

LANDFILL GAS SALES AGREEMENT

This LANDFILL GAS SALES AGREEMENT ("Agreement"), dated as of August 25, 2008, is by and between the City of Billings ("City"), a Montana municipal corporation, and Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., a corporation organized under the laws of Delaware ("MDU").

WITNESSETH:

WHEREAS, the City owns a landfill site that contains methane gas located at Sections 29 and 30, Township 1 South, Range 26 East, Yellowstone County, Montana ("Landfill")

WHEREAS, MDU wants to test the concentration of methane gas and, if economically feasible, to extract, condition, transport and purchase the methane gas for commercial use; and

WHEREAS, the City is willing to allow MDU to test for, extract, condition, transport and purchase such methane gas on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Parties agree as follows:

SECTION 1 – DEFINITIONS

1.1 **Certain Definitions.** For purposes of this Agreement, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

1.1.1 "**Commission**" shall mean to install Facilities at the Landfill and utilizing said Facilities, to begin extracting methane gas on a sustained basis.

1.1.2 "**Commissioning Date**" shall mean the day Facilities installed at the Landfill begin to extract methane gas on a sustained basis.

1.1.3 "**Landfill**" shall mean the landfill of the City located at Sections 29 and 30, Township 1 South, Range 26 East, Yellowstone County, Montana.

1.1.4 "**Landfill Easement Agreement**" means an easement agreement between the City and MDU substantially in the form attached as Exhibit 2.

- 1.1.5 **“Facilities”** shall mean the methane gas wells, piping, conditioning, metering equipment, and any other equipment owned and installed by MDU at the Landfill required for the extraction, conditioning, recovery, metering and transportation of methane gas in accordance with this Agreement. The Facilities are more particularly described in Exhibit 3.
- 1.1.6 **“Force Majeure”** shall have the meaning set forth in Section 13.2.
- 1.1.7 **“MDU Indemnitees”** shall have the meaning set forth in Section 12.3.
- 1.1.8 **“MDU Personnel”** shall have the meaning set forth in Section 11.2.
- 1.1.9 **“Prudent Practice”** shall mean the exercising of the same degree of care and control considered reasonable in similar circumstances by other entities of a size comparable to the City or MDU as the case may be, when confronting the same or similar circumstances. In applying the standard of Prudent Practice, equitable consideration should be given to the circumstances, the complexity of the equipment or the tasks involved, the facts known by the Parties at the time, the fact that neither Party is in a position or in the business of being an insurer or guarantor, the then-current state of technology, and with respect to MDU’s Facilities at the Landfill, recognizing that the equipment will not always operate as designed and that construction and erection of equipment will not always be performed perfectly with the result that modifications and improvements may have to be made and sometimes at substantial cost to MDU.
- 1.1.10 **“Methane Gas Payment”** shall have the meaning set forth in Section 4.1.1.

1.2 **Other Terms**

References herein to Exhibits are to the Exhibits attached to this Agreement which are incorporated into this Agreement by this reference. Other terms used in this Agreement are defined in the context in which they are used and shall have the meaning therein indicated.

SECTION 2 - TERM

2.1 **Interim Term**

The Interim Term of this Agreement shall commence on the date first written above and shall terminate two (2) years from the date of this agreement by the parties, or on the first day of the Initial Term, whichever occurs sooner, unless cancelled or terminated as provided herein.

2.2 **Initial Term**

The Initial Term of this Agreement shall commence on the Commissioning Date, and shall terminate ten (10) years thereafter, unless earlier terminated as provided herein. Notwithstanding anything to the contrary contained in this Agreement, this Agreement shall automatically terminate if the Commissioning Date does not occur within two (2) years from the date of this Agreement."

2.3 Extension

The Agreement shall automatically renew at the end of the Initial Term for successive ten year terms unless either party shall provide not less than six (6) months written notice of nonrenewal or the Agreement is otherwise terminated as provided herein. Upon renewal, all applicable terms of the Agreement will apply.

