

The Ox Creek Project

Kadrmass
Lee &
Jackson
Engineers Surveyors
Planners

 MAJOR PIPELINE, L.L.C.

“THE BIG PICTURE”

To offer and deliver Natural Gas service to both residential and commercial consumers in the Geographic Center of the North American Continent!

- Major Pipeline (Major) and Kadrmas, Lee & Jackson (KL&J) and the Porter Investment Group (Porter) believe that Natural Gas service can be provided to residents and businesses of Rugby.
- Potential also exists to serve Rolette, Belcourt and Rolla.

Major, Porter and KL&J

- Kadrmas, Lee & Jackson
 - Our Hosts. Without them, this Project would never have developed.

eHarmony®

Major, Porter and KL&J

- Kadrmas, Lee & Jackson
- Porter Investment Group
 - Del Porter
 - Tad Porter
 - Brad Porter

Major, Porter and KL&J

- Kadrmas, Lee & Jackson
- Porter Investment Group
- Major Pipeline
 - Jerry Rushmore
 - Jack Rand
 - John Odinga
 - Kurt Rushmore

Process & Construction



- About 40 to 45 Big Steps condensed into 10!

Process & Construction – Step 1

- **Here we are today!**



- **You need to say “yes.”**

Process & Construction – Step 2



- **Major has to secure Financing**

Process & Construction – Step 3

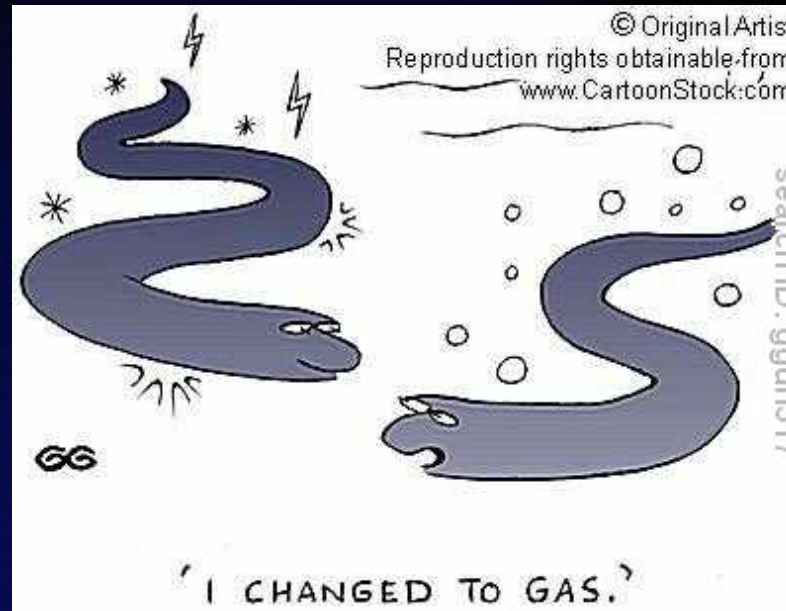


- **Regulatory Approval From North Dakota**
- **Road Commission Approval From All Counties**
- **Zoning and Utility Approval from Rugby**



Process & Construction – Step 4

- **Marketing**



- **And more Marketing**

Process & Construction – Step 5

- Secure Delivery Point and Supply
 - Alliance Pipeline near Towner?
 - WBI Pipeline near Devils Lake?

Process & Construction – Step 6

- Build A High Pressure Pipeline



Process & Construction – Step 7

- Build the Low Pressure Distribution System



Process & Construction – Step 8

- Make the Interconnect with the Interstate Pipeline



Process & Construction – Step 9

- Make All Residential and Commercial Conversions within 30 Days
 - **Furnace?**
 - **Clothes Dryer?**
 - **Hot Water Heater?**
 - **Pool Heater?**
 - **Stove?**
 - **Fireplace?**
 - **Backyard Grill?**
 - **Yard Lamps?**
 - **Street Lamps?**
 - **Not so small enamel baking operation out in the back shed?**

