



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

A Resolution entitled, "Approval of Oil and Gas Tax Agreement between the Three Affiliated Tribes and the State of North Dakota"

WHEREAS, This Nation having accepted the Indian Reorganization Act of June 18, 1934, and the authority under said Act; and

WHEREAS, The Three Affiliated Tribes Constitution authorizes and empowers the Tribal Business Council to engage in activity on behalf of and in the interest of the welfare and benefit of the Tribes and of the enrolled members thereof; and

WHEREAS, Article III of the Constitution of the Three Affiliated Tribes provides that the Tribal Business Council is the governing body of the Tribes; and

WHEREAS, Article VI, Section 5(d) empowers the Tribal Business Council to negotiate with the Federal, State and local governments on behalf of the Tribes; and

WHEREAS, the State of North Dakota has authorized the Office of the Governor to enter negotiations with the Tribe for an agreement(s) on the regulation and taxation of the production and extraction of oil and gas within the exterior boundaries of the Fort Berthold Reservation; and

WHEREAS, the Tribal Business Council has authorized the Tribal Legal Department to negotiate with the Office of the Governor for an agreement(s) on the regulation and taxation of the production and extraction of oil and gas within the exterior boundaries of the Fort Berthold Reservation;

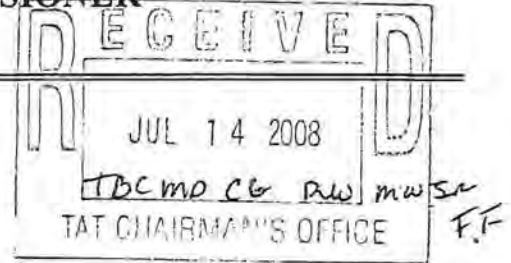
NOW, THEREFORE BE IT RESOLVED, the Tribal Business Council has considered and now approves an intergovernmental agreement with the State of North Dakota through the Office of the Governor entitled "*Oil and Gas Tax Agreement Between the Three Affiliated Tribes and State of North Dakota*" (attached) ; and

BE IT FURTHER RESOLVED, the "*Oil and Gas Tax Agreement Between the Three Affiliated Tribes and State of North Dakota*" shall supersede and govern all taxes on the production and extraction of oil and gas within the exterior boundaries of the Fort Berthold Reservation.



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner



July 11, 2008

Attention: Producers/Purchasers/Processors

On June 10, 2008, the Three Affiliated Tribes ("Tribes") and the State of North Dakota ("State") entered into an oil and gas tax agreement ("Agreement") that provides for the establishment of a uniform taxation system for oil and gas production within the exterior boundaries of the Fort Berthold Indian Reservation ("FBIR"). This historic Agreement provides for a streamlining of the Tribal and State tax systems into one system administered by the State and will be effective for production periods beginning July 1, 2008. The Tribal and State governments, by entering into this Agreement, hope to encourage development of tribal lands by providing a uniform tax rate structure while recognizing both parties respective tax jurisdiction rights.

The Office of the State Tax Commissioner ("State Tax Commissioner") reviewed the State's administrative obligations under the Agreement and developed reporting procedures required to fulfill those obligations. The following information was used to develop reporting guidelines for the taxation of oil and gas sales and purchases from wells located within the FBIR:

- The State Tax Commissioner will compute, for each well drilled and completed within the FBIR, the mineral acres of Trust and Non-Trust Lands and a Trust and Non-Trust Ratio for each spacing unit. This calculation will be based on records obtained from the Bureau of Indian Affairs in Aberdeen, South Dakota.
 - Trust Lands are defined as all mineral acres in a producing spacing unit held in trust by the United States of America ("USA") for the Tribes or an individual tribal member.
 - Non-Trust Lands are defined as all other mineral acres in a producing spacing unit not classified as Trust Lands.
- Trust Lands – based on the terms of the Agreement, taxation and revenue sharing on a well's allocated Trust Ratio of production will be computed as follows:
 - Oil taxation:
 - Gross production tax rate of 5%; and
 - Oil extraction tax rate of 6.5%.
 - Gas taxation:
 - Gross production tax rate as provided in North Dakota Century Code (N.D.C.C.) § 57-51-02.2
 - Fiscal year 2009 rate - \$.1476 per mcf.
 - Oil and gas tax exemptions
 - All exemptions under the U.S. Constitution, North Dakota Constitution, or federal law apply, including:
 - Ownership interests paid in trust to USA; and
 - Ownership interests of exempt government agencies.
 - All exemptions found in N.D.C.C. chapters 57-51 and § 57-51.1, subject to the trigger limitations contained in those chapters, except
 - N.D.C.C. § 57-51.1-03(8) – Indian Lands; and
 - N.D.C.C. § 57-51.1-03(9) – Bakken new wells shall not apply to Trust Lands.
 - Oil and gas revenue sharing:
 - 50% of the gross production and oil extraction taxes collected from Trust Lands must be allocated and paid to the Tribes.

