OFFERING MEMORANDUM

72.43 Acres of Industrial Zoned Land

Dome, Buildings, Office Space, Guard Shack Etc...

Former Capital Lodge Location

TIOGA, NORTH DAKOTA

LUNNEN
REAL ESTATE SERVICES

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For more information please visit our website at www.Lunnen.com

CALL US FOR INDUSTRIAL BUILDINGS OR LOTS IN:

WILLISTON : WILLIAMS COUNTY : EPPING: TIOGA: RAY

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OVERVIEW:

Location: The property is an eighty (80 +/-) acre crew lodging facility formerly operated as a crew lodging facility called Capital Lodge. It is located in the city of Tioga, North Dakota in Williams County. It was the largest Crew Lodging Facility in the state. This industrial land is located 6 miles from the city of Tioga to the east and 7 miles from the city of Ray to the west on Highway 2.

Reason for sale: With the downturn of oil production globally and specifically in North Dakota, there is not a need for worker housing now or for any foreseeable time in the future, thus the owners are selling the property in an as is state.
While there is not a need for housing, the State of North Dakota and Tioga specifically is still progressing in and about the oil industry and there is a need for industrial zoned land.

Description: The property currently still has over 120 modular single and double wide units that will be removed from the site. The sale of the land includes the following:
•Each well will produce for 30-40 years
The following describes the land and what is on it and what will be a part of the sale:
•80 +/- acres of industrial zoned land fronting HWY 2
•The site has been fully stabilized with aggregate on geo fabric
•Water, power, sewer available onsite
•Water Building: 32ft wide x 102ft deep. 3,264 SF
•Dome: 65ft wide x 350ft deep. 22,750 SF
•Upstairs office space = 2280 SF 100ft x 45ft kitchen attached @ 4,500 SF Total = 29,530 SF
•Metal Building 1 (partial exposed): 65ft wide x 125ft deep. 8,125 SF
•Metal Building 2 (used for shop) : 65ft wide x 125ft deep. 8,125 SF Upstairs storage: 900 SF Total= 9,025 SF
•Generator Building: 14ft wide x 18ft deep. 252 SF
•Guard Shack at gate: 7.5ft wide x 13ft deep. 97.5 SF
•Wood structure (prior laundry building): 23ft wide x 26ft deep. 598 SF
•Gray building at fence-line for sewer (X's 2): 12ft wide x 20ft deep. 240 SF Times 2 = 480 SF total.
•Beige building set with the two gray buildings for sewer: 14ft wide x 24ft deep. 336 SF
•Building at retention pond: 10ft wide x 14ft deep. 140 SF
•Portable building at retention pond: 10ft wide x 36ft deep. 360 SF
•Metal Building (used for storage): 60ft wide x 120ft deep. 7,200 SF

Zoning
Williams County Industrial

Market
North Dakota is now the 2nd largest oil producer in the US, it was formerly #9. The state has more than 2 Billion in surplus. The unemployment rate is the lowest in the nation. The Industrial land market is booming in the Bakken, with oil producers and all related service companies looking for industrial buildings.

Oil Overview
- 10,000+ producing wells today.
- 2,100 wells drilled/year (common goal)
- 60,000 wells to drill
- Each well will produce for 30-40 years

OVERVIEW:

Aerial front view of Capital Lodge.

