

September 1, 2005

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

Re: Grant Application for the Northern Alliance of Independent Producers Public Education Program

Dear Karlene:

Enclosed please find the grant application of the Northern Alliance of Independent Producers to the Oil and Gas Research Council, requesting \$105,000 in matching funds for a public education program as described in the application. Also enclosed is our check for \$100 as provided by the Research Council's policy for the application fee.

The Northern Alliance looks forward to working with other industry organizations, and other states in the region to implement a well designed and coordinated education program that tells the public the full story of the oil and gas industry, its impact upon North Dakota and the region and helps the public understand the current energy situation now facing America.

We would like to present to the Research Council at its next meeting, some examples of commercials and advertisements that would assist the Council in considering our request.

Sincerely,

Robert W. Harms
President
NAIP

Abstract:

The objective of the Northern Alliance of Independent Producers' (the Alliance) project is to launch a public education program through print and electronic media regarding the oil and gas industry:

- to educate the public regarding America's current energy situation,
- assist consumers in making informed choices
- help consumers have realistic expectations regarding energy
- assist the public in supporting sound public policy choices and
- complement current employment training, and education programs (such as the Energy Career Awareness Partnership and the NDPC Oil and Gas Education Program that focuses on students, parents and teachers.)

Ultimately the goal of the project is to assist in promoting public policies that foster the sound development of North Dakota's oil and gas resource and avoid those policies that impede its development.

Project Summary:

The Alliance proposes to launch a public education program through electronic and print media in three phases. The first phase would conduct a baseline survey of the public's understanding, attitudes and perception of the industry, which would be conducted by a professional research organization experienced in measuring public attitudes. The survey would be designed with input from industry members to provide basic understanding of the oil and gas industry, its practices, number of wells, drilling rig activity, delivery systems, and similar information. The baseline survey is necessary in order to measure impact and usefulness of the public education program long term.

Phase II would begin, once the survey is completed. An advertising agency would be retained to design message boards, and an initial ad campaign which would be refined through further research using a focus group format. Following input from the focus group, the advertising campaign would be finalized and launched in North Dakota through 2006 as per recommendations of the project advertising agency. The Alliance anticipates the use of radio ads, print media (primarily news papers) and television advertising as recommended by the advertising agency and its media specialists.

Phase III of the project would be to measure results of the public education campaign through a follow up survey, adjust the campaign accordingly, and then expand the program into neighboring states of South Dakota and Montana, with the use of check off dollars from industry members. Public funding would terminate once the project began to expand into neighboring states. Voluntary check off dollars from the industry, once the public education program is launched would minimize or eliminate the need for further funding from the Oil and Gas Research Council.

NOTE: The Alliance voted recently to launch a similar program in Montana which can then be incorporated into Phase III of this project. The Montana project would be funded separately without any funds from the ND Oil and Gas Research Program. We envision

that the North Dakota project will help to develop the Montana and South Dakota projects, although no Research Program funding is requested for those projects. Public funding as requested from the Oil and Gas Research Program will serve only the North Dakota component of the larger project, but will serve as a catalyst to develop a check off program in the three states to provide long term funding.

Project Description:

The North Dakota consumer faces a challenge each time he fills his gas tank. The public read news stories of record oil prices each week, and see news stories of gasoline increases on television regularly. Yet, little understanding is demonstrated regarding North Dakota 's and the America's energy situation. Public officials and even the news media sometime suggests that the oil and gas industry is somehow at fault or causing record high oil and gasoline prices. This situation was exacerbated by recent events in the gulf coast and the hurricane Katrina, causing price increases of nearly 50 cents at the gas pump. Natural gas supplies may also be impacted from Katrina, the impact of which may not be realized until this winter. Meanwhile, there are calls for tax increases, price controls, investigations and similar steps, further confusing the public and potentially leading to public policy reactions that will not solve the nations' energy situation, but instead may worsen the situation. In the meantime, the oil and gas industry suffers from well known boom and bust cycles, which impact its ability to sustain oil and gas development for the consuming public and impact its ability to attract and retain employees during the long term. (The employment needs of the industry have been well recognized by the Governor in his work, the North Dakota Petroleum Council and the Oil and Gas Research Council itself, through approval of recent employment and education grant requests.)

Oil and gas is of course an important energy resource in North Dakota, but also in America providing approximately 40% of America's energy needs. Because, it is such an important part of our energy base, and because prices are currently rising, the public needs to fully understand where oil comes from, where America (and North Dakota) fits in the competition to buy oil (and gasoline) and to secure investment dollars to produce more domestic oil and gas.

The Alliance proposes to help educate the public regarding these issues, following a baseline survey. The survey would objectively assesses public attitudes, public understanding and perception regarding a host of issues relating to the oil and gas industry, such as America's oil needs, availability of renewable energy resources as alternatives for meeting transportation needs, perceived solutions to America's energy needs, and time tables within which those expectations might be met.

Once the survey is completed, the results would be provided to an advertising agency to design an ad campaign to help educate the public regarding issues assessed. The ad campaign would be exposed to a focus group to determine its appeal and impact and to refine the campaign based upon focus group response. Once the focus group process is

concluded, the ad campaign would be launched, using media rating points, to maximize impact based upon budget constraints.

The final phase of the project would be to evaluate the public education program, using the same research firm to assess what impact the program has had on the issues queried. The public education program would be revised based upon information from the follow up survey and then expanded to South Dakota and Montana. The campaign (and project) would be separated from the North Dakota Oil and Gas Research Program, with the help of other organizations that are presently engaged in similar programs, or who have expressed interest in helping with a public education program as described herein. Funding would be sought through a check off program in each of the three states (based upon volume or some other measure), developed with industry input.

