



**RESOLUTION OF THE GOVERNING BODY
OF THE THREE AFFILIATED TRIBES
OF THE FORT BERTHOLD INDIAN RESERVATION**

A Resolution entitled, "Agreement in Principle to A Joint Venture to Operate the Drags Wolf # 1 with Dakota – 3, Inc."

WHEREAS, This Nation having accepted the Indian Reorganization Act of June 18, 1934, and the authority under said Act and having adopted a Constitution and By-laws under said Act; and

WHEREAS, pursuant to Article III, Section 1 of the Constitution and By Laws of the Three Affiliated Tribes, the Tribal Business Council is the governing body of the Tribes; and

WHEREAS, pursuant to Article VI, Section 5 (1) of said Constitution, the Tribal Business Council has the power to adopt resolutions regulating the procedures of the Tribal Business Council and other Tribal agencies and Tribal officials on the Reservation; and

WHEREAS, the Tribal Business Council has authority according to the terms of the said Constitution to conduct the business of the Tribe and develop its natural resources; and

WHEREAS, a company by the name of Dakota – 3 Inc. (the "Company") has approached the Tribal Business Council and proposed to enter into a Joint Venture Agreement concerning the future operation of the Drags Wolf # 1 oil well presently operated by the Three Affiliated Tribes; and

WHEREAS, the proposal suggests a before a recovery of costs payout split of 25% for the Tribes and 75% for the Company (after royalties are paid) and a 50-50% payout split (after royalties are paid) after the Company recovers its "initial operating expenses" and \$25,000 payable upon execution of the Agreement; and

WHEREAS, the Tribal Business Council desires to approve of this payout structure and enter into a Joint Venture Operating Agreement with the Company that sets out all the rights and obligations of the parties.

NOW THERE FOR IT BE RESOLVED the Tribal Business Council hereby agrees in principal to enter into a Joint Venture Agreement with the Company which shall include the payout terms provided above and in the "Agreement to Form Operating Agreement" and subject further to the final agreement by all both parties to a Joint Venture Agreement that includes all of the rights and obligations of the parties in regard to the operation of the Drags Wolf #1 oil well.



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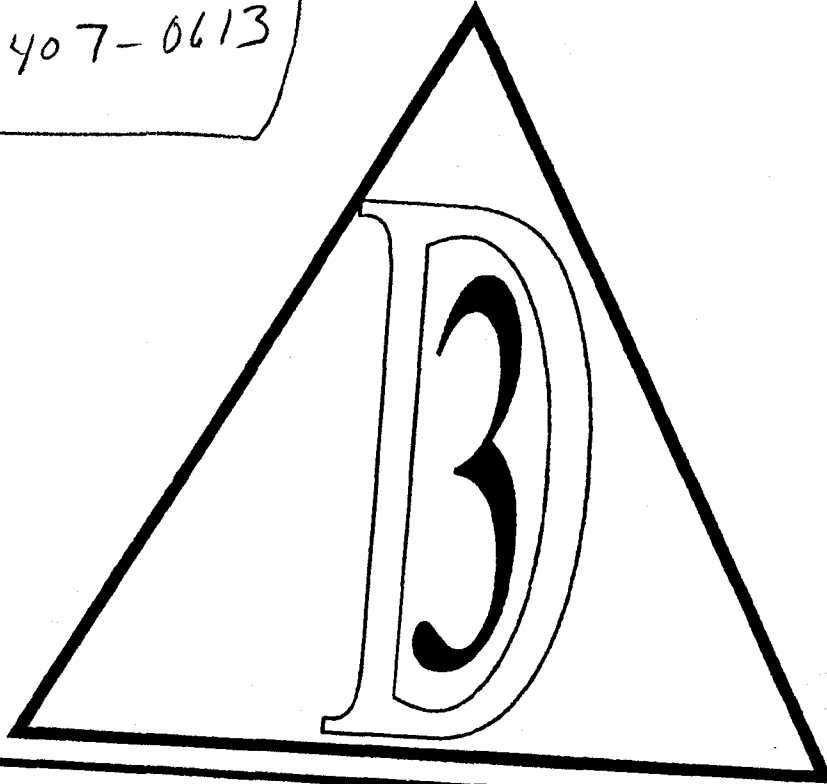
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Roger Knight
720-407-0613



**DAKOTA-3, INC
NORTH DAKOTA**

**JOINT VENTURE AGREEMENT
WITH THE
THREE AFFILIATED TRIBES

IN REFERENCE TO
DRAGS WOLF #1**

AGREEMENT TO FORM OPERATING AGREEMENT

THIS AGREEMENT is made and entered into by and between THREE AFFILIATED TRIBES OF THE FORT BERTHOLD RESERVATION which maintains a presence in New Town, ND 58763 (hereinafter referred to as THREE AFFILIATED TRIBES); and DAKOTA-3, ^{LLC} INC., a North Dakota corporation, which operates a business office in Bismarck, ND 58501 (hereinafter referred to as DAKOTA-3). ^{limited liability}

WHEREAS, the THREE AFFILIATED TRIBES currently operates an oil and gas well and the oil lease companion thereto referred to as Drags Wolf #1 (hereinafter referred to as Drags Wolf #1); and

WHEREAS, the THREE AFFILIATED TRIBES would like to engage DAKOTA-3 to operate the Drags Wolf #1 for the betterment of each; and

WHEREAS, it is the intention of the parties upon execution of this Agreement to further execute a formal operating agreement defining all rights, responsibilities and remedies as more fully set out therein.