SECTION 3 – METHANE GAS TESTING AND FACILITIES

3.1 Methane Gas Testing

During the Interim Term, MDU will drill and monitor test wells within the vertical and horizontal boundaries of the Landfill to confirm the availability of sufficient quality and quantity of recoverable methane gas on a sustained basis to economically support the construction and operation of the Facilities. If MDU determines in its sole discretion from the test well results that a sufficient commercial quality and quantity of recoverable methane gas on a sustained basis exists within the Landfill to economically support the construction and operation of the Facilities, MDU shall proceed with the design and construction of the Facilities. Payment shall not be required for methane gas extracted prior to the Commissioning Date except to the extent such methane gas is gathered for transportation and commercial use by MDU. If MDU determines, in its sole discretion, from the test well results that a sufficient commercial quality and quantity of recoverable methane gas on a sustained basis does not exist at the Landfill, MDU shall notify the City in writing of MDU's determination and this Agreement shall terminate.

3.2 Design and Construction

MDU shall be responsible for the design, construction, and operation of the Facilities.

3.3 Facilities and Site Easement

The City and MDU shall execute a Facilities Easement Agreement so as to allow MDU to locate and construct the Facilities on the Landfill and such other area as described in the Facilities Easement Agreement. Upon termination of this Agreement, MDU shall (i) execute such waivers, releases or other instruments in recordable form as may be necessary to evidence such termination, (ii) release any interest which MDU may have in and to the Facilities Easement Agreement, and (iii) remove the Facilities from the Landfill site and restore the Landfill site to its pre-construction condition unless otherwise agreed by MDU and the City.

SECTION 4 – METHANE GAS PURCHASE TERMS

4.1 Rates and Payments

4.1.1 Methane Gas Payment

Beginning with the Commissioning Date of the Facilities, MDU will pay to the City a payment monthly for methane gas ("Methane Gas Payment") extracted and transported from the Landfill, net of losses, equal to fifteen

percent (15%) of the Colorado Interstate Gas Co. Index ("CIG Index") per MMBtu, as reported in the first issue of the month of delivery of Inside FERC's Gas Market Report in the table "Prices of Spot Gas delivered to Pipelines" or another mutually agreed upon pricing mechanism. The measurement of the total recovered methane gas extracted and transported from the Landfill, net of losses, shall be the meter readings at the meter located at the interconnection point between the Facilities and MDU's natural gas distribution system or other commercial use transportation system. Such meter shall be calibrated, tested and maintained in accordance with Prudent Practice. Measurement and payment shall be on a net MMBtu basis after conditioning of the methane gas to remove impurities to meet MDU's natural gas specifications for commercial use.

4.1.2 Title Transfer of Methane Gas

This Agreement shall not be deemed to grant to MDU any rights to or interests in any oil or natural gas located under the Landfill which is not produced by the Landfill. Title transfer of the Landfill-produced methane gas between the parties shall occur at the MDU measurement facilities identified in section 4.1.1.

4.2 Carbon Credits

The Parties agree that 15% of all carbon credits, renewable energy credits, emission credits, or other certification of emission reduction or carbon methane destruction or displacement attributable to the extraction of methane gas from the Landfill (hereinafter "Credits") shall inure to the benefit of and be the property of the City or its assignee or designee and 85% of all such credits shall inure to the benefit of and be the property of MDU or its assignee or designee. The City agrees to execute any assignment, or other document reasonably requested by MDU transferring any right of the City in the credits or acknowledging MDU's interest and ownership in the Credits.

4.3 Taxes

The Parties' respective responsibilities for taxes arising under or in connection with this Agreement shall be as follows:

4.3.1 Personal, Property and Income Taxes

Each Party shall be responsible for any personal or real property taxes on property it owns or leases, and taxes on its share of any proceeds received pursuant to this Agreement.

4.3.2 Sales, Use, Excise and Value-Added Taxes

MDU shall be responsible for any sales, use, excise, value-added, services, consumption, and other taxes and duties payable by MDU on any goods or services used or consumed by MDU in the methane gas extraction process where the tax is imposed on MDU's acquisition or use of such goods or services and the amount of tax is measured by MDU's costs of acquiring such goods or services.