- 50% of the gross production and oil extraction taxes collected from Trust Lands must be allocated and paid to the State and political subdivisions based on statutory distribution formulas.
- Non-Trust Lands - Based on the terms of the Agreement, taxation and revenue sharing on a well's allocated Non-Trust Ratio of production will be computed as follows:
 - Oil taxation:
 - Gross production tax rate of 5%; and
 - Oil extraction tax rate of 6.5%.
 - Gas taxation:
 - Gross production tax rate as provided in N.D.C.C. § 57-51-02.2.
 - Fiscal year 2009 rate - \$.1476 per mcf.
 - Oil and gas tax exemptions:
 - All exemptions under the U.S. Constitution, North Dakota Constitution, or federal law apply, including:
 - Ownership interests paid in trust to USA; and
 - Ownership interest of exempt government agencies.
 - All exemptions found in N.D.C.C. chapters 57-51 and § 57-51.1 are available, subject to the trigger limitations contained in those chapters.
 - Oil and gas revenue sharing:
 - 20% of the gross production taxes from Non-Trust Lands must be allocated and paid to the Tribes.
 - 80% of the gross production and 100% of the oil extraction taxes collected from Non-Trust Lands must be allocated and paid to the State and political subdivisions based on statutory distribution formulas.

The State Tax Commissioner has determined that conformance with the requirements of the Agreement may be facilitated without material modification of the existing T12 – Oil Gross Production Tax and Oil Extraction Tax and T13 – Gas Production Tax reports (see “System Changes” at the end of this discussion). The following procedural changes will become effective for production periods beginning July 1, 2008:

- Trust and Non-Trust ratios and their corresponding tax rates will be established for the spacing units of wells drilled and completed within the FBIR, prior to July 1, 2008. These calculations will be based on location and spacing unit information derived from the North Dakota Industrial Commission, Department of Mineral Resources, Oil and Gas Division (NDIC).
- Trust and Non-Trust ratios and their corresponding tax rates will be established for the spacing units of new wells spudded on or after July 1, 2008, within the FBIR, utilizing the drilling unit for the target formation. The operator of a well permitted within the FBIR must submit Schedule T-84 providing the following information to the State Tax Commissioner within ten days of the NDIC's issuance of the approved application to drill. Failure to submit the required information may result in a twenty-five dollar per day failure to file penalty.
 - Well name and number;
 - NDIC well file number;
 - American Petroleum Institute (API) number;
 - Legal description of the well's surface location;
 - Target formation or pool name;
 - Legal description of the drilling or spacing unit;
 - Total acres in the drilling or spacing unit; and

- A copy of the NDIC's approved application for permit to drill.
 - An amended Schedule T-84 must be submitted with a copy of the completion report, recompletion report, or a NDIC spacing order for any applicable changes to the approved application for permit to drill.
- A notification letter titled "Reporting Procedures Pursuant to the Tribal and State Oil and Gas Tax Agreement" will be sent to the well's operator and, when applicable, carbon copied to the well's purchaser(s) of record as indicated on the latest monthly tax reports filed with the State Tax Commissioner for the well. The notification letter will contain the following information:
- Well name and number;
 - NDIC well file number;
 - American Petroleum Institute (API) number;
 - Legal description of the well's surface location
 - Pool name(s);
 - Legal description of each pool's spacing unit(s);
 - Total acres in the spacing unit - detailed as Trust acres and Non-Trust acres; and
 - Trust Ratio.
 - The computed Trust Lands decimal interest (expressed as an number carried to a precision of eight places) for each pool's spacing unit.
 - The applicable Trust Lands extraction tax rate and applicable well code for each pool's spacing unit:
 - Trust interests will be reported using a newly created well code "TT" which will reflect 6.5% oil extraction tax rate. If an existing well has qualified for a tax incentive, the rate will be the effective rate at the time of the determination.
 - Tax rate changes - the State Tax Commissioner, in a separate incentive qualification letter issued to the well's operator, will address reporting procedures and tax rate changes for each pool's spacing unit affected by an applicable tax incentive.
 - The pool code to be used for tax reporting the trust interests of each pool's spacing unit:
 - A 400 series pool code will be assigned to trust interests (i.e., Bakken Tribal Trust will be reported using pool code 451).
 - Non-Trust Ratio:
 - The computed Non-Trust Lands decimal interest (expressed as a number carried to a precision of eight places) for each pool's spacing unit.
 - The applicable Non-Trust Lands extraction tax rate, in effect at the time of the determination, for each pool's spacing unit:
 - Tax rate changes - the State Tax Commissioner will address reporting procedures and tax rate changes for each pool's spacing unit affected by an applicable tax incentive. This information will be provided in a separate incentive qualification letter issued to the well's operator.
 - The pool code to be used for tax reporting the non-trust interests of each pool's spacing unit:
 - A 300 series pool code will be assigned to non-trust interests (i.e. Bakken Tribal Fee will be reported using pool code 351).

