

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

- WHEREAS,** This Nation having accepted the Indian Reorganization Act of June 18, 1934, and the authority under said Act; and
- WHEREAS,** The Constitution of the Three Affiliated Tribes generally authorizes and empowers the Tribal Business Council to engage in activities on behalf of and act in the best interest of the welfare and benefit of the Tribes and of the enrolled members thereof; and
- WHEREAS,** The Three Affiliated Tribes, exercising its sovereign rights as an Indian Nation, is actively seeking to develop its resources for the economic benefit of all of its members, which will provide both increased revenue to individual members, increased Tribal revenue and increased employment for Tribal members; and
- WHEREAS,** The Fort Berthold Indian Reservation of the Three Affiliated Tribes, comprising approximately 1,000,000 acres, has within its exterior boundaries potentially significant oil and gas resources worth many hundreds of millions of dollars, as it lies within the generally accepted geologic formation known as the Williston Basin, a proven oil basin since the early 1950's; and
- WHEREAS,** For many years, oil and gas has been produced in significant quantities within areas of the Williston Basin adjacent to the boundaries of the Fort Berthold Indian Reservation, and in areas of the Reservation not held in trust by the United States for the Tribes or its members, but has not been produced in significant quantities on lands within the Reservation held in trust for the Tribes and its members by the United States; and
- WHEREAS,** The mineral acres in which the Three Affiliated Tribes and its members have an interest are supposed to be held in trust by the United States for the benefit of the Tribes and its individual members; and
- WHEREAS,** Pursuant to its sovereign rights as an Indian Nation, and pursuant to the Indian Mineral Development Act of 1982, the Three Affiliated Tribes has sought for the past two years an industry partner to participate in the development of the oil and gas resources of the Three Affiliated Tribes and its members, and in the search process, has considered numerous proposals, and
- WHEREAS,** In order to complete its search for a suitable industry partner, the Tribe entered into a Memorandum of Understanding dated July 12, 1996 with Fort Berthold Exploration Company (FBEC) of Williston, North Dakota headed by Jim Powers under which Mr. Powers was to seek an appropriate industry partner; and

WHEREAS, The results of the search by FBEC, which involved discussions with several dozen oil and gas companies resulted in finding an industry partner large enough to carry out a project of this sort, namely Alberta Energy Company of Calgary, Alberta in Canada.

WHEREAS, Alberta Energy Company has created a North Dakota company, Alenco Oil & Gas (N.D.), Inc. (Alenco) which has agreed to pursue the development of the oil and gas reserves of the Three Affiliated Tribes; and

WHEREAS, An Exploration and Development Agreement has been developed pursuant to the Indian Minerals Development Act in substantially the form as attached hereto which sets forth the following principal terms:

1) The Tribe will receive a \$2,000,000 bonus when sufficient amounts of acreage have been leased by Alenco, including all Tribal lands and not less than 75% of the allotted acres available;

2) The Tribe will receive 18.25% of the net profit from production of all oil and gas from trust lands leased by Alenco held by the Tribe or by individual members contained within the exterior boundaries of the Fort Berthold Reservation;

3) Alenco has agreed to pay for leases of individual trust land a lease signing bonus of either \$20 or \$35 per net mineral acre for such lands within the Reservation, depending on location, inclusive of annual rental. Alenco has agreed to pay individual lessors a 1/8 production royalty, proportionately reduced among each person entitled to a royalty for the same mineral acres, if oil and gas is developed on mineral acres owned by them and leased to Alenco pursuant to mineral leases approved by the Secretary of Interior acting through the Bureau of Indian Affairs, which lease may be extended at Alenco's option for up to two further five year intervals;

4) A minimum of nine wells will be drilled on either allotted or Tribal lands or both within a five year period; or in lieu thereof, a penalty of \$350,000 shall be paid to the Tribe per each well of the total minimum commitment of nine wells not drilled;

5) The Tribal Employment Rights Ordinance will be honored in the manner clarified in the Exploration and Development Agreement so as to allow increased employment opportunities for qualified Tribal contractors and members; and

6) A limited waiver of sovereign immunity will be granted to Alenco to allow it to enforce the obligations of the Tribe under the Agreement

WHEREAS, Alberta Energy Company, through Alenco Oil & Gas (N.D.), Inc. has committed a significant exploration and development budget to develop the oil and gas reserves held by the Three Affiliated Tribes and by individual Indian owners; and

Upon careful calculation of the potential TERO Fees in question, it has been determined that \$30,000.00 per year would be equivalent to the completion of nine (9) successful well sites per year. We are guaranteed such yearly TERO Fee.

In that regard the TERO Staff is acceptable to the offer from the Tribe. Therefore the TERO Fee Offer of \$150,000.00 and \$30,000.00 per year thereafter, will be placed on the Agenda for the next TERO Commission Meeting, for formal acceptance and/or approval.

If you have any further questions, please give me a call.

xc: TERO Commission of TAT
Tom Disselhorst, Legal of TAT



THREE AFFILIATED TRIBES • FORT BERTHOLD RESERVATION

Mandan, Hidatsa and Arikara Tribes

TRIBAL EMPLOYMENT RIGHTS OFFICE (TERO)

P.O. Box 488 • New Town, North Dakota 58763 • (701) 627-3634 • Fax (701) 627-4496

MEMORANDUM

TO: Tribal Business Council of Three Affiliated Tribes
FROM: Marcus D. Wells Jr., TERO Director *MJ*
SUBJECT: TAT & Alenco Oil Company; Exploration and Development Agreement
DATE: March 13, 1997

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Tribal Employment Review of Three Affiliated Tribes and Alenco Oil Company Agreement:

The TERO staff has reviewed Article 16: Tribal Employment Language as provided in the Agreement between Alenco and Three Affiliated Tribes in regards to the enforcement Indian Preference in employment and contracting per the TERO Ordinance.