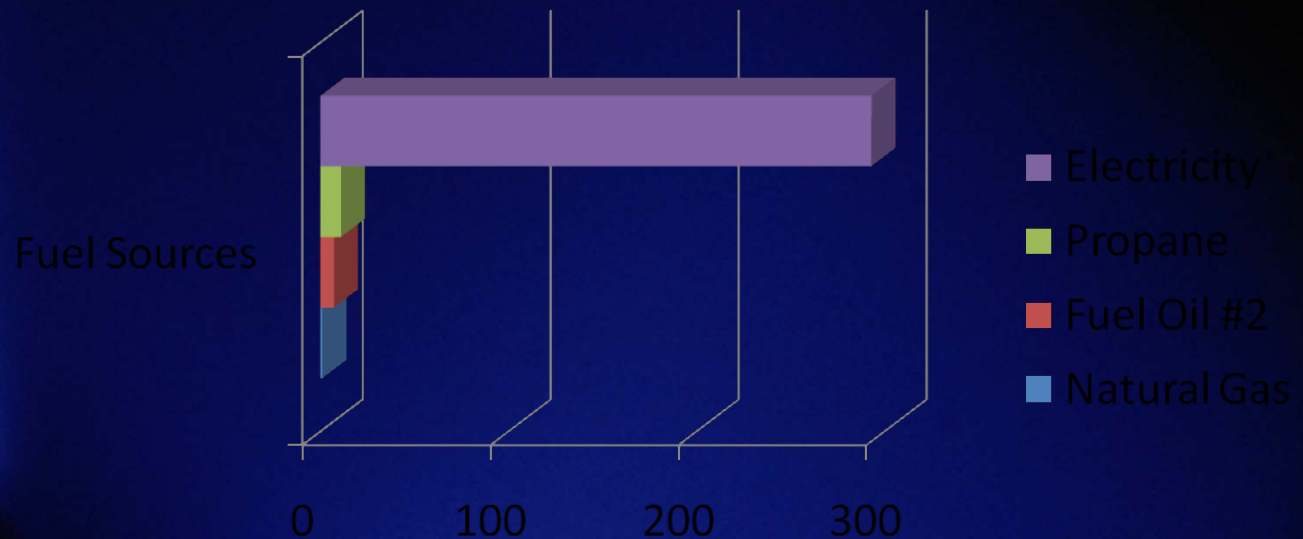
Process & Construction – Step 10

- Enjoy the Conveniences!
- Enjoy the Savings!



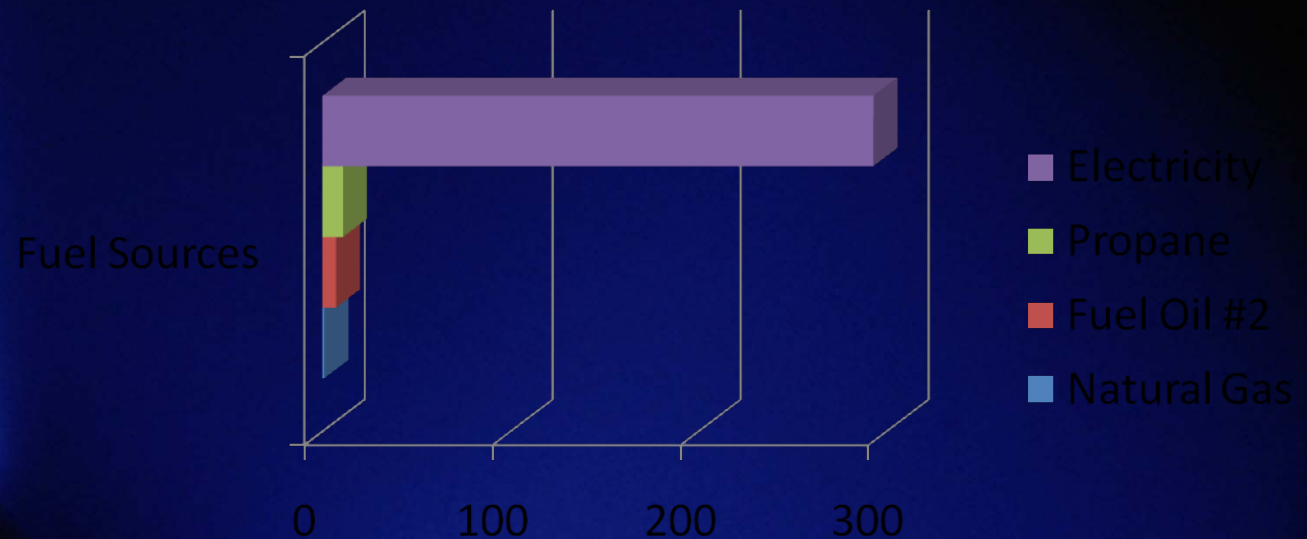
Fuel Comparisons

- The amount of Electricity needed to equal 1 MMBtu of Natural Gas is 293.083 kWh



