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May 30, 2008

Ms. Karlene Fine
North Dakota Industrial Commission
600 E. Boulevard Avenue
Bismarck, ND 58505

Subject: Grant Application for the Petroleum Council Good Neighbor Initiative Outreach Program

Dear Mrs. Fine:

Enclosed is a grant application requesting the North Dakota Industrial Commission to approve funding from the Oil and Gas Research Council to help fund a new program called the Good Neighbor Initiative. We are requesting \$50,000 to help fund this program over the next two-years. A \$100 check is enclosed to cover the application fee.

The Petroleum Council is committed to complete the Good Neighbor Initiative Outreach Program as detailed in this grant request. Education programs have proven successful and the use of Oil and Gas Research Council funds to develop, implement, and enhance these new education programs, which are designed to improve communication and understanding of the general public and policy makers, are a valuable use of the funding. The outreach component of this grant will be critical to ensure the public and industry engage in discussions on how to continue to reduce the environmental footprint and minimize the local impacts of oil and gas development by working together and maintaining constant dialog and updates on oil and gas activity in local communities.

Please contact me if you have any questions or need additional information for the enclosed grant application.

Sincerely,

Ron Ness

Enclosures



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Applicant: North Dakota Petroleum Council
Principal Investigator: Ron Ness, President
Date of Application: May 30, 2008

North Dakota Petroleum Council

Good Neighbor Initiative and Outreach Program

Grant Requested from the
North Dakota Oil and Gas Research Council

Project Expenses: \$ 133,000
Amount Requested: \$ 50,000
Grant Deadline: June 1, 2008

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1.0 Abstract

In recent months, the Petroleum Council participated in eight Oil & Gas Town Hall Meetings in western North Dakota. The feedback and primary outcome of these meetings revealed that the public in those communities want to be informed and knowledgeable of the activity in their areas. They want to regularly engage in an open dialog about the positive and negative impacts of oil and gas activity and what they should expect or plan for next. They also want industry to continue to improve its use of technology and to be good neighbors. We discovered that many residents really are not concerned or irritated, but are instead curious and intrigued by the activity. They want to know how oil and gas activity may impact their lives and communities, as well as how they can work with industry to “do it right”. They are also seeking what career opportunities exist for their families and assurance that industry will listen to their concerns in regards to legislative or regulatory changes that might be needed to deal with infrastructure issues as a result of oil and gas impacts.

Due to feedback initiated during the Town Hall Meetings, the Petroleum Council is initiating a “Petroleum Council Good Neighbor Initiative” as part of our energy education efforts. This project, which will be an expansion of Town Hall Meetings earlier this year, will focus on engaging in a continuous dialog about the key issues relating to oil and gas development with neighbors, policy makers, and the general public. The education and outreach efforts will strive towards adapting to the key interests of the neighbors, policy makers, and general public while using a lessons learned approach as we construct the initiatives to meet desired objectives. We anticipate the program will have a need to be flexible, adapting as new issues, ideas, and concerns occur. Specific outcomes have not been outlined due to the fact that feedback and communication from neighbors, policy makers, general public, and industry will play such an integral part in shaping this program.

The Petroleum Council Good Neighbor Initiative will stress responsible development by industry that includes improving relationships and communications with our neighbors and a commitment to environmental protection. The Petroleum Council through the Good Neighbor Initiative will work with member companies and industry to increase communications and awareness of the oil and natural gas industry and to promote a safer, more productive industry and work on making Good Neighbor part of the culture of industry employees much like safety has become.

2.0 Project Description

The Petroleum Council Good Neighbor Initiative will be based on several key fundamentals including:

- Communicating to the public what positive and negative impacts should be expected from increased oil and gas activity.
- Educating the general public and specifically people in the communities where oil and gas activity is occurring about the oil and gas industry.
- Expressing commitment to follow laws and regulations and operate in environmentally responsible manner.
- Actively participating in helping make the communities where employees from the oil and gas industry live and work a better place.
- Getting industry and employees to make being good neighbors a part of the organizational and workplace culture.
- Making it an industry goal to work towards making sure we do everything possible to send employees home each day in better shape than when they came to work.