NOW, THEREFORE, in consideration of the premises, it is agreed by and between the parties hereto as follows:

- 1.0 As used in this Agreement, the following words and terms shall have the meanings ascribed to them as follows:

1.1 The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless there is an intent to limit the inclusiveness of this term is specifically stated.

1.2 The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas lease pertaining to the Drag's Wolf #1 and as more particularly located in the County of McKenzie and State of North Dakota within the following:

Township 152 North - 94 West:

Section Twenty-Seven (27): All

*reference
to
Operating Agreement
Communications
Agreement*

1.3 The term "contract area" shall be all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes and which are located in the Drag's Wolf #1 legal description as set forth herein.

1.4 The term "consenting party" shall mean DAKOTA-3 who agrees to join and pay a share of the costs of operations conducted under the provisions of this Agreement and any operating agreement executed as a result of this Agreement.

1.5 The term "nonconsenting party" shall mean the THREE AFFILIATED TRIBES who elect not to participate in the proposed operation as to any costs other than allocation of the percentage of

costs associated with operations deducted from the revenue of the leasehold and as more further set out herein.

Define
Better
~~Direct cost~~
only

1.6

The term "revenues" shall include, but not be limited to, all funds generated from operations of the leasehold without deduction for any costs or payment of any royalties, overriding royalties or working interests, with the term "net revenue" being those funds generated from the leasehold after payment of royalty owners.

1.7

The terms "before payout" shall refer to all costs incurred by DAKOTA-3 during the initial stages of its operation while it is reworking and bringing the present facility of the leasehold to a more meaningful production status; and "after payout" referring to that period of time during which all of the initial operating expenses of DAKOTA-3 have been satisfied from revenues of the leasehold and not including any operating costs associated thereafter.

2.0

DAKOTA-3 as a consenting party shall assume responsibility for all operations associated with the leasehold, with all of those costs either fronted by it or incurred to its account through a third party, with the initial costs associated with the operations to be for the purposes of bringing the leasehold into a more meaningful production than that as presently being experienced and with the operations to be conducted in a manner that is reasonable according to industry standards, with each of the parties hereto entitled to a percentage of the net revenue to be paid in

the following respects:

- 2.1 Seventy-Five Percent (75%) of all net revenue to DAKOTA-3;
- 2.2 Twenty-Five Percent (25%) of all net revenue to THREE AFFILIATED TRIBES.

After payout, the net revenues of the leasehold shall be attributable to the parties hereto in the following respects:

- 2.3 Fifty Percent (50%) of all net revenue to DAKOTA-3;
- 2.4 Fifty Percent (50%) of all net revenue to THREE AFFILIATED TRIBES.
- 2.5 DAKOTA-3 shall secure any and all bonds required by the State of North Dakota or the ~~U.S. Bureau of Land Management~~ ^{BIA} in order to operate the leasehold.

As an integral part of the operating agreement to be hereinafter executed by the parties upon approval of this Agreement, THREE AFFILIATED TRIBES shall allow full and complete exploratory rights for exploratory wells, horizontal drilling, expansion of Drag's Wolf #1 and for such other reasonable exploratory and developmental operations as DAKOTA-3, in its sole discretion, sees fit to carry out within the section of land as more fully described above for the leasehold as that term is used herein and as is pertaining to the entire 640 acres set forth above.

- 4.0 Upon approval of this Agreement, it is the contemplation of the parties that as a reasonable extension thereof, that the AAPL Model Form

BLM
Not full rights

3.0

1280

Operating Agreement and, as would reasonably be necessary, a further agreement will be signed by the parties to more fully address the rights, responsibilities and remedies as contemplated hereby.

Dated: _____, 2006.

DAKOTA-3, INC.

By: _____

Its: _____

Dated: _____, 2006.

**THREE AFFILIATED TRIBES OF
THE FORT BERTHOLD
RESERVATION**

By: _____

Its: _____

By: _____

Its: _____



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
Fort Berthold Agency
P.O. Box 370
New Town, ND 58763



IN REPLY REFER TO:
Deputy Superintendent

March 20, 2006

Paul Danks, Natural Resources Officer
Natural Resources
Three Affiliated Tribes
404 Frontage Road
New Town, ND 58763

RE: Dakota-3 Joint Venture Agreement

Dear Natural Resources Officer Paul Danks,

I have reviewed the Joint Venture Agreement with the Three Affiliated Tribes and Dakota-3 ("Agreement"). I have recommended changes that should be addressed before the Three Affiliated Tribes implements the Agreement.