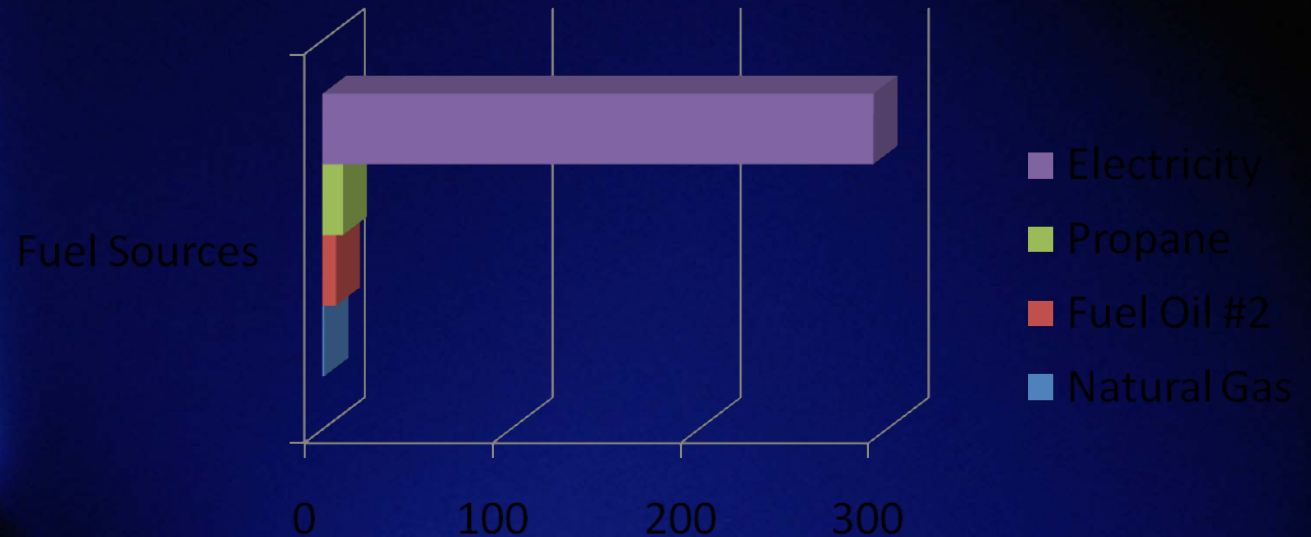
Fuel Comparisons

- The amount of Propane needed to equal 1 MMBtu of Natural Gas is 10.917 gallons.