The Petroleum Council believes that adopting and continuing to strive towards these communication and workplace basics will make the oil and gas industry, along with its employees, better neighbors. Many individuals and companies already work to achieve these rudiments each day, however, the Petroleum Council is confident that by making it a focal point of our association's mission and outreach efforts the results will be more noticeable, accountable, and acknowledged; ultimately leading to improved relationships and business climate for our industry.

2.1 Project Action Steps

The specific action steps and elements of the Petroleum Council Good Neighbor Initiative will be developed by the Petroleum Council over the next several months and it will continually be evaluated and adjusted as the program is developed. Below are examples of the types of issues the Petroleum Council member companies are going to work to develop as part of the project. Each of these areas will have specific action steps:

- Offer Town Hall meetings and other dialog sessions with communities and policy makers.
- Implement the best management environmental practices and put them to work as part of our responsibility to act as a "good neighbor."

- Seek to understand and respond appropriately to landowner, lessee, permittee, and/or resident concerns along with possible questions regarding development.
- Listen to neighbors, policy makers, and general public and keep them informed on activities.
- Ensure respect for the property rights of others.
- Make being a good neighbor a focal point of employees and contractors.
- Seek to continually to improve workplace safety.
- Ensure that personnel know and understand the laws, rules, and regulations that apply to Industry.
- Continue to have companies promote public safety.
- Respect tribal traditions and rights.
- Work to develop oil and gas resources on tribal lands in a responsible and environmentally friendly manner.
- Actively engage and support the communities where we work and live.

As indicated above, the Petroleum Council Good Neighbor Initiative will work to establish communication lines from the oil and gas industry to the neighbors, general public, policy leaders, and employees on what types of issues should be focused on and what action steps would best address any given situation. The initiatives will be developed by industry over the next several months and distributed to the industry and public at the Petroleum Council's Annual Meeting in September.

2.2 Project Implementation

To further implement this program, companies will be asked to adopt the initiatives and work towards making them part of the culture in their operations. There will be numerous opportunities for feedback on how industry is or should be conducting its operations in the state, as well as a number of outreach mechanisms to make the public aware of the Petroleum Council Good Neighbor Initiative. The Good Neighbor Initiative plans to encourage public participation in helping industry continue to improve its operations and become even better neighbors. Tools for opening the dialog will include additional town hall meetings, encouraging companies to meet regularly with policy makers and surface owners, website section for information and feedback, paper questionnaires, and possibly toll-free hotline for input. We will be seeking input from employees in the field for best practices and ways to reduce impacts and improve

relationships. In addition, a website will be developed containing helpful information for anyone with questions on oil and gas issues.

Once again, as we learned at the Town Hall Meetings, many of the issues that arise are from people who want to understand what industry is doing and have a chance to ask questions or educate themselves by engaging directly with industry and regulators. The key to this program is a continuation of that effort that will lead to an ongoing education and outreach program that will work towards adapting to the reactions and interests of the neighbors, policy makers, and the general public.

3.0 Standards of Success

Success of the Petroleum Council Good Neighbor Initiative will likely be judged by the neighbors, policy makers, and the general public not necessarily in how the initiatives are designed or communicated but in how industry responds to complaints, concerns, or questions in general. Individual satisfaction with the ability to get answers to questions or keep them informed about oil and gas activity in their backyard, community, or state is the true measure of success. Feedback from questionnaires available both at meetings and on our website will be the tool we will use to measure the satisfaction of the audience during meetings, the response to information that is presented to the public, and satisfaction of the response to questions in regards to the industry.

There will be a section on the ndoil.org website for feedback and information. The website will ask for feedback on how industry is operating in communities and provide a section for comments or complaints that will be followed-up within five working days. The ultimate goal of this project is a continued favorable business climate for expansion of oil and gas activities, improved public relations, and developed communications with neighbors, policy makers, and the general public in regards to complaints, concerns, and questions.

