

# **BOARD OF UNIVERSITY AND SCHOOL LANDS**

**Governor's Conference Room Ground Floor, State Capitol**

**November 29, 2021 at 9:00 AM**

[Join Microsoft Teams Meeting](#)

[+1 701-328-0950](#)

Conference ID: 359 740 440#

## **AGENDA**

➤ = **Board Action Requested**

1. **Approval of Meeting Minutes – Jodi Smith**

Consideration of Approval of Land Board Meeting Minutes by voice vote.

- A. October 28, 2021 – pg. 2

2. **Reports – Jodi Smith**

- A. October Report of Encumbrances – pg. 16
- B. October Oil & Gas Shut In Report – pg. 18
- C. Oil and Gas Lease Auction – pg. 19
- D. October Unclaimed Property Report – pg. 20
- E. Investments Update – pg. 22

3. **Surface – Mike Humann**

- A. No Net Loss Preliminary Land Sale Approval T136N R86W Section 28 NW1/4, Section 32 N1/2N1/2, Section 36 SE1/4 Public Comments – pg. 23
- B. Fall 2021 Surface Lease Auction Report – pg. 64

4. **Operations – Jodi Smith**

- A. IT Update – pg. 65
- B. Definitions, Unclaimed Property, Surface Land Management, and Minerals Management Administrative Rules – pg. 66
- C. Audited Financial Statements for the Year Ended June 30, 2021 – pg. 99
- D. 2019 – 2021 Biennial Report – pg. 195
- E. North Dakota Trust Lands Completion Act – pg. 215

5. **Minerals – Jodi Smith**

- A. Mineral Valuation Study 2021 Final Report – pg. 239
- B. Acreage Adjustment Survey T153N R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36 – pg. 324
- C. Royalty Offers – pg. 327
- D. Acreage Adjustment Report – pg. 328

6. **Litigation – Jodi Smith**

- A. Newfield Exploration Company et al Civ. No. 27-2018-CV-00143 – pg. 332

➤ **Executive session under the authority of NDCC §§ 44-04-19.1 and 44-04-19.2 for attorney consultation with the Board's attorneys to discuss:**

- **Acreage Adjustment Survey**
- **Royalty Offers**
- **Newfield Exploration Company et al Civ. No. 27-2018-CV-00143**

**Next Meeting Date – December 21, 2021**

**Minutes of the Meeting of the  
Board of University and School Lands  
October 28, 2021**

The October 28, 2021 meeting of the Board of University and School Lands was called to order at 9:01 AM in the Governor's Conference Room of the State Capitol and via Microsoft Teams by Chairman Doug Burgum.

**Members Present:**

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Wayne Stenehjem	Attorney General (Via Teams)
Thomas Beadle	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

**Department of Trust Lands Personnel present:**

Jodi Smith	Commissioner
Christopher Dingwall	Mineral Title Specialist
Dennis Chua	Investments
Rick Owings	Administrative Staff Officer
Michael Humann	Surface Division Director
Kristie McCusker	Paralegal
Adam Otteson	Revenue Compliance Director
Michael Shackelford	Investments Director
Lynn Spencer	Minerals Title Specialist
Susan Dollinger	Unclaimed Property
James Wald	Legal Council
Scott Giere	Revenue Compliance
Peggy Gudvangen	Finance Division Director
Kayla Spangelo	Surface Range Soils Management Specialist
Rob Dixon	ITD
Shari Duppong	Administrative Support

**Guests in Attendance:**

Dave Garner	Office of the Attorney General
Troy Seibel	Office of the Attorney General
Reice Haase	Office of the Governor
Leslie Bakken Oliver	Office of the Governor
Hillary Ripley	First Sentier Investors
John DiMarro	First Sentier Investors
Kirby Frances	First Sentier Investors
John Ma	First Sentier Investors
Mark Dunn	Millennium
Ron Ness	NDPC
Brady Pelton	NDPC
Michael Kelly	Pine Bridge
Brian Conry	Pine Bridge
Reed Harmon	Pine Bridge
Alexander Leiken	Millennium
Josh Kevan	RVK
Amy Sisk	Bismarck Tribune
Cyril Espanol	Journalist
David Mackie	
Gary Hagen	
Kristen Hamman	
Andrea Pfennig	
Randy Paas	

C. Rajala  
 Craig Smith  
 Ron Rauschenberger  
 Shelly Shelby  
 Lawrence Bender

## A P P R O V A L   O F   M I N U T E S

A motion to approve the minutes of the September 30, 2021 regular meeting and October 15, 2021 Special meeting, was made by Secretary of State Alvin Jaeger and seconded by Superintendent Baesler and the motion carried unanimously on a voice vote.