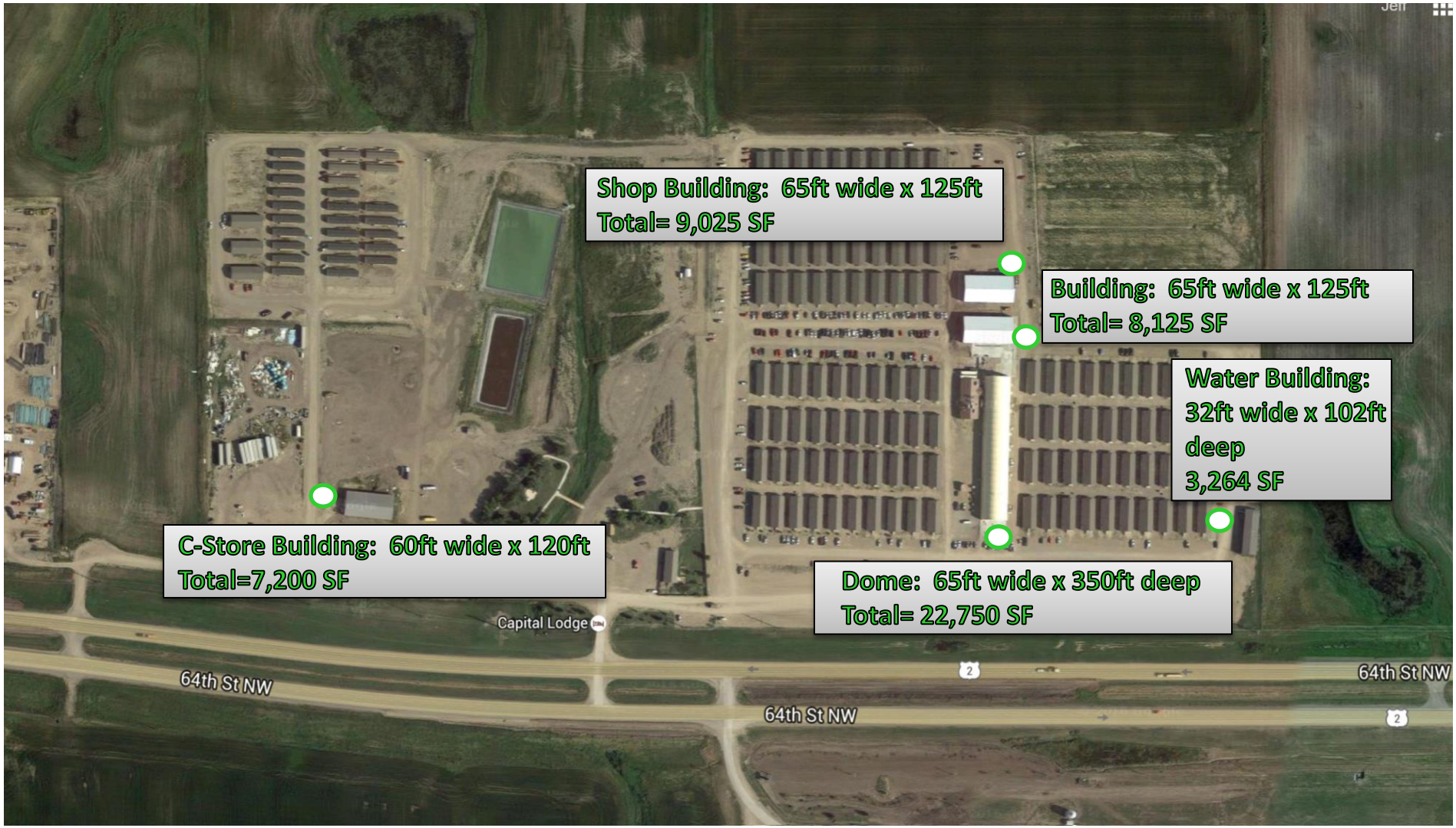
OVERVIEW:

Aerial view of Capital Lodge from the west looking east.

AREA MAP:


CITY OF RAY
6 MILES
CAPITAL
LODGE
NORTH
HWY 2
TARGET LOGISTICS
TIOGA, ND
CITY OF TIOGA
7 MILES

Permenent Structures:

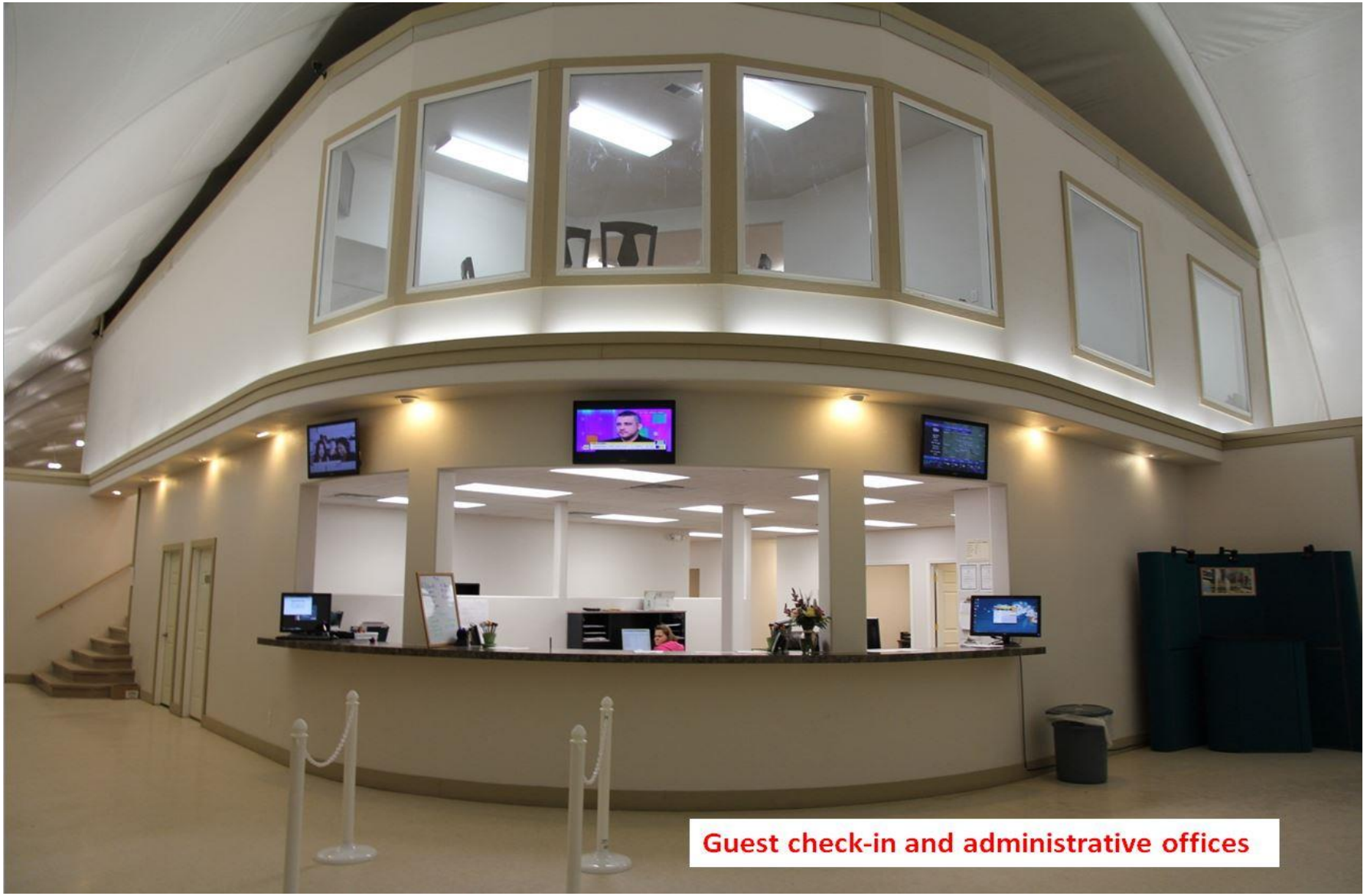


AREA MAP:


COUNTY HWY 19
HESS
TIOGA
HESS
67TH STREET NW
Tioga Municipal Airport
19
SUBJECT PROPERTY
72 ACRES
CAPITAL LODGE
HESS
SBG
TARGET LOGISTICS
Key Energy Services
TERVITA
EARTH MATTERS
JBS CARRIERS
Thomas
FUELS · LUBRICANTS · CHEMICALS
www.thomaspetro.com
40
STATE HWY 2
2
9,935 DAILY TRAFFIC COUNT
Google

PROPERTY PHOTOS:

PROPERTY PHOTOS:



PROPERTY PHOTOS:

PROPERTY PHOTOS:

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PROPERTY PHOTOS:

PROPERTY PHOTOS:

MARKET:

BREAK EVEN LEVELS in the Bakken core counties have uniformly come down with cost savings and infill drilling. Break-even is now firmly in the US $29-$41/bbl range (WTI oil prices today are ~US $55).

OIL OVERVIEW

- 13,000 producing wells today.
- 2,100 wells drilled/year (common goal)
- 60,000 wells to drill
- 1-3 production workers/well (rule of thumb)
- Each well will produce for 30-40 years

NORTH DAKOTA OIL MARKET

- North Dakota is now the 2nd largest oil producer in the US, it was formerly #9. The state has more than 2 Billion in surplus. The unemployment rate is the lowest in the nation

Over $30 Billion annually is invested in North Dakota as part of this Oil Boom. The list below are some of the major projects that are currently underway or recently completed:

- Sanford Health, Fargo, ND - $800M
- Dakota Prairie Refinery, Dickinson, ND - $300M
- Thunder Butte Petroleum Services Refinery, New Town, ND -$450M
- Three Affiliated Tribes Gas Plant, New Town, ND - $300M
- Hess Gas Plant, Tioga, ND - $325M
- Alliance Pipeline Project, ND - $170 million (pipeline completed as of Oct 2013)
- ONEOK Gas Plant, Watford City, ND - $2.5B
- Northern Plains Nitrogen, Jamestown, ND - $1.5B (construction 2017)
- Williston Community Center, Williston, ND - $70M
- Northern Plains Nitrogen, Grand Forks, ND - $1.5B
- Dakota Spirit AgEnergy, Spiritwood, ND - $155M
- Dakota Oil Processing's Trenton Diesel Refinery, Trenton, ND - $200M
- BNSF Investment into ND - $220M
- Bison Oil LLC, Devils Lake, ND - $250M

MARKET:

FROM BOOM TO BUSINESS MODEL

With the extensive investment in infrastructure the community has now shifted from a boom to a business model and is ripe for primary, secondary, and tertiary sector development. An aggressive 5-year infrastructure master plan is currently underway in the City of Williston that comes with a 1-Billion dollar price tag.

- Projected additional housing unit demand of 15,400 by 2020
- Projected population increase of 26,000 additional residents by 2020

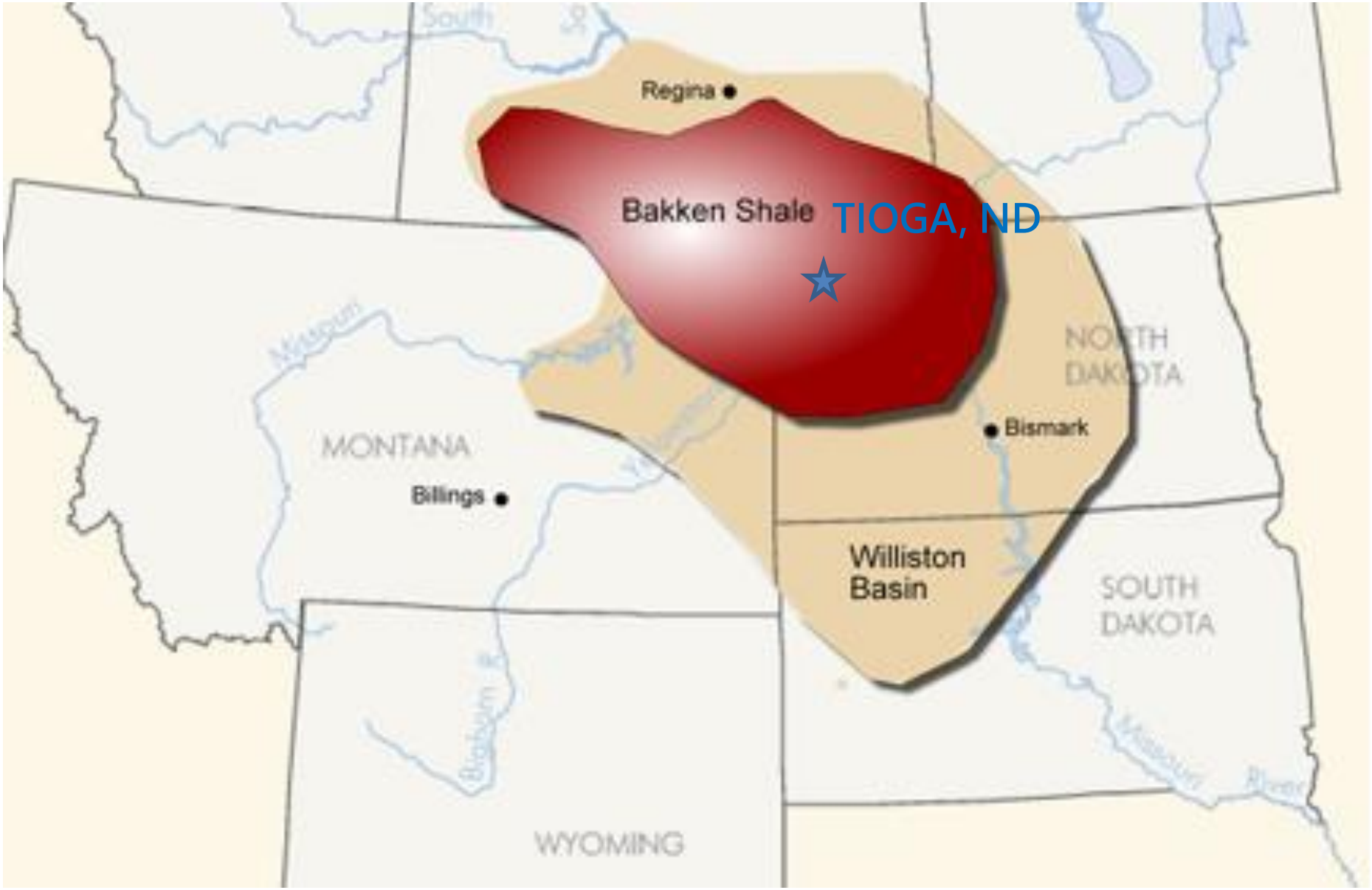
Between 2010 and 2014 the City of Williston tripled in size growing from 4,781 acres to 14,167 acres. This growth is driving significant capital and operational needs for the city.