4.0 Background/Qualifications

The North Dakota Petroleum Council is a nonprofit trade association that has represented the industry in North Dakota since 1952. The Petroleum Council represents more than 160 companies involved in all aspects of the oil and gas industry including oil and gas production, refining, pipeline, mineral leasing, consulting, legal work, and oil field service activities in North

Dakota, South Dakota, and the Rocky Mountain Region. Our member companies produced 75% of the 45 million barrels of oil produced in North Dakota in 2007. The oil and gas industry operates production facilities in 16 counties of western North Dakota but also has pipelines, a refinery, and employees scattered across the state. The Petroleum Council Good Neighbor Initiative to be effective really needs to have a statewide application and we must consider holding Town Hall Meetings and engaging the public and policy makers across state.

The Petroleum Council has been working to educate the public about the oil and gas industry for decades and has sponsored a teacher seminar for 16 years. The association has continually worked to enhance our education programs and communications with the public and is now initiating a new education program, Petroleum Council Good Neighbor Initiative, which will focus on working with our neighbors to strive to work at improving the impacts of daily operations and keeping the neighbors informed of what is happening with industry.

5.0 Management

The Petroleum Council will manage and oversee the project. The Petroleum Council Board of Directors authorized the program and budget. Ron Ness, President of the Petroleum Council, is the manager of the Petroleum Council Good Neighbor Initiative.

6.0 Timetable

Petroleum Council's Good Neighbor Initiative described in this grant request runs from July 1, 2008 through June 30, 2010. Specific outreach efforts and communication vehicles along with continued information gathering from the public and company employees will be developed in July and August with the program initiatives formally announced to the Petroleum Council membership and the public at the Petroleum Council Annual Meeting on September 18 in Bismarck. This initiative will likely continually adapt and respond to the hot issues in communities as oil and gas activity possibly ramps up in North Dakota.

7.0 Project Budget

The budget for the Petroleum Council Good Neighbor Initiative program for 7/1/08 – 6/30/10 is \$133,000. The Petroleum Council is making a two-year financial commitment to this program. The two-year proposal allows for planning, development, and implementation for the project.

Two-year Budget:

| | |
|--|-------------------|
| Conduct market research (online and print surveys) of key external and internal stakeholders on an ongoing basis. | \$ 4,000 |
| Develop and implement a Good Neighbor Policy based upon best practices to be adopted by the Petroleum Council and integrate being a Good Neighbor into the culture of organizations and employees. | \$ 8,000 |
| Conduct Town Hall Meetings and open forums to provide opportunities for feedback and dialog with the public. Coordinate media relations, activities such as news stories, web information, Town Hall Meetings, editorial board visits, and special meetings with neighbors, policy makers, and the general public. | \$ 35,000 |
| Design a Good Neighbor tool kit for companies to help implement the program into the culture of organizations and be part of employees daily work routine and thought process, such as has done with safety. This may include branding the Good Neighbor initiative, decals, and other good neighbor visuals they see each time they enter their vehicle or workplace. | \$ 25,000 |
| Produce flyers, ads, posters, and specific collateral material to inform and educate the public about the Good Neighbor Initiative. This also includes advertising and promotion of the initiative. | \$ 26,000 |
| Community relations, support activities, and other related expenses. | \$ 15,000 |
| Implement, monitor, and respond to questions and requests, as well as maintain and update the information on a regular basis. Prepare power-point presentations and information for the website and for the use at meetings and presentations. | <u>\$ 20,000</u> |
| Total Expenses | <u>\$ 133,000</u> |

8.0 Matching Funds

The Petroleum Council request is based on a match for this project.

Petroleum Council Good Neighbor Initiative

| | |
|----------------------------|-------------------|
| Petroleum Council | \$ 83,000 |
| Oil & Gas Research Council | <u>\$ 50,000</u> |
| Total Project Expenses | <u>\$ 133,000</u> |

9.0 Tax Liability

I, Craig Smith, certify that the North Dakota Petroleum Council does not have any outstanding tax liability owed to the State of North Dakota or any of its political subdivisions.

Craig Smith
Treasurer, Petroleum Council

Date

10.0 Confidential Information

The Petroleum Council does not request that any of the information related to this application be confidential.

11.0 Patents Rights to Technical Data

The Petroleum Council does not request to reserve any patent rights to technical data.

12.0 Appendices

None