## R E P O R T S

### September 2021 Report of Encumbrances Issued by Land Commissioner

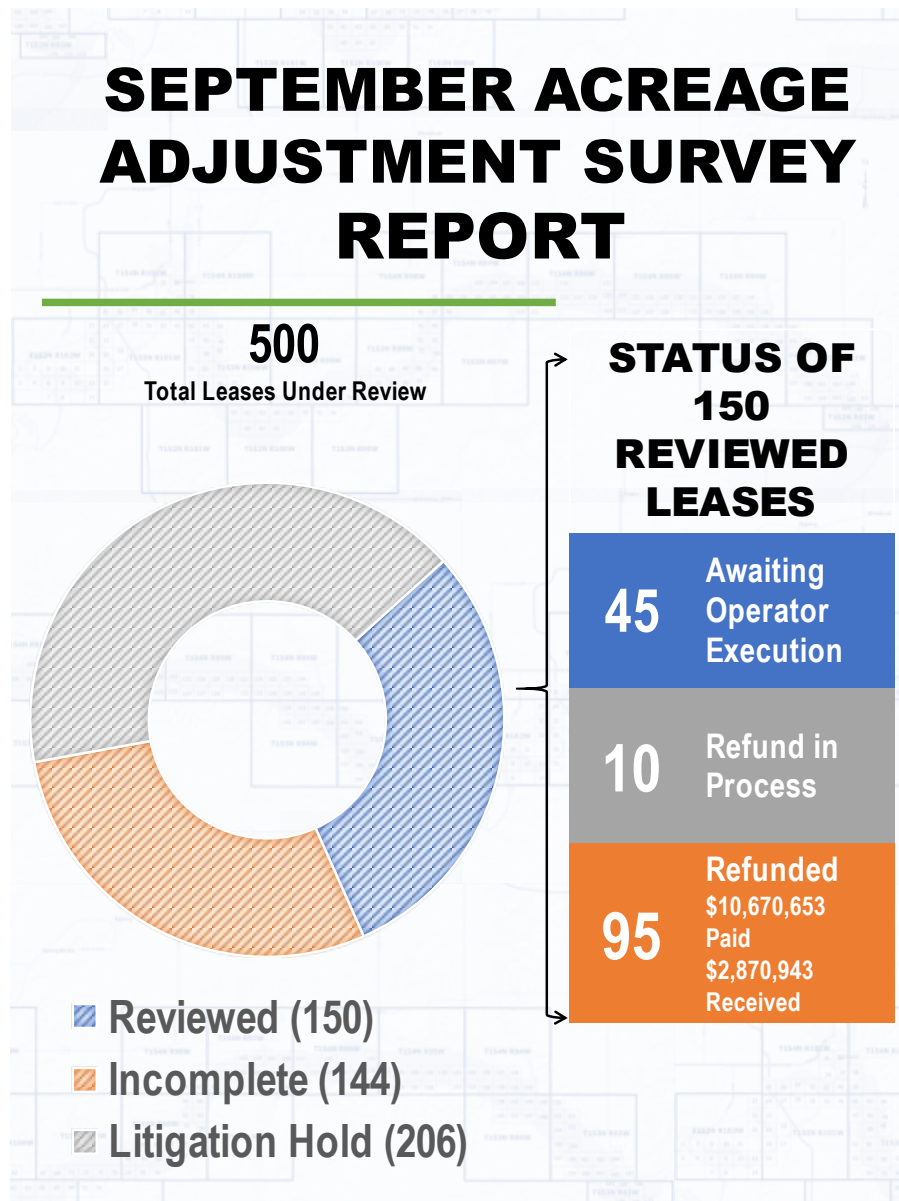
<b>Granted to:</b>	<b>OVINTIV USA INC, THE WOODLANDS-TX</b>
For the Purpose of:	Easement: Well-Subsurface Well Bore
Right-of-Way Number:	RW0008884
Trust:	A - Common Schools
Legal Description:	MCK-153-96-16: NE4, NW4
<b>Granted to:</b>	<b>MARATHON OIL COMPANY INC, DICKINSON-ND</b>
For the Purpose of:	Easement: Well-Subsurface Well Bore
Right-of-Way Number:	RW0008940
Trust:	A - Common Schools
Legal Description:	DUN-146-93-16-NE4
<b>Granted to:</b>	<b>HESS TIOGA GAS PLANT LLC, MINOT-ND</b>
For the Purpose of:	Easement: Air Monitoring Station
Right-of-Way Number:	RW0008952
Trust:	A - Common Schools
Legal Description:	WIL-158-95-36-SE4
<b>Granted to:</b>	<b>STREAMLINE WATER SERVICES LLC, WATFORD CITY-ND</b>
For the Purpose of:	Permit: Temporary Water Layflat Line
Right-of-Way Number:	RW0008957
Trust:	A - Common Schools
Legal Description:	MCK-149-96-16: NW4, SW4
<b>Granted to:</b>	<b>TESORO HIGH PLAINS PIPELINE COMPANY LLC, BISMARCK-ND</b>
For the Purpose of:	Permit: Temporary Construction
Right-of-Way Number:	RW0008960
Trust:	A - Common Schools
Legal Description:	WIL-154-95-16-SE4
<b>Granted to:</b>	<b>OASIS PETROLEUM NORTH AMERICA LLC, HOUSTON-TX</b>
For the Purpose of:	Permit-Amend: Temporary Layflat Line
Right-of-Way Number:	RW0008951
Trust:	A - Common Schools
Legal Description:	WIL-153-100-36: NE4, SE4, SW4

