



MANDAN, HIDATSA & ARIKARA NATION

Three Affiliated Tribes * Fort Berthold Indian Reservation
Tribal Business Council

Tex "Red Tipped Arrow" Hall
Office of the Chairman

June 25, 2012

The Honorable David O'Connell
The Honorable Donald Schaible
Tribal and State Relations Committee
State Capitol
600 East Boulevard
Bismarck, North Dakota 58505

RE: Adjustment of Tribal-State Oil and Gas Tax Agreement

Dear Chairman O'Connel and Vice-Chairman Schaible:

I am writing to request your leadership and the support of the Tribal and State Relations Committee for a partial adjustment of the Oil and Gas Tax Agreement between the Mandan Hidatsa and Arikara Nation and the State of North Dakota. The current agreement contains an unfair division of tax revenues earned from trust lands that must be corrected so that the MHA Nation can provide the government services and fix the ongoing destruction of its infrastructure, both of which are needed to support energy and economic development on our Reservation.

Under subsection F(1)(a) of the Oil and Gas Tax Agreement, the MHA Nation and the State share tax revenues earned from trust lands 50/50. This 50/50 split must be corrected so that the MHA Nation receives 80 percent and the State keeps 20 percent of the tax revenues earned from trust lands. We only need to look to subsection F(1)(b), of the Tax Agreement for an example of why this adjustment makes sense. Under subsection F(1)(b), the State keeps 80 percent and the MHA Nation receives 20 percent of the tax revenues derived from non-trust lands on the Reservation. It is only fair that we receive the same 80 percent of tax revenues from trust lands that the State gets from non-trust Reservation lands. Under the current Tax Agreement, the State receives more than it needs while our Reservation suffers. The State just announced a \$2 billion budget surplus by 2013. Meanwhile, the MHA Nation works every day to scrape together funding to repair our roads, protect our natural resources and keep our residents safe.

I ask that you take note of what Governor Dalrymple said in a 2011 interview on the oil boom: "The number one priority is to keep up with the infrastructure ... growth cannot continue if we do not keep up with all of the impact that happens on communities out there." Because of the current Tax Agreement, the MHA Nation cannot keep up. Much of what we are able to do is only a band aid while we pray that we are able to avoid a disaster on our roads or in the oil fields. When the Tax Agreement was negotiated, no one could foresee the impact the oil and gas development would have on our roads, our police, and our social services. It is unprecedented.

The Governor has stated that funds appropriated by the State Legislature are benefitting the Reservation. However, in 2011, the State collected more than \$75 million in oil and gas taxes from development on the Reservation (this does not include the millions of dollars in sales and fuel tax revenue that the State collected from Reservation transactions), but spent less than \$2 million of that for state roads on the Reservation and \$0 for BIA and tribal roads. In fact, very little of the State's 50 percent of oil and gas tax revenues from trust lands can be used to mitigate the impacts of the oil and gas boom on our Reservation. This is because State revenue cannot be used to repair Bureau of Indian Affairs (BIA) and tribal roads on trust land. In addition, four of our main communities are not eligible for State impact aid or other funding from state oil and gas tax revenues, even though these communities live with the daily havoc that comes with the oil boom. As of May 31, 2012 the State has received 178 million and the MHA Nation 100 million from this tax agreement.

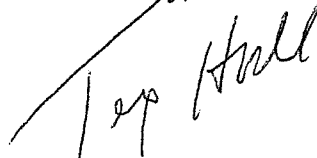
The MHA Nation cannot access the State's "Legacy Fund", a fund that grows each day from tax revenue the State collects from the Reservation. The Legacy Fund has grown to 397 million, with over 44 million being deposited just for the month of June. The MHA Nation has started its own "Peoples Fund" to provide for our future, because there will come a time when the oil and gas will be gone forever, and we must start saving now. Yet, we are unable to grow this fund like we should because we are already short of revenue to meet our infrastructure needs. Adjusting the Tax Agreement will help the MHA Nation to establish a meaningful fund to provide for our future. By comparison, there would be minimal effect on the continued growth of the Legacy Fund and the State's growing budget surplus.

Since the Agreement took effect in 2008, North Dakota has collected approximately 178 million in oil and gas taxes from activity on our Reservation, while the MHA Nation has collected about 100 million. In other words, nearly 2/3 of the tax revenue from oil and gas production on the Reservation has gone to the State. In the meantime, our paved tribal roads have been destroyed by oil and gas truck traffic, because they were not designed to withstand such traffic. It will cost over 1.5 million per mile to rebuild these roads to the point that they can withstand the heavy truck traffic that comes with the oil boom. Furthermore, large portions of our gravel roads are now impassable unless you have a four wheel drive pickup truck. If the Tax Agreement is not corrected, projections are that the State will get more than \$100 million in oil and gas tax revenues from the Reservation in 2012 alone. The MHA Nation needs a more equitable share of this revenue to rebuild its roads, and repair and maintain Reservation infrastructure so that we can support energy and economic development on our lands the same as the State, and restore some semblance of the quality of life that all of the residents of the Reservation deserve.

I ask for your leadership and support in correcting the Tax Agreement. We all benefit from the tremendous oil and gas development occurring in the Bakken Formation, but none of us should want to benefit at the expense of others. If we are not able to correct the Tax Agreement, tax revenues earned on our lands will continue to be used to invest in communities and economies outside of the Reservation, while our communities will bear the impacts and enjoy little of the benefits derived from the taxes.

Please work with me to correct the unfair portion of the Tax Agreement and provide the MHA Nation with the same 80 percent for trust land that the State receives for non-trust land on the Reservation. With these tax revenues the MHA Nation can support energy development and economic activity that will benefit the entire region and the State. I am attaching a Resolution of the MHA Nation seeking this change to the Tax Agreement. I look forward to working with you to resolve these issues. Please feel free to contact me directly to arrange further discussions or to address any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Tex Hall", written over a diagonal line that extends from the word "Sincerely,".

Tex "Red Tipped Arrow" Hall, Chairman
TAT – Mandan Hidatsa & Arikara Nation

Enclosure