4.3.3 Production Taxes

MDU and the City agree to petition the Montana Department of Revenue for a declaratory ruling that the methane gas extracted from the Landfill under this Agreement is not natural gas for purposes of taxation under the Montana Oil and Gas Production Tax. If it is determined that the methane gas extracted from the Landfill under this Agreement is subject to any existing or future local, state or federal tax on production, severance, extraction, or similar tax, each Party respectively shall pay or bear any such tax or taxes imposed by a taxing authority attributable to the proportional share of extracted methane or proceeds from extracted methane received by such Party under this Agreement to the extent the proportional share of extracted methane or proceeds from extracted methane received by such party are not exempt from taxation.

4.4 Payments

4.4.1 Billings and Statements

Beginning the month following the Commissioning Date, MDU will prepare and deliver each month to the City a written statement for the preceding month prepared in accordance with, and subject to the terms and conditions in the Agreement. Such statement shall be dated and delivered to the City on or before the 10th day of the month in which it is prepared (e.g. the month following the delivery of the methane gas reflected therein) and shall set forth the total amount due by MDU under Section 4.1.1. Amounts due and owed shall be paid by MDU not later than fifteen (15) days after the date of such statement. Amounts not paid when due under this section, shall accrue interest at one hundred five percent (105%) of the Federal Reserve Prime Rate of interest, as quoted in the *Wall Street Journal*. Such interest due shall accrue from the due date to the date of payment.

In the event any portion of any statement submitted is disputed, the undisputed amount shown to be due shall be paid by the due date. Any additional amount subsequently determined to be due shall be paid with interest at the rate stated above upon determination of the correct amount due. Any amount of an invoice determined to have been overpaid shall be refunded with interest at the rate stated above.

The Parties shall have two (2) years after receipt or delivery of any statement to question the correctness thereof. If a statement has not been challenged in writing by either Party during such one-year period, then such statement shall become final for all purposes and no longer subject to challenge or adjustment.

SECTION 5 – OPERATION OF FACILITIES

5.1 Operational Responsibilities

5.1.1 Operation and Maintenance

MDU shall be responsible for the operation and maintenance of the Facilities in accordance with Prudent Practice.

5.1.2 Personnel

MDU shall ensure that all operational personnel working on the Facilities are trained and experienced in the operation of gas facilities.

5.1.3 Utility Expense

MDU shall be responsible for arranging direct utility hook-ups (electricity, water, communications, etc.) needed for the Facilities and for paying any utility expenses associated with the operation of the Facilities directly to utility suppliers.

5.1.4 Curtailments

MDU, in its sole discretion, may determine that regulatory requirements, market conditions, flow conditions or other operational considerations require the curtailment or the shut down of any of the Facilities for any period of time. Further, industry and market conditions may require MDU to curtail or shutdown the Facilities for equipment upgrades and replacement. Such curtailments and shut-downs shall not be considered a breach or event of default under this Agreement.

5.1.5 Operational Emergency

If, in MDU's reasonable judgment, it determines that any of the operations of the Facilities is creating an emergency or safety concern, endangering the Facilities or MDU's gas transportation or distribution system, or other equipment or personnel, then MDU may cease operations until the emergency or safety concern ceases to exist. To the extent necessary to comply with environmental or other regulatory requirements, the City will be permitted to flare gas from the landfill during the period of suspended operations.

5.2 Permits and Approvals

5.2.1 Permits

MDU shall be responsible for obtaining any permits and clearances necessary for the construction and operation of the Facilities from any governmental authority having jurisdiction.

5.2.2 Regulatory Approval and Treatment

This Agreement may be subject to review and/or approval by the state regulatory commissions for the states in which MDU operates its natural gas distribution system. If a regulatory commission disapproves this Agreement for any reason, or at any time determines the capital and operational costs of the Facilities and extracted gas are not fully recoverable by MDU through its retail rates, MDU may terminate this Agreement upon written notice to the City.