We held a meeting regarding such Article 16 on March 11, 1997 at the TERO Office, wherein we discussed the TERO Concept, answered their questions regarding the employment and contracting provisions. We have no problems with the agreement, I believe Alenco initial hesitancy regarding Indian Preference was based on Canadian Law which Alenco stated was illegal in Canada and perhaps prior unfavorable relationships with aboriginal reserves in Canada.

I felt that after we informed them that the latest exploration on the Fort Berthold Reservation was performed by Conoco of the United States, with full adherence of TERO by Dawson Geophysical their seismic contractor, it set their minds at ease. I believe that, speaks for itself, Conoco is a major company who realized that TERO was a cost of doing business on Fort Berthold and they adhered to it to the letter.

The TERO Staff is therefore acceptable to the language as written, and such signature of a duly approved TERO Compliance Plan, would be forthcoming. Since no concessions are made to the TERO Ordinance.

TERO Fee Offer of \$30,000 @ 5 Years for Total of \$150,000.00:

TERO received a request from Mr. Austin Gillette, Vice Chairman of the Three Affiliated Tribes, to consider an offer from the Tribe and Alenco, for the payment of \$30,000.00 per year for the five year duration of this agreement in lieu of full enforcement of the 1% TERO Fee. The Alenco Oil Company would be remitting \$20,000.00 per year and the Tribe \$10,000.00 per year for the five year duration of this agreement. The total agreement would be \$50,000.00 from the TAT and \$100,000 from Alenco.

Upon the completion of the fifth year the 1% TERO Fee would be reinstated with the limit of \$30,000.00, per year thereafter.

See Also
R# 96-208-DSB
R# 96-255-DSB
Escrow Agreement
on Exploration &
Development. (ms)

See Legal
Dept for
attachment to
Reso. (page 3, 4th para.)

WHEREAS, The Tribe has investigated and reviewed this matter thoroughly and has determined that it is in the best interests of all members who own individual undivided mineral interests in trust lands to be able to be included within the terms of the Exploration and Development Agreement it wishes to execute with Alenco Oil & Gas (N.D.), Inc. for the development of all of the mineral acres within the Reservation in which the Tribes and its members have an interest; and

WHEREAS, The Tribe has had the benefit of legal and technical review of the Exploration and Development Agreement and based on that review finds that it sets forth appropriate terms for development of the oil and gas resources of the Tribe and Tribal members who choose to participate in the development of their resources by Alenco;

NOW, THEREFORE, BE IT RESOLVED, That the Tribal Business Council of the Three Affiliated Tribes hereby finds that it is in the best interests of its members and in the best interests of the Tribe that the oil and gas resources of the Tribe and its members be developed in accordance with the Exploration and Development Agreement; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, That the form, terms and provisions of the Exploration and Development Agreement and Tribal and allotted oil and gas leases between Alenco Oil & Gas (N.D.), Inc. and the Tribe and individual Indian owners, as attached hereto, are hereby approved; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, That the Chairman and the Secretary of the Three Affiliated Tribes Tribal Business Council are hereby authorized and empowered to execute and deliver said Exploration and Development Agreement and Tribal Leases governing all Tribal Land that is not subject to any valid oil and gas lease or mineral agreement in favor of a third party in the name and on behalf of the Tribe, which approval shall be conclusively evidenced by their execution thereof, and that the signature of both of the above-named officers shall be sufficient to bind the Tribe; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, That any and all supplemental agreements, instruments, certificates, or documents relating to the transactions contemplated by the Exploration and Development Agreement shall be submitted to the Tribal Business Council for review and approval; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, That after consultation with legal counsel who explained the ramifications of waiving sovereign immunity, the Tribal Business Council, on behalf of the Tribe, hereby expressly waives the Tribe's sovereign immunity from suit, and consents to jurisdiction, as provided for in the Exploration and Development Agreement; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, that after consultation with legal counsel, the Tribal Business Council, on behalf of the Tribe, hereby agrees to the clarifications to the Tribal Employment Rights Ordinance as set forth in the Exploration and Development Agreement, and in addition, agrees to the limitation on Tribal taxes and other fees (including fees otherwise provided for within the Tribal Employment Rights Ordinance) set forth in the Exploration and Development Agreement, it being understood that the TERO fee for the first five years of the Agreement shall be set at \$20,000 per year, with the first payment being due on the Effective Date of the Agreement and each additional payment payable on the anniversary date of the Agreement, and for succeeding years of continuous operations of Alenco pursuant to the Agreement, TERO fees will be imposed at the rates set forth in the TERO ordinance, up to a maximum of \$20,000 per year; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, That the Tribe hereby directs that the Exploration and Development Agreement be submitted to the Bureau of Indian Affairs in compliance with 25 U.S.C. Section 81, and the Indian Mineral Development Act of 1982, 25 U.S.C. Sections 2101 et seq. to the extent applicable, along with a copy of this resolution; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, That the Tribal Business Council hereby requests that the Bureau of Indian Affairs approve this Exploration and Development Agreement and the Tribal Oil and Gas Lease form with Alenco Oil & Gas (N.D.), Inc. submitted herewith at its earliest opportunity.

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, 7 were present at a Special Meeting thereof duly called, noticed, convened, and held on the 12th day of March, 1997; that the foregoing Resolution was duly adopted at such Meeting by the affirmative vote of 5 members 2 members opposed, 0 members abstained, 0 not voting, and that said Resolution has not been rescinded or amended in any way.

Dated this 12th day of March, 1997.

Daylon Spotted Bear
Secretary, Tribal Business Council

ATTEST:



Chairman, Tribal Business Council