



Linda Francis
Director

Montana Department of Revenue



Judy Martz
Governor

January 23, 2004

Northwest Farm Credit Services
Attn: Donald B. Kennedy
1700 South Assembly
Spokane, WA 99224-2121

Re: Are royalty Interest owned by NW Farm Credit Services exempt from production tax?

Dear Mr. Kennedy:

I am in receipt of your letter dated December 11, 2003, in which you are requesting an updated letter declaring Northwest Farm Credit Services' interest in oil and gas leases in Montana exempt from the Oil and Gas Production Tax.

Montana Code Annotated (MCA) 15-36-309 states that certain royalties are exempt.

"Exempt from taxation are royalties received by : (1) an Indian tribe with respect to on-reservation oil and gas production pursuant to a lease entered into under the Indian Mineral Leasing act of 1938, 25 U.S.C. 396a through 396g; (2) The United States as trustee for individual Indians; and (3) the United States, the State of Montana, or a county or municipal government in Montana."

Based on the information that you have provided, and on past history the interest owned by the bank in oil and gas wells in Montana has been considered tax-exempt. According to your letter the only change is in the name and location, your statutory status as an instrumentality of the United State government has not changed. As an instrumentality of the United States Government your interest in any oil or gas leases in Montana would be exempt, however if any of these facts change the tax exempt status may also be affected.

If I can be of any further assistance please feel free to give me a call.

Sincerely,

Keith Broussard
Revenue Agent, BIT BTV

RECEIVED
AGAMERICA, FCB
JAN 28 2004



STATE OF MONTANA

DEPARTMENT OF REVENUE

MITCHELL BUILDING
HELENA, MONTANA 59601

March 29, 1978

The Federal Land Bank of Spokane
TAF - C4
Spokane, Washington 99204

Gentlemen:

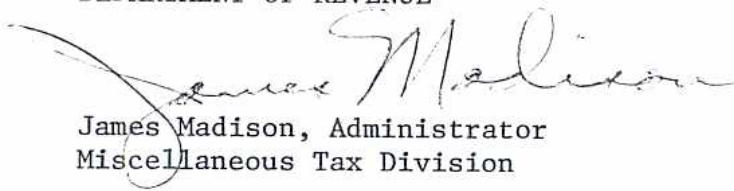
Re: Oil Producers Severance Tax
Natural Gas Severance Tax
Tax Exempt Royalties

This letter is being written at the request of Mr. Arthur F. Lamey, Jr. of the law firm Crowley, Haughey, Hanson, Toole & Dietrich.

Section 84-2202, Revised Codes of Montana, 1947 specifically provides that interests owned by the federal, state, county or municipal governments are exempt from Oil Producers Severance Tax and Natural Gas Severance Tax. An instrumentality of the United States or of the other governmental entities has the same status as the governmental unit itself. Based upon the statement of Mr. Kennedy of your office that the Federal Land Bank of Spokane is an instrumentality of the United States it is my opinion that its royalty payments are not subject to the Oil Producers Severance Tax or the Natural Gas Severance Tax.

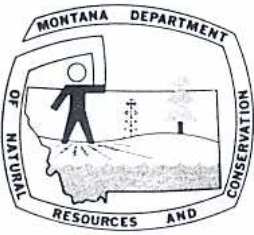
Very truly yours,

DEPARTMENT OF REVENUE


James Madison, Administrator
Miscellaneous Tax Division

JM:pm

FLB No. _____
RECEIVED APR 3 1978
Referred to _____
File _____



MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

THOMAS L. JUDGE, GOVERNOR
JOHN C. ORTH, DIRECTOR

BOARD OF OIL AND GAS CONSERVATION

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RICHARD A. CAMPBELL, CHAIRMAN
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PAUL C. BUNN
JOHN P. MOORE

March 10, 1978


The Federal Land Bank of Spokane
West 705 First Avenue
Spokane, Washington 99204

Attention: Donald B. Kennedy, Mineral Specialist

Gentlemen:

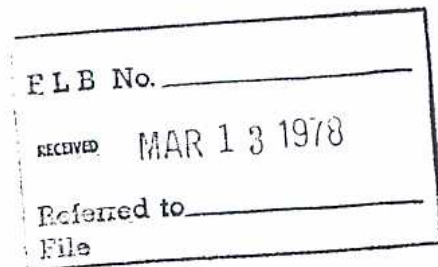
This will confirm our earlier advice to Gary Operating Company, based on a December 6, 1976 ruling by the Department of Revenue, that the Federal Land Bank of Spokane is not subject to the Producer's Payment of Oil and Gas Production Tax that is filed with this Board on our Form No. 12.

Yours very truly,


Donald E. Chisholm
Administrator

DEC/ml

cc: Arthur F. Lamey, Jr.
500 Electric Building
P. O. Box 2529
Billings, Montana 59101



DIVISION OFFICE
325 FULLER AVE.
P. O. BOX 217
HELENA, MONTANA 59601
(406) 449-2611
ADMINISTRATOR - DON CHISHOLM

TECHNICAL
AND SOUTHERN FIELD OFFICE
15 POLY DRIVE
BILLINGS, MONTANA 59101
(406) 252-5109
PETROLEUM ENGINEER - JUDSON SWEET
GEOLOGIST - CHARLES MAIO

NORTHERN FIELD OFFICE
218 MAIN STREET
P. O. BOX 690
SHELBY, MONTANA 59474
(406) 434-2422