I have been working with Bureau of Land Management Section Chief Pascual Laborda and Energy and Minerals Management Roger Knight. Mr. Laborda said that Dakota-3, Inc. is not a registered North Dakota corporation and was last registered with the state of North Dakota in 1993. Dakota-3, LLC is registered Limited Liability Corporation with North Dakota since 2004. The first change to the contract would be the name of Dakota-3, Inc to Dakota-3, LLC.

Mr. Laborda also talked about the ownership of Dakota-3, LLC. He questioned if such a new company could perform the Agreement without subcontracting Dakota-3, LLC responsibilities. Although the Agreement does not mention subcontracting, it appears to be a tacit part of the Agreement. Do you know if Dakota-3, LLC intends to subcontract this Agreement?

In 1.2 of the Agreement, please note that the east side of 152N R 94W section 27 is in the Black Resources IMDA Agreement Block 5. It is on a different agreement which has a different operator: therefore it can not be included in the Agreement. While the Agreement states that area of the contract is Section 27, the Tribe actually only owns the south west quarter of Section 27 (160 acres of the 640 acres in the section). The Drags Wolf #1 oil well is on 160 acres of Section 27, which is Tribally owned acreage (SW $\frac{1}{4}$ Section 27). The Tribe can sell a portion of their interest, but can not give away any other interest the Tribe does not own. This would have to be made clear to Dakota-3, LLC.

In 1.2 of the Agreement, 152N R 94W section 27 is communitized and there is an operating agreement already in place; therefore a Change of Operator Agreement is required to be approved by all the non-operator participants. The Agreement would have to have some provision for the Change of Operator Agreement. The change of operator does not constitute

any working interest earning ability. There needs to be a bonus or some money paid to the Tribe to earn this interest.

In 2.0 of the Agreement, there needs to be a better definition for expenses allowable. Instead of just "costs", recommend change to "direct costs of the oil well". Based on what is written, the new operator could take any expenses that he wanted against the production. That means the operator could charge as expense the salary of his secretary, his accountant, any business related trips, purchasing company vehicles and so forth.

In 2.5 of the Agreement, the BIA requires the bonds; therefore, this part of the agreement should be changed from "US Bureau of Land Management" to "US Bureau of Indian Affairs".

In 3.0 of the Agreement, the costs are not defined or are too broad. Generally, an operator gets a fixed monthly fee for operating a well and nothing more in compensation. Non-operators must have an input and approval authority for any work. 3.0 of the Agreement states that Dakota-3 will have sole discretion to operate the Tribe's well. In the oil industry, operators are never given free rein on work. An Authorization For Expenditure ("AFE") must be submitted for work approval.

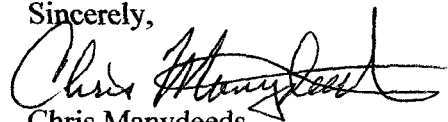
3.0 of the Agreement explicitly states fully and complete exploratory rights for exploratory wells, horizontal drilling and so forth. This part of 3.0 seems to go beyond the intent of the agreement to rework the well.

Here are other concerns:

1. There must be an accounting procedure established, including audit.
2. A method of operator removal must be included.
3. The abandonment of the well must be included. This includes who is responsible for the costs.
4. Custody of funds
5. Protection from liens.
6. Competitive rates and use of affiliates
7. Filing and furnishing of government reports
8. Discharge of Joint Account obligations.
9. Non-Consent definitions
10. Rights and duties of the operator

If you have any questions or need any assistance, please call me at (701)-627-4707.

Sincerely,


Chris Manydeeds
Acting Superintendent



CERTIFICATION

I, the undersigned, as Secretary of the Tribal Business Council of the Three Affiliated Tribes of the Fort Berthold Reservation, hereby certify that the Tribal Business Council is composed of 7 members of whom 5 constitute a quorum, 6 were present at a Regular Meeting thereof duly called, noticed, convened, and held on the March 20, 2006; that the foregoing Resolution was duly adopted at such Meeting by the affirmative vote of ___ members, ___ members opposed, ___ members abstained, ___ members not voting, and that said Resolution has not been rescinded or amended in any way.

Chairman [] Voting. [] Not voting.

Dated this 20th day of March, 2006.

ATTEST:

Tribal Secretary, Nathan Hale

Tribal Chairman, Tex G. Hall

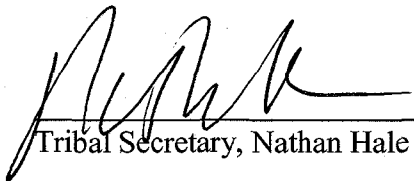


CERTIFICATION

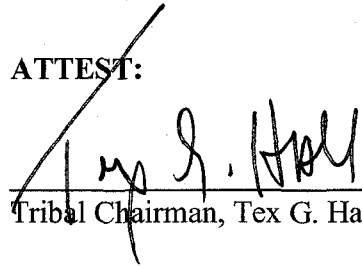
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Tribal Secretary, Nathan Hale

ATTEST:


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