SECTION 6 – INSURANCE

6.1 Delivery of Certificates of Insurance

MDU shall insure that all of its employees as well as its contractors, subcontractors and their employees performing services in accordance with this Agreement have in effect Commercial General Liability Insurance, Workers' Compensation Insurance, Automobile Liability Insurance and Excess Liability Insurance with the coverage limits set forth in Exhibit 4. The liability coverages required by this section shall contain the following clauses: (i) "It is agreed that this policy shall not be canceled, non-renewed, or reduced in scope of coverage until after thirty (30) days written notice has been given to the City." (ii) "The City of Billings, Montana is an additional insured under insurance policies evidenced by this certificate, as respects work done by the named insured for the City of Billings." (iii) "Insurance evidenced by this certificate is primary insurance for claims arising out of the named insured's operations, and any insurance maintained by the City of Billings shall only provide coverage in excess of the insurance evidenced by this certificate." Insurance coverage in the minimum amounts set forth herein shall not be construed to relieve MDU for liability in excess of such coverage.

6.2 Proof of Insurance

Upon request of the City, MDU shall provide certification of insurance for coverage in types and amounts set forth in Exhibit 4 respectively for itself and any contractor or subcontractors engaged by it at the Landfill.

SECTION 7 – PERIODIC REVIEWS; AUDIT RIGHTS

7.1 Annual Reviews

MDU agrees to maintain its books and records in accordance with generally accepted accounting principles. The City shall have the right, upon reasonable notice to MDU and at City expense, to inspect and audit those books and records and other supporting evidence of MDU that the City deems necessary to verify: (i) the quantity and quality of methane gas extracted, conditioned and transported from the Landfill, and (ii) that MDU is in compliance with the terms of this Agreement, regulatory authorities, or other laws and regulations that govern the operation of the Facilities.

SECTION 8 – TERMINATION

8.1 Termination for Cause

In the event that MDU or the City commits a material breach of this Agreement, which breach is not cured within thirty (30) days after notice of breach, the other Party may terminate this Agreement in whole or in part, as of the date specified in the notice of breach. If it is determined by a final order of a court of competent jurisdiction, that the City does not have title to all or a portion of the methane gas extracted from the Landfill, MDU may terminate this Agreement upon one hundred eighty (180) days written notice unless the City shall acquire such title prior to the date of the termination set forth in the written notice.

8.2 Effect of Termination

8.2.1. Reimbursement for Facilities.

In the event this Agreement is terminated by nonrenewal by the City as provided in paragraph 2.3 less than forty (40) years from the Commissioning date, the City shall pay MDU the greater of (1) the appraised fair market value of the Facilities, or (2) the net book value of the Facilities at the time of termination. In either case, this sum shall be calculated less the net salvage value of any Facilities removed from the Landfill by MDU. The provisions of this paragraph shall not apply if this Agreement is terminated for cause pursuant to Paragraph 8.1.

8.2.2. Removal of Facilities

Unless the City is required to pay for the Facilities pursuant to Paragraph 8.2.1, upon termination of this Agreement, MDU shall have the right to remove the Facilities from the Landfill and shall have the obligation, upon the written request of the City, to plug the methane wells, remove any above ground Facilities from the Landfill and restore the surface of the Landfill where above ground Facilities were located to a condition consistent with surrounding undisturbed areas of the Landfill. Buried pipe may be abandoned in place upon termination.

SECTION 9 – RELATIONSHIP OF THE PARTIES

Nothing in this Agreement will imply a joint venture, partnership, or principal-agent relationship between the Parties. Neither Party will have any right, power or authority to act or create any obligation, express or implied, on behalf of the other Party, pursuant to this Agreement.

SECTION 10 – REPRESENTATIONS AND WARRANTIES

10.1 Work Standards

MDU represents and warrants that design, construction and operation of the Facilities shall be performed with promptness and diligence and shall be executed in a workmanlike manner, in accordance with the practices and high professional standards used in methane gas extraction and recovery operations performing similar services. MDU represents and warrants that an adequate number of qualified individuals with suitable training, education, experience, and skill shall be utilized to perform such services.

10.2 Compliance with Laws and Regulations

MDU shall construct and operate the Facilities in accordance with all laws, rules, regulations, certificates, orders, ordinances, codes and directives of all applicable authorities with jurisdiction over the Landfill or the Facilities.

