



Northwest
FARM CREDIT SERVICES

Mineral Operations

Managed by Kraton Management Company

1700 South Assembly Street, Spokane, WA 99224-2121

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September 16, 2011

**FARM CREDIT SYSTEM
TRACTS AVAILABLE FOR OIL & GAS LEASE**

-- Montana --

Attached is a list of mineral tracts that are currently owned by Northwest Farm Credit Services, FLCA. All parcels listed are, or will soon be, available for leasing. If you have an interest in any particular tract and wish to submit a bid, please send your offer to the above address. You may also **FAX** your bid to my fax number 509-340-5523 or **Email** it. Your offer should be submitted prior to **October 14, 2011**. The determination of winning bids will be made on that day.

Since our last sale, several active Farm Credit leases have expired or have otherwise become available. These tracts are located in **Blaine, Carbon, Custer, Gallatin, Golden Valley, Hill, Meagher, Musselshell, Powder River, Roosevelt, and Stillwater Counties**. These tracts are noted on the attached list. I have also included what remains of our unleased inventory in 12 eastern Montana Counties. In addition, because management inquired about the percentage of our inventory that is available for lease, I prepared a spreadsheet. So, for your general information, that data for the 12 eastern Montana counties is also attached.

For each parcel bid upon, you must indicate the royalty rate and bonus being offered. Successful bids will be the best combination of the two variables, as determined by us. For this sale, we expect the royalty rate to be at 17.50%, or greater, in Richland, Roosevelt and Sheridan Counties. Royalty rates in Blaine, Daniels, Dawson, Fallon, Hill, McCone, Musselshell and Wibaux Counties should be at least 16.50%. The remaining counties should be at least 15%. Also, bonus bids should be \$5 per net acre or greater. Keep it even – no pennies. The leases will be on the Farm Credit lease form, for a five-year term and with a \$1.00 per net acre or \$20 (whichever is greater) annual delay rental. Tracts with less than a 25% mineral interest will require a 1/5th royalty.

As always, Farm Credit will not be obligated to accept any bid that it considers too low. The final results will be sent only to those individuals who participate in the sale. We expect payment within 30 days of the successful bid notice.

If you have any comments or questions, please email me at: don.kennedy@farm-credit.com or call me at 509-340-5368. You can also visit our **WEBSITE**, <http://www.farmcreditminerals.com>. Check it out for complete state-by-state inventories. However, I apologize in advance for being so slow on updating the information on my website.

Sincerely,

Donald B. Kennedy
Authorized Agent
Farm Credit Mineral Operations