- Fee Ratio (applicable to border wells with spacing unit production from lands outside the FBIR).
 - The computed Fee Lands decimal interest (expressed as a number carried to a precision of eight places) for each pool's spacing unit.
 - The applicable Fee Lands extraction tax rate, in effect at the time of the determination, for each pool's spacing unit:
 - Tax rate changes - the State Tax Commissioner will address reporting procedures and tax rate changes for each pool's spacing unit affected by an applicable tax incentive. This information will be provided in a separate incentive qualification letter issued to the well's operator.
 - The pool code to be used for reporting the fee interests of each pool's spacing unit:
 - The pool codes currently in use for tax reporting will be assigned to fee interests (i.e., Bakken will be reported using pool code 51).
- A well operator must submit an amended Schedule T-84 with the appropriate documentation within ten days of any change to the spacing unit of any well subject to the reporting requirements of the Agreement. The State Tax Commissioner will issue a revised notification letter reflecting the updated Trust and Non-Trust ratios and corresponding tax rates that will become effective for the production month following the month in which the State Tax Commissioner receives the correction notice. Failure to submit the required information may result in a twenty-five dollar per day failure to file penalty.
- Beginning with July 2008 production periods (i.e., oil reports due August 25, 2008 and gas reports due September 15, 2008) the purchases or sales from wells located within the FBIR must be reported to the State Tax Commissioner on the T12 and T13 reports. Separate sequence entries must be reported for each API and newly assigned pool code using the established Trust and Non-Trust ratios and corresponding tax rates for the pool's spacing unit.
- Inventory produced prior to July 1, 2008, but purchased or sold on or after July 1, 2008, will be reported using the existing pool codes for the well. Due to the various tax rate issues affecting a well, multiple entries for an API and pool code may be required.
- Reporting and taxation issues relating to production periods prior to July 2008 are not covered by this Agreement and will continue to be subject to the administrative requirements of both the State and Tribal governments.
- The State Tax Commissioner will not be administering subsection D(9) of the Agreement which pertains to the TERO and Tribal Application fees. Contact the Three Affiliated Tribes (701) 627-4781 with questions regarding these fees.
- System Changes
 - The only system change we will make to fulfill the reporting requirements relates to the Electronic Data Interchange (EDI) reporting.
 - In segment TIA – 8193, the data element length for reporting the pool code in TIA03 will need to be updated to 1/3 (i.e., minimum of 1 / maximum of 3 characters) to allow for the reporting of three digit pool codes (i.e., Bakken Tribal Fee will be reported using pool code 351).

The State Tax Commissioner's website at <http://www.nd.gov/tax/oil/gas/> has the following Agreement information available:

1. A copy of this notice
2. A copy of the Agreement
3. A list of the pool codes to include Tribal codes
4. T12 Oil Report Instructions – Fort Berthold Reservation
5. Schedule T-84 Report
6. Three Affiliated Tribes contact Information

Office of State Tax Commissioner contact information:

600 East Blvd. Ave.
Bismarck, ND 58505-0599

Phone: (701) 328-2705
(701) 328-3657

Email: oiltax@nd.gov

Website: www.nd.gov/tax

Three Affiliated Tribes contact information:

404 Frontage Road
New Town, ND 58763

Phone: (701) 627-4781

Website: www.mhanation.com



CERTIFICATION

I, the undersigned, as Secretary of the Tribal Business Council of the Three Affiliated Tribes of the Fort Berthold Indian Reservation hereby certify that the tribal Business Council is composed of seven (7) members of whom five (5) constitute a quorum, 7 were present at a Special Meeting thereof duly called, noticed, convened and held on the 29th day of May, 2008, that the foregoing Resolution was duly adopted at such meeting by the affirmative vote of 7 members, 0 members opposed, 0 members abstained, 0 members not voting, and that said Resolution has not been rescinded or amended in any way.

Chairman [] Voting. [] Not Voting.

Dated this 29th day of May, 2008.

ATTEST:

Executive Secretary, V. Judy Brugh
Tribal Business Council
Three Affiliated Tribes

Chairman, Marcus D. Wells, Jr.
Tribal Business Council
Three Affiliated Tribes