10.3 Title

It is understood and agreed that this Agreement is issued only under such title as the City may now have or hereafter acquire, and that the City shall not be liable

for any damages sustained by MDU in the event that it is determined that the City does not have title to all or some portion of the methane gas in the Landfill except that MDU shall be entitled to receive and the City shall be obligated to refund any part of the Methane Gas Payment theretofore paid to the City attributable to extracted methane gas for which it is determined the City did not have title. Any such refund by the City shall be limited to, and shall be no greater than, any amounts the City has received under the terms of this Agreement. If the City owns a lesser interest in the methane gas in the Landfill than the entire and undivided estate in such methane gas for which the Methane Gas Payments are payable under the terms hereof, then the Methane Gas Payments herein provided shall be paid to the City only in the proportion which its interest bears to the whole and undivided estate in the methane gas in the Landfill for which Methane Gas Payments are payable.

SECTION 11 – INDEMNIFICATION

- 11.1** MDU shall defend, protect, indemnify, and hold harmless the City, its officers, and employees, (collectively the “City Indemnitees”) from and against all liabilities, claims, costs, expenses, demands, suits and causes of action of every kind and character arising in favor of any person, corporation or other entity, on account of personal injuries or death or damages to property to the extent caused by the acts or omission of MDU, its employees, contractors, subcontractors or agents.
- 11.2** MDU further agrees, except as may be otherwise specifically provided herein, that the obligation of indemnification hereunder shall include, but not be limited to, expenses, claims, fines, and penalties or other enforcement charges, resulting from the failure of MDU to abide by any and all valid and applicable laws, rules or regulations of any governmental or regulatory authority with jurisdiction.
- 11.3** The City shall defend, protect, indemnify, and hold harmless MDU and its directors, officers, and employees (herein referred to as the “MDU Indemnitees”) from and against all liability, claims, costs, expenses, demands, suits and causes of action of every kind and character arising in favor of any person, corporation or other entity, on account of personal injuries or death or damages to property to the extent caused by acts or omission of the City, its employees, contractors, subcontractors or agents.
- 11.4** The City further agrees, except as may be otherwise specifically provided herein, that the obligation of indemnification hereunder shall include, but not be limited to, expenses, claims, fines, and penalties or other enforcement charges, resulting from the failure of the City to abide by any and all valid and applicable laws, rules or regulations of any governmental or regulatory authority with jurisdiction.
- 11.5** In connection with any claim or action described in this Section 11, the Party seeking indemnification will (a) give the indemnifying Party prompt written notice

of the claim, (b) cooperate with the indemnifying Party (at the indemnifying Party's expense) in connection with the defense and settlement of the claim, and (c) permit the indemnifying Party to control the defense and settlement of the claim, provided that the indemnifying Party must diligently defend the claim and may not settle the claim without the indemnified Party's prior written consent (which will not be unreasonably withheld or delayed). Further, the indemnified Party (at its cost) may participate in the defense and settlement of the claim.

SECTION 12 – LIABILITY

12.1 Liability Restrictions

12.1.1 IN NO EVENT, WHETHER IN CONTRACT OR IN TORT (INCLUDING BREACH OF WARRANTY, NEGLIGENCE AND STRICT LIABILITY IN TORT), SHALL A PARTY BE LIABLE TO THE OTHER PARTY FOR INDIRECT, CONSEQUENTIAL, EXEMPLARY, PUNITIVE OR SPECIAL DAMAGES, ARISING OUT OF OR IN CONJUNCTION WITH THIS AGREEMENT.

12.2 Force Majeure and Other Events Excusing Performance

12.2.1 No Party shall be liable for any default or delay in the performance of its obligations under this Agreement (i) if and to the extent such default or delay is caused, directly or indirectly by: fire, flood, earthquake, elements of nature or acts of God, riots, civil disorders, explosions, breakage, accident or repairs to machinery, equipment or lines of pipe, inability to obtain or unavoidable delay in obtaining pipe, materials, equipment for Facilities, or compliance with any order or request of any governmental authority, or any other cause, whether similar or dissimilar to any above enumerated beyond the reasonable control of such Party (a Force Majeure event), (ii) provided the non-performing Party is without fault in causing such default or delay, and (ii) such default or delay could not have been prevented by reasonable precautions and can not reasonably be circumvented by the non-performing Party through the use of alternate sources, workaround plans or other means.