WILLISTON CAPITAL IMPROVMENTS THROUGH 2020

- Transportation Improvements - $470-Million
- Wastewater Upgrades - $126-Million
- Water Upgrades - $52-Million
- Stormwater Improvements - $35-Million
- Solid Waste Improvements - $15-Million
- Airport Relocation and Expansion - $240-Million
- Public Buildings Expansions - $113-Million

Source: AE2S Capital Improvements Study January 2015

BAKKEN SHALE MAP:



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Bakken Shale Overview:

Bakken Shale Oil Formation

The **Bakken Shale** ranks as one of the largest oil developments in the U.S. in the past 40 years. The play has singlehandedly driven North Dakota's oil production to levels four times higher than previous peaks in the 1980s. As of 2012, ND is second to Texas in terms of oil production and boasts the lowest unemployment rate in the country at ~3%.
The Bakken Shale Play is located in Eastern Montana and Western North Dakota, as well as parts of Saskatchewan and Manitoba in the Williston Basin. Oil was initially discovered in the Bakken play in 1951, but was not commercial on a large scale until the past ten years. The advent of modern horizontal drilling and hydraulic fracturing helps make Bakken oil production economic. The U.S. Geological Survey has estimated the Bakken Shale Formation could yield 4.3 billion barrels of oil and estimates from Continental Resources stretch as high as 40 billion barrels.
The name "Bakken" originates from a North Dakota farmer, Henry Bakken, who owned the land where the first well encountered the Bakken formation.

Bakken Shale Geology

The Bakken Shale is a rock formation that was deposited in the late Devonian, early Mississippian age. The formation consists of three layers: an upper shale layer, middle dolomite, and a lower layer of shale. The shale layers are petroleum source rocks as well as seals for the layer known as the Three Forks (dolomite) or Sanish (sands) formations.
A 2008 USGS study pegged recoverable reserves at approximately 4 billion barrels and a 2010 NDIC study estimates the underlying Three Forks formation could yield an additional 2 billion barrels. Both estimates are likely conservative. The Bakken is estimated to hold as much as 400 billion barrels of oil equivalent in place. Four billion barrels only represents 1% of the oil estimated to be in place, while current recovery estimates range from 3-10%. Continental Resources has publicly expressed beliefs the Bakken will yield anywhere from 24-40 billion barrels. If you'd like to read more, visit our Bakken Geology page for additional information.

Bakken Shale Companies

While the Bakken experienced multiple small scale booms over the past 60 years, it was a horizontal well drilled in the Elm Coulee Field by a partnership between Lyco Energy and Halliburton that incited our modern boom. The Elm Coulee was proven economic in 2003 and operators began expanding into North Dakota after EOG's Parshall discovery in 2006. The play was driven by innovations and small to mid size exploration and production companies. If you'd like to read more about the various operators in the play, visit our Bakken Companies page. http://bakkenshale.com/

THE WALL STREET JOURNAL.

http://www.wsj.com/articles/after-the-carnage-shale-will-rise-again-1453162664

OPINION | COMMENTARY

After the Carnage, Shale Will Rise Again

Vast swaths of shale will be profitable with oil at about $40 a barrel, and the nimble industry is ready.

By **MARK P. MILLS**
Jan. 18, 2016 7:17 p.m. ET

How low can oil prices go? When pundits start competing to predict where the barrel will hit bottom, you know that a rebound is inevitable. It's the inverse of what happens before a high-price bubble bursts. Only a few years ago forecasters were suggesting that oil might hit $300 a barrel.

The unpleasant reality is that petroleum prices are cyclical. Starting with the 1973-74 Arab oil embargo, they have been through six extremes. Because the peaks and the valleys both wreak financial havoc, producers and politicians imagine a Goldilocks ideal, with prices "just right"—not so high that legislators feel pressure to claw back "windfall profits," and not so low that suppliers fall like dominoes, destroying jobs and tax revenue.