September 2021 Consideration Total: \$45,500.00

**September 2021 Report of Shut-Ins Approved by Land Commissioner**

<b>Granted to:</b>	<b>XTO Energy Inc.</b>
For the Purpose of:	Operations
Date Issued:	09/08/2021
Application Fee:	\$100.00
Trust:	A - Common Schools
Lease:	OG-04-00436, OG-04-00437, OG-04-00438, OG-04-00439

**Acreage Adjustment Report**



**NDDTL River Tracts map was also presented to the Board and is available upon request.**

## September Unclaimed Property Report

Unclaimed property is all property held, issued, or owing in the ordinary course of a holder's business that has remained unclaimed by the owner for more than the established time frame for the type of property. It can include checks, unpaid wages, stocks, amounts payable under the terms of insurance policies, contents of safe deposit boxes, etc.

An owner is a person or entity having a legal or equitable interest in property subject to the unclaimed property law. A holder can include a bank, insurance company, hospital, utility company, retailer, local government, etc.

Since 1975, the Unclaimed Property Division (Division) of the Department of Trust Lands (Department) has been responsible for reuniting individuals with property presumed abandoned. The Division acts as custodian of the unclaimed property received from holders. The property is held in trust in perpetuity by the State and funds are deposited in the Common Schools Trust Fund. The 1981 Uniform Unclaimed Property Act created by the national Uniform Law Commission was adopted by the State in 1985.

For the month of September 2021, the Division received 261 holder reports with a property value of \$613,300 and paid 431 claims with a total value of \$733,069.

## Investment Updates

### Portfolio Rebalancing Updates

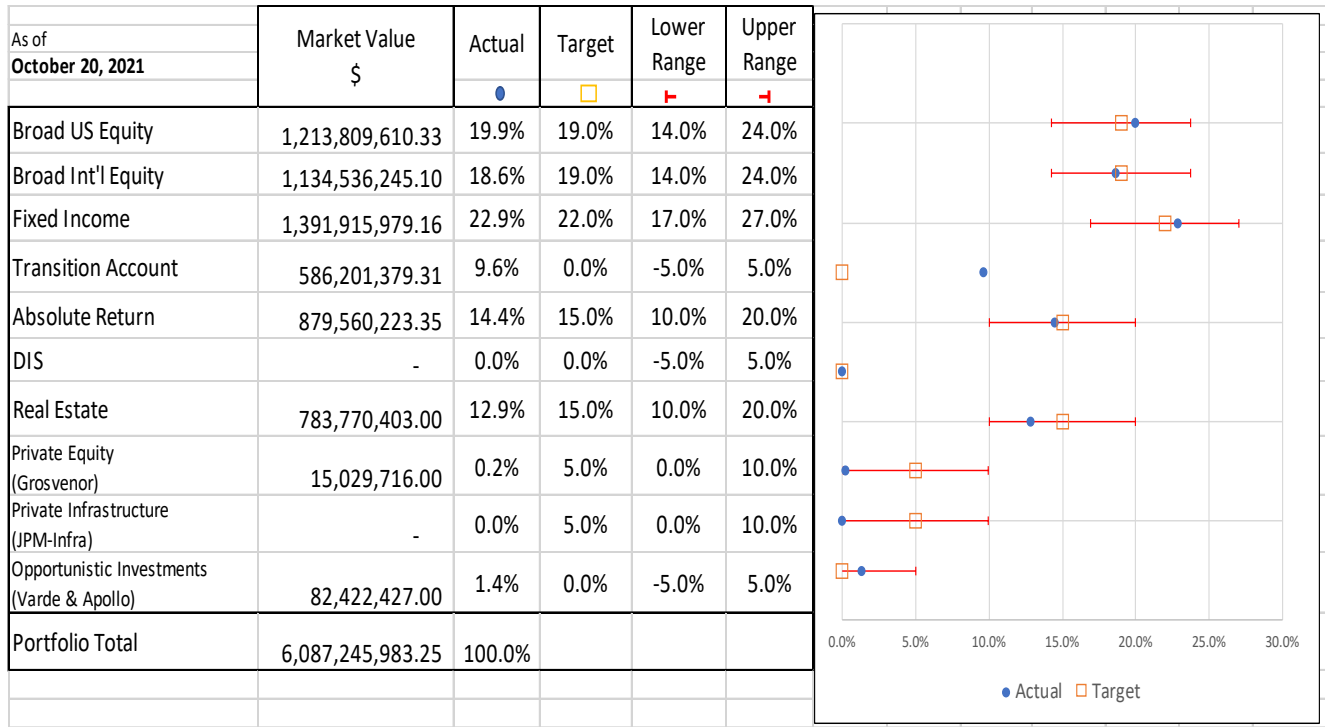
Staff is reviewing Agