$ Assessed to Resident		\$2,820.00
~~~ Average Home	\$205,940.00	





# City of Williston:

## New GPT Distribution Funding

		20 Year Bond Term
CIP Total Investment		\$1,000,000,000.00
Interest Rate		5%
Term of Bond		20
Annual Debt Service		\$84,300,000.00
<b>Debt Service Funding</b>		
Enterprise Revenue Debt Coverage	15%	
Enterprise Accounts		\$12,600,000.00
Current GPT Distribution	\$32,000,000.00	
Additional GPT Distribution	\$18,500,000.00	
Total GPT Distribution	\$50,500,000.00	
% GPT to Debt Servicing	85%	
GPT to Debt Serving		\$42,930,000.00
Other Revenue Sources		\$15,000,000.00
Non-Funded Debt for Servicing		\$13,770,000.00
Mill Levy for Debt Servicing		159.00
\$ Assessed to Resident		\$1,550.00
~~~ Average Home	\$215,940.00	





## Why Fund Western North Dakota

As an industry, we recognize the global concern related to the potential impact of greenhouse gases and other air emissions on the environment. I applaud the North Dakota Petroleum Council for creating a natural gas flaring task force — a group spearheading the industry's efforts to significantly reduce natural gas flaring in the Bakken.

Looking ahead, the 2015 legislative session will be critical and we're eager to work with the state's elected leaders in Bismarck. We need the support of the Legislature for critical infrastructure projects. State funding to provide western North Dakota counties with the hospitals, law enforcement and schools they need is vital.

North Dakota is well aware of the critical need to employ strict safety measures that help avoid rail accidents, and to mitigate the impact of the U.S. Department of Transportation through the Pipeline and Hazardous Materials Safety Administration and the Federal Railroad Administration, is taking a renewed focus on the safe transportation of bulk hazardous materials.