

First Nations firm makes energy foray

Indian Business Corp. secures U.S. backing

BY SHAUN POLCZER, CALGARY HERALD AUGUST 28, 2009



IBC Energy president Bernard Fox, left, and John Kingsbury, director, plan to partner with reserves to spawn First Nations energy firms.

Photograph by: Stuart Gradon, Calgary Herald

CALGARY - It's not your typical oil and gas startup, and IBC Energy is not your typical exploration and production company.

The energy unit of Indian Business Corp. will be unique among junior energy companies, being completely owned, operated and funded by natives.

"The potential is so great out there in Indian country," said the company's president, Bernard Fox, in an interview. "It (IBC

Energy) is a conglomeration of skills, expertise and leadership from across Western Canada."

"We are a junior oil and gas company, but with a very specific mandate," adds John Kingsbury, who will serve as the company's director of oil and gas development.

Alberta-based Indian Business

Corp. has provided financial services to First Nation clients throughout Alberta since 1987 and IBC Energy marks its foray into the world of oil and gas.

The company's business plan will see it partner with individual reserves as sort of an incubator of

capital and expertise, with the aim of spawning First Nation-controlled companies that will eventually be spun out into stand-alone entities.

Natives have partnered with oil and gas companies in the past, primarily acting as “passive” royalty collectors and land leasers. Under that approach, the bands collect a share of revenues — maybe 20 per cent — with the biggest chunk of the pie going elsewhere. Revenues that are collected on Indian lands are typically held in trust by the federal government and the individual bands must petition to get them back.

Recognizing the basic inequity of the system, in the early 1990s Fox chaired a pilot program that eventually led to the passage of the First Nations Oil and Gas Money Management Act, which allows tribes to control revenues that would otherwise be held in trust by the department of Indian and Northern Affairs. Fox is a member of the Blood tribe near Lethbridge, but has been a private consultant in Calgary since 2002.

The idea for IBC Energy is modelled after the experience of the Southern Ute tribe in Colorado, which has gone on to become one of the United States’ largest private oil and gas producers with assets worth almost \$4 billion US.

With backing from private equity fund Native American Resource Partners of Salt Lake City, IBC Energy hopes to repeat that experience here.

According to president and CEO John Jurrius, Native American

Resource Partners is one of the only private capital funds in the world exclusively devoted to investing in native resource development. After 17 years helping the Utes develop their extensive oil and gas reserves, he formed

Native American Resource Partners two years ago and this is its first venture into Canada. He’d be “delighted” to place about \$250 million in native projects in Canada over the next 12 months, he said in an interview.

Jurrius says natives on this side of the border are lagging their American counterparts by about a decade.

“It does seem to me that they’re about 10 years behind,” he said. “But that’s what makes it so exciting. There is as much or more opportunities in Canada as for tribes in the United States.”

The Ute experience has many parallels to Canada. In the early 1990s, they were among the poorest tribes in the United States. But their success has had a dramatic effect that has spread prosperity far beyond oil and gas. Tribe members are better educated with fewer of the social ills found in other areas of society.

“It’s like having a state oil company in a country like Kuwait. It’s a tide that raises all boats,” he said. “All governments say they promote self-determination, but to promote self-determination you have to change the business model.”

As in Canada, native bands in the U.S. have found it extremely difficult to raise capital through traditional means such as bank financing.

“There’s very, very limited access to capital,” Fox said. “Even the government funding that is provided is minuscule compared to what’s needed.”

Jurrius is reluctant to use the term “racism” to describe the root cause of the dilemma, although he agrees both Canada and the United States have a long tradition of it.

“I like to say a lot of racism is just bad education,” he says. “People just didn’t understand the sovereign rights of tribes. I had the same experience they’re having 10 years ago.”

A lot of that misunderstanding “is still there, on both sides,” adds Fox.

At the end of the day, the most important ingredient in any business relationship is trust, says

Jurrius. “What makes good partners is understanding each other’s problems and needs.”

spolczer@theherald.canwest.com

© Copyright (c) The Calgary Herald