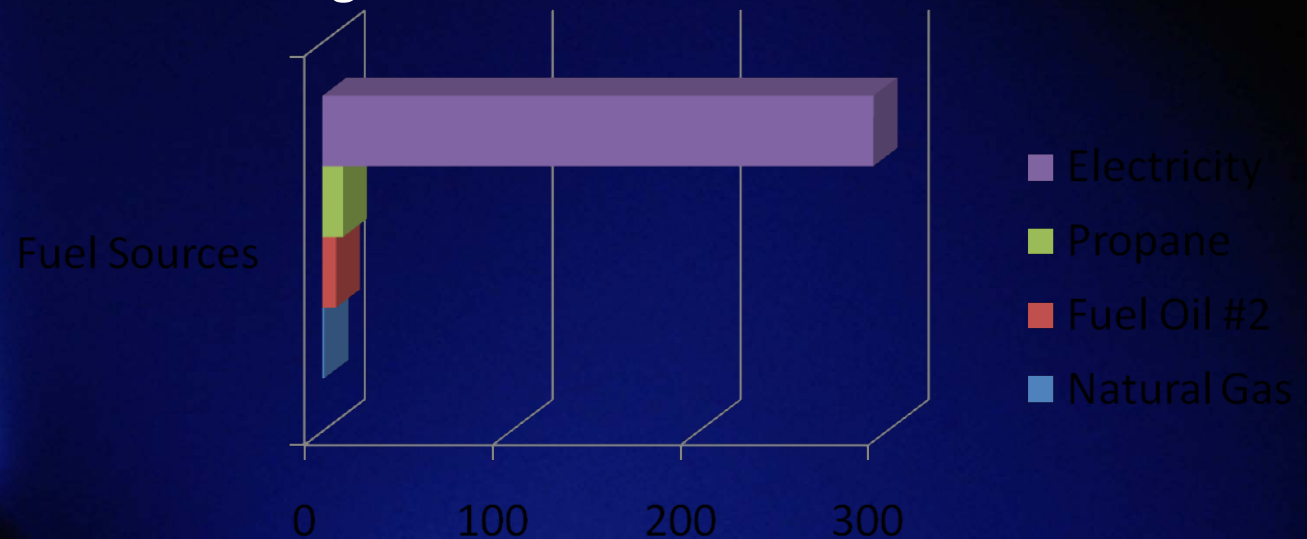
Fuel Comparisons

- The amount of #2 Fuel Oil needed to equal 1 MMBtu of Natural Gas is 7.194 gallons.



Fuel Comparisons

- 1 MMBtu of Natural Gas is equal to:
 - 293.083 kWh
 - 10.917 gallons of Propane
 - 7.194 gallons of Fuel Oil



Current North Dakota Pricing

- **1 MMBtu of Natural Gas = \$3.948**
Ventura Northern Borders April 2010 Average
- **293.083 kWh of Electricity = \$19.607**
North Dakota Average of \$0.0669 per kWh (EIA)
- **10.917 gal of Propane = \$20.065**
North Dakota Average of \$1.838 per gallon (EIA)
- **7.194 gal of Fuel Oil = \$21.438**
North Dakota Average of \$2.98 per gallon (EIA)

The Price of Natural Gas at Your Place?

- 5 Primary Components Make up the Price of Natural Gas at your Burner Tip
 - 1) Cost of Supply
 - 2) Transportation Rate (High Pressure)
 - 3) Local Distribution Company
Transportation Rate
 - 4) Fixed Monthly Meter Fee
 - 5) Gas Cost Recovery Index

Estimated Costs

- The high pressure Transmission System (Major's obligation) is currently estimated at \$12.5 million. The combined cost of the four Municipal Utility Distribution Systems is currently estimated at \$6.4 million.
- Long-term supply of Natural Gas will be contracted by the Muni. Major, as a function of its Operations Contract, will assist in getting the most economical supply for the Muni.

Savings With Natural Gas Per Year

Propane:

1,310 gal @ \$1.838 = \$2,408

Savings= \$578 (24%)

Natural Gas:

120 million Btu @ \$15.25 = \$1,830

Fuel Oil:

836 gal @ \$2.98 = \$2,572

Savings= \$742 (29%)

Natural Gas:

120 million Btu @ \$15.25 = \$1,830

Electricity:

35,170 kWh @ \$0.0669 = \$2,353

Savings= \$523 (22%)

Natural Gas:

120 million Btu @ \$15.25 = \$1,830

Timeline

- The timeline to complete the Ox Creek Project is approximately 16 months from the date of securing financing.
- Major and the communities need to form a working relationship.
- If the working relationship and financing portion of the project were to take 90 days, Major anticipates the first Natural Gas to be delivered in November 2011.

Economic Benefits

- Direct Jobs—Indirect Jobs.
- Increased disposable income.
- Opportunity to expand commercial/ industrial economy.
- Enterprise revenue for Rugby to expand public services.

Next Steps

- City of Rugby enters into Letter of Intent (LOI) with Major
 - Major prepares detailed cost estimates, revises description of project, and makes a formal presentation to City Council
- Public Input sessions
 - City (with assistance of Major) holds information meetings for residents
- City enters into Exclusivity Agreement with Major (specified time-frame for performance)
- City determines necessity for a measure to be voted on by the residents
- Major prepares design and construction cost estimates
- Finalize Service Agreement between City and Major
 - Distribution system
 - Operating agreement
 - Long term gas purchase agreement between City and gas supplier (Major's assistance)