12.2.2 In such event, the non-performing Party shall be excused from further performance or observance of the obligation(s) so affected for as long as such circumstances detailed above prevail and such Party continues to use its reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay. Any Party so delayed in its performance shall promptly as reasonably possible notify the Party to whom performance is due and describe at a reasonable level of detail the circumstances causing such delay.

SECTION 13 – CONTINUATION DURING DISPUTES

13.1 Continuation of Service

Pending final resolution of any dispute, whether or not submitted to arbitration hereunder, the City and MDU shall continue to fulfill their respective obligations under this Agreement.

SECTION 14 – MISCELLANEOUS

14.1 Notices under this Agreement shall be sufficient only if personally delivered by a commercial prepaid delivery or courier service or mailed by certified or registered mail, return receipt requested to a Party at its address set forth below or as amended by notice pursuant to this Section 14.1. If not received sooner, notice by mail shall be deemed received five (5) business days after deposit in the U.S. mail. All notices shall be delivered as follows:

If to the City:

Office of the City Attorney
City of Billings
210 North 27th Street
Billings, Montana 59101

If to MDU:

Montana-Dakota Utilities Co.
400 North 4th Street
Bismarck, ND 58501
Attention:
Fax No.: (701) 222-7606

14.2 Binding Nature; Entire Agreement

The City and MDU acknowledge (i) that each has read and understands the terms and conditions of this Agreement and agrees to be bound by such terms and conditions, (ii) that this Agreement is the complete and conclusive statement of the agreement between the Parties, and (iii) that this Agreement sets forth the entire agreement and understanding between the Parties relating to the subject matter hereof. All understandings and agreements, oral and written, heretofore made between the City and MDU relating to the subject matter hereof is merged in this Agreement which alone, fully and completely expresses their agreement on the subject matter.

14.3 Amendment

No modification of, additions to or waiver of this Agreement shall be binding upon the City or MDU unless such modification is in writing and signed by an authorized representative of each Party.

14.4 Severability

If any term or provision of this Agreement shall to any extent be held by a court or other tribunal to be invalid, void or unenforceable, then that term or provision shall be inoperative and void insofar as it is in conflict with law, but the remaining terms and provisions of this Agreement shall nevertheless continue in full force and effect and the rights and obligations of the Parties shall be deemed to be restated to reflect nearly as possible the original intentions of the Parties in accordance with applicable law.

14.5 Headings

Headings used in this Agreement are for reference and convenience only and are not to be deemed or construed to be part of this Agreement.

14.6 Compliance with Laws and Regulations

Each Party shall perform its obligations in a manner that complies with the laws, rules, certificates, regulations, ordinances codes, orders and directives of all applicable authorities with jurisdiction over the Landfill or the Facilities. If a Party is charged with a failure to comply from any such applicable authority, the Party charged with such non-compliance shall promptly notify the other Party of such charges in writing.

14.7 Governing Law and Venue

This Agreement shall be construed and enforced in accordance with the laws of the State of Montana, and not, by the application of choice of law principles, the laws of any other state. Venue for any suit between the parties arising out of this Agreement shall be the State of Montana Thirteenth Judicial District Court, Yellowstone County.

14.8 Nondiscrimination

MDU agrees that all hiring of persons performing work pursuant to this Agreement or any sub-agreements by MDU and/or its contractors and subcontractors will be on the basis of merit and qualification and MDU will not discriminate on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin.

14.8 Binding Nature and Assignment

This Agreement shall be binding on the Parties hereto and their respective successors and assigns. Neither Party may or shall have the power to assign this Agreement without the prior written consent of the other party which consent will not be unreasonably withheld, except that MDU may assign its rights and obligations under this Agreement without the approval of the City to an entity which acquires all or substantially all of its assets of MDU, or to any subsidiary or affiliate or successor in a merger or acquisition of MDU. In no event shall any assignment or partial assignment hereunder relieve the assigning Party of its obligations under this Agreement without the written consent of the other Party and any assignment or partial assignment hereunder is subject to the written assumption by the assignee of the obligations of the assigning Party.

14.9 No Waivers

Failure or delay on the part of the City or MDU to exercise any right, power or privilege under this Agreement shall not constitute a waiver of any right, power or privilege of this Agreement.