The latter is what we're seeing now, with oil falling below $30 a barrel. Survey the damage so far: More than 100,000 jobs are gone, most of them last year. The number of shale rigs in service has collapsed by 60%. Banks are worried about their oil loans. Shale states are readjusting budgets for shortfalls. About $200 billion of oil and gas assets are

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up for sale world-wide.

American shale oil companies—whose booming production is a principal cause of the global glut—have been hit hard. Last year two dozen defaulted and 15 filed for bankruptcy. Standard & Poor's puts junk ratings on three-fourths of the oil and gas producers it monitors.

Here's the big question, the one that makes this cycle different: What happens to shale oil? The jobs and revenues from America's newest industry literally kept the country out of recession during the years of tepid growth that have characterized the current administration.

The bad news is that there will be more pain to come. Low prices will continue to drive out companies that are overleveraged or poor performers. Stronger firms might suffer collateral damage. In the end, though, most companies will survive. Many will emerge well positioned for the next cycle, having acquired new assets (at distressed costs) that can be deployed as demand rises.

Even with China's economy slowing, global oil use will still rise by 1.3 million barrels a day this year—equal to the peak daily output of the entire Bakken Shale field. Middle-class automobile ownership in Asia is rising steadily, from today's average of 60 to 80 cars per 1,000 residents toward the West's 600 to 800 cars. All the fundamentals point to growing demand for oil.

When prices rise again, even modestly, as they eventually will, shale producers will be ready—and this is what worries OPEC, Russia and Iran. Many foreign producers need oil above $80 a barrel to balance their national budgets. Yet industry experts at RBN Energy foresee vast swaths of American shale profitable at just north of $40 a barrel. And it can come online extremely quickly.

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The billion-dollar projects of conventional oil require long planning by enormous corporations or nation-state monopolists. Each shale well is comparatively tiny—which is why tens of thousands are drilled. Permits are obtained in weeks on private and state lands (where so much shale resides), and the wells are drilled in months instead of years. Structurally speaking, shale resembles a multitude of small tech-factories "manufacturing" oil from rocks.

When prices tick up, thousands of profit-seeking investors make individual decisions to turn each factory's switch to "on." That's how the U.S. so rapidly achieved, from 2009 to 2015, the record-breaking rise in production of four million barrels a day. Remember,

global prices are affected by changes of only one to two million barrels a day. The upshot is that absent something like a major war, oil prices won't be able to spike again. That's especially true now that America can finally sell oil in world markets, courtesy of Congress's recent lifting of the export ban.

Shale 2.0, when it comes, will be even better. The technology is advancing at a speed usually associated with Silicon Valley. Over the past half-decade, average output per rig has risen at least 400%. Productivity rose 40% last year, despite cost constraints. The rigs are getting cheaper, and the efficiencies brought by the latest tools—from data analytics to robotics to advanced materials—have yet to be deployed.

The shale industry expanded during a period of cheap money from the Federal Reserve. Over the past decade, a collective $1 trillion was exuberantly invested in a vast infrastructure of pipes, tanks, refineries and factories, as well as intellectual property and skills. In a sense, the boom looks a lot like the 1990s investments in dot-com firms.

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Just as a new Internet ecosystem rose from the ashes of the dot-com crash, Shale 2.0 will emerge—and for the same structural reasons. Underlying physical and intellectual assets don't evaporate in bankruptcies, and America's investors and entrepreneurs are resilient. There is plenty of capital standing by; more than a half-trillion dollars sits in the coffers of oil companies and petroleum private-equity firms. The bellwether for Shale 2.0 will be a boom in mergers and distressed asset acquisitions.

In 2016, however, low oil prices will likely persist, and there's an argument for letting creative destruction take its course. Competition is about to get fiercer as Iran, now sanction-free, adds to markets as much as a million barrels a day. Why not create incentives to propel America's Shale 2.0 technology, the key to competing at low costs? Congress could fund shale science and technology programs, without tapping taxpayers, by selling, over time, some of the $10 billion-plus in excess oil stored in the Strategic Petroleum Reserve. Less oil is needed in the reserve anyway, thanks to the shale industry.

Lawmakers should create a public-private program on Strategic Petroleum Research Technology to get next-generation shale tech out of the lab and into the field. Today hydrocarbons account for only 8% of federal energy research, though they supply 80% of America's energy. It's time to send a signal to markets, our allies and not-always-friendly competitors. America's tech-centric shale "factories" are here to stay—and getting better all the time.

Mr. Mills is a senior fellow at the Manhattan Institute and author of its forthcoming

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