The Oil and Gas Research Program would assist by matching the North Dakota portion of the public education program, for what eventually could become a self funded public education program in North Dakota, South Dakota, and Montana and which would complement the various employment and student/teacher oriented programs now taking place in the region. The grant request is only to launch the North Dakota portion of the campaign and serve as a catalyst of a broader effort.

Standard of Success:

The success of the program will be identified by a couple of measures. The results of surveys conducted before and following the initial launch of the program will detail what type of impact the public education program is having on the public. This methodology has been used in a host of instances. For example, the Oklahoma sponsored public education program uses very successfully, this methodology and measures precisely its impact upon public understanding. (Other instances are also available, such as Partners for Affordable Energy who have shown clear results, in measuring the impact of public education and understanding regarding the state's lignite industry). The public's support for public policies that advance (or impede) sound oil and gas development towards meeting our nation's energy needs will also provide some measure of success, although certainly less precise than the survey mentioned above.

Background:

The Alliance and its members have recognized the need for an informed public who can assist in helping to shape public policy that helps the oil and gas industry develop the energy, and provide the jobs and technology advances that North Dakota and America need. But, public policy does not appear to have fostered further oil and gas development to meet growing demands for the resource. Instead, we have placed greater reliance on foreign oil sources, rather than develop our own resources. For example, in the 1973, we imported approximately 37% of our oil, and gasoline was \$.39.9 @ gallon. Today we import 60% of our oil, and gasoline just exceeded \$3.00 @ gallon. No change in public policy is evident. Meanwhile, half of federal property in the US is no longer available for oil and gas leasing, and access to federal minerals has declined from 72% in

1983 to 17% in 2000. And of course ANWR has been before Congress for over a decade and yet we still cannot muster the political will to open it.

Yet, we don't seem to fully understand the disconnect between wanting and needing oil and gas, as part of the driving force behind our economy and our quality of life, yet not insisting upon policies that help us attain the resource.

America (and North Dakotans) may be in dire straits if we do not fully understand, appreciate and react correctly to our energy needs. More domestic oil and gas production may not be the only answer, but certainly it is part of the answer, that includes a balanced strategy to address what some might call a crisis. We should at least alert the public regarding the realities of our energy situation, so they can make informed choices regarding their energy interests.

Qualifications:

The Alliance is a non-profit trade association representing independent oil and gas producers operating in North Dakota, South Dakota and Montana. Robert W. Harms, its President has been with the organization since its formation, and formerly served as counsel for nearly 11 years to Governor Schafer and Governor Hoeven, serving as an Official Representative for North Dakota to the Interstate Oil and Gas Compact Commission during that time period. Harms also served as senior policy advisor on oil and gas issues during his tenure with the Governor's Office, and worked closely with the North Dakota Industrial Commission, the North Dakota Petroleum Council and members of the oil and gas industry. In that context, Harms has seen first hand the need for a public education program and has seen the success of such programs in other states.

Value to North Dakota:

The value of this program to North Dakota should be demonstrated in several ways. First, by jump starting a public education program in North Dakota we will help build a self sustaining public education program long term in North Dakota, South Dakota and Montana. That will serve the State well for additional reasons described below. Educating the public regarding the industry overall will complement existing programs currently underway to help fill the employment needs of the industry that are well documented in the Oil and Gas Research Program. Those jobs are some of the best paying in North Dakota. Jobs filled last winter through the state and industry partnership (sponsored by NDPC and the Governor's Office) averaged \$40,000 to \$50,000 each. (In contrast, North Dakota average is approximately \$28,000.) Finally, avoiding public policy missteps will help sustain long term economic development and state and local revenues. Oil and gas production taxes alone represent over \$200 million dollars of the state general fund in this biennium (based upon \$37.00 oil.) Educating the public about the history and value of the industry to the state, its people and its economic vitality will help sustain the industry's roll in North Dakota.

Management:

The project will be managed by Robert W. Harms, President of the Alliance under direction of the Alliance Board of Directors and members. Harms will solicit and engage research firms, and advertising agencies to implement the program as described above. In his experience, running his own business for 12 years as a practicing lawyer, and during the 11 years in state government, Harms was exposed to a number of projects involving research surveys and analysis, and project management.

Timetable:

Phase I (survey design and execution)

Begin: November 1, 2005

End: March 1, 2006

Phase II (public education media campaign)

Begin: March 15, 2006

End: December, 31, 2006

Phase III (follow up survey; roll up campaign to 3 state regional campaign)

Begin: January, 2007

End: On going

Project Budget:

Budget:

Expenses:

Survey; research of public attitude (2)	\$20,000
Initial production costs/focus group research	\$20,000
Final production costs	\$10,000
Media buys/print placement	\$150,000
Administrative (supplies, postage, etc)	\$ 10,000
Total	<u>\$210,000</u>

Revenue/Matching funds:

(Cash)

ND Oil and Gas Research Council	\$105,000
NAIP, and industry members	\$105,000
Total	<u>\$210,000</u>

Tax Liability:

I certify that the applicant, the Northern Alliance of Independent Producers has no outstanding tax liability to the State of North Dakota, or its political subdivisions.

September, 1, 2005

Robert W. Harms
President

Confidential Information/Patent Rights to Technical Data:

The Alliance does not make any request that any of the information developed through this program be kept confidential and reserves no rights to patent or technical data developed or acquired through the project.