14.10 Survival



Any provision of this Agreement which contemplates performance or observance subsequent to any terminations or expiration of this Agreement shall survive any termination or expiration of this Agreement and continue in full force and effect.

IN WITNESS WHEREOF, the City and MDU have caused this Agreement to be executed effective as of the date first written above.

CITY OF BILLINGS

**Montana-Dakota Utilities Co., a
Division of MDU Resources Group,
Inc.**

By: 
Name: Ron Tussing
Title: Mayor

By:  
Name: DAVID L. GOODIN
Title: PRESIDENT & CEO

Exhibits:

- Exhibit 1: Landfill Description
- Exhibit 2: Compressor Site Easement Agreement
- Exhibit 3: The Facilities
- Exhibit 4: Minimum Insurance Requirements

Exhibit 1

Landfill Description

C/S 1098 Tract 1 Amended in the south ½ of Section 30, 1 South, 26 East

C/S 796 Tract 1 in the west ½ of Section 29, 1 South, 26 East

C/S 1130 in the south ½ of the southwest corner of Section 29, 1 South, 26 East

Exhibit 2

FACILITIES EASEMENT AGREEMENT

The Facilities Easement Agreement ("Agreement") dated as of August 25, 2008 is by and between the City of Billings ("City"), a Montana municipal corporation, and Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., a corporation organized under the laws of Delaware ("MDU").

WITNESSETH:

WHEREAS, MDU and the City entered into a Landfill Gas Sales Agreement dated as of August 25, 2008, the ("Landfill Gas Agreement") pursuant to which the City granted MDU the right to extract, condition, transport and purchase methane gas from a Landfill owned by the City, and

WHEREAS, the Landfill Gas Agreement requires that the City grant an easement to MDU in the form of this Agreement. Any capitalized term used in this Agreement and not defined herein shall have the meaning assigned to such term in the Landfill Gas Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein the Parties agree as follows:

1. Subject to the terms and conditions hereinafter set forth, the City hereby grants to MDU the right, privilege and easement, hereinafter referred to as "Easement," to use, operate, construct, reconstruct, repair, maintain and have access for the Facilities on, over, under and across that real property as described in Exhibit A, attached hereto and incorporated herein, to as the "Landfill Site" including the right of ingress and egress from the real property.

2. The Easement hereby granted shall be non-exclusive, and the City, its successors and assigns, shall reserve the right to use and to grant to others, subject to the terms hereof, the right to use the property encumbered by the Easement for any and all purposes, including the right to cross over or under the Easement for any purposes, provided that the exercise by City or others of such rights to use, and the use of the land encumbered by the Easement shall not be for the purpose of constructing or operating methane gas recovery facilities and shall not be inconsistent with the grant of the Easement to MDU. Subject to the limitations set forth in the foregoing sentence, but without otherwise limiting the foregoing, the City shall have the right to use the property encumbered by the Easement and to cross over the Easement for the operation and maintenance of its Landfill consistent with the terms and conditions of the Landfill Gas Agreement.

3. MDU covenants and agrees that it will not permit or suffer any lien to be put upon or to arise on or accrue against the Easement in favor of any person or persons, individual or corporate, furnishing either labor or material in connection with any work done or permitted to be done by MDU on the Facilities, and MDU further covenants and agrees to hold the City harmless against and to keep the Easement free from any and all liens or claims of liens which may or might arise or accrue or be based upon any mechanic's lien law of the State of Montana, now in force or hereinafter

enacted, by reason of MDU's exercise of the rights and privileges granted hereunder, and in the event any such lien shall arise or accrue against the Landfill Site, MDU agrees to promptly cause the release of same.

4. Provided that MDU is in full compliance with the terms and conditions of the Landfill Gas Agreement and this Agreement, the City agrees that MDU may enforce this Agreement by a suit for specific performance.

5. In the event of damage to or destruction of the Facilities, MDU agrees to promptly repair and restore the same. MDU shall keep the Facilities and the Easement free of any trash or debris.

6. Notwithstanding the grant of the Easement, but subject to the provisions of the Landfill Gas Agreement, MDU shall at all times and at its sole cost and expense keep the Facilities in good repair and in compliance with all applicable governmental rules and regulations. MDU shall procure, at its sole cost and expense, any permits or licenses necessary for the use and operation of the Facilities and will pay any and all taxes assessed thereon or attributable thereto.

7. The Easement hereby granted shall cease and terminate in its entirety (except as to any indemnities or warranties herein contained) upon the first to occur of the following:

- a. the mutual agreement of the City and MDU,
- b. non-use of the Facilities for a period of two consecutive years, or
- c. the date which is twelve months after the expiration or termination of the Landfill Gas Agreement.

8. Upon any such termination, MDU agrees to: (i) execute such waivers, releases or other instruments in recordable form as may be necessary to evidence such termination, (ii) release any interest which MDU may have in and to the Easement by reason of this Agreement, and (iii) remove the Facilities from the Landfill Site and restore the Landfill Site to its pre-construction condition.

9. This Agreement and the covenants and conditions herein contained shall run with the land and shall be binding upon the successors and assigns of the parties hereto.

10. Except as otherwise provided in this Agreement, neither party shall assign this Easement or any of its rights or obligations hereunder except with the consent of the other party, which consent shall not be unreasonably withheld. Any such assignment is subject to the written assumption by the assignee of the obligations of such party hereunder. Any company or other entity succeeding by purchase, merger or consolidation to the properties, substantially as an entity, of MDU shall be entitled to the rights and be subject to the obligations of its predecessor under this Agreement without the necessity of obtaining the consent of the City.

11. Any notice, demand or election under this Agreement shall be deemed properly given if sent by United States mail and addressed as follows:

If to the City: Office of the City Attorney
 City of Billings
 210 North 27th Street
 Billings, Montana 59101

If to MDU: Montana-Dakota Utilities Co.
400 North 4th Street
Bismarck, ND 58501
Attention:
Fax No.: (701) 222-7606

or as otherwise provided by notice given as herein provided.

12. This Agreement may not be modified or amended except by written agreement of the parties.

13. This Agreement and the rights and obligations of the Parties shall be governed by and interpreted in accordance with the laws of the State of Montana and not, by the application of choice of law principles, the laws of any other state.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed and delivered as of the date first above written.

CITY OF BILLINGS

By: [Signature]
Name: Ron Tussing
Title: Mayor

Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc.

By: [Signature]
Name: DAVID L. GOODIN
Title: PRESIDENT & CEO

State of Montana)
County of Yellowstone)

On the 25th day of August, 2008, before me personally appeared Ron Tussing to me personally known, who, having been by me first duly did say: is the Mayor of City of Billings, the municipality described in and which executed the foregoing instrument and that said instrument was signed and sealed in behalf of said by authority of its governing body as the free act and deed of said municipality.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the day and the year in this certificate first above written



Cari Martin (Signature)

Cari Martin (Printed Name)

Notary Public for the State of Montana

Residing in Billings, Montana

My Commission Expires: 4/19/2011

State of North Dakota)
)
County of Burleigh)

On the 2nd day of Sept., 2008, before me personally appeared David L. Goodin to me personally known, who, having been by me first duly sworn, did say: That he/~~she~~ is the President & CEO of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., the corporation described in and which executed the foregoing instrument and that said instrument was signed and sealed in behalf of said corporation as the free act and deed of said municipality.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the day and the year in this certificate first above written.

Norma E. Eslinger

Notary Public

My Commission Expires 8-30-2011

(Seal)

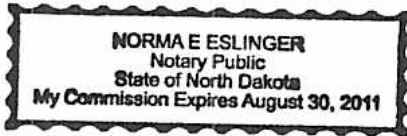


Exhibit A

LANDFILL SITE DESCRIPTION:

C/S 1098 Tract 1 Amended in the south $\frac{1}{2}$ of Section 30, 1 South, 26 East

C/S 796 Tract 1 in the west $\frac{1}{2}$ of Section 29, 1 South, 26 East

C/S 1130 in the south $\frac{1}{2}$ of the southwest corner of Section 29, 1 South, 26 East

Exhibit 3
FACILITIES

Gas wells

Gas piping

Condensate tanks

Blower and Flare

Compressor

Gas treatment system

Concrete foundation for equipment

Building to house equipment

Gathering pipeline and equipment to interconnect to MDU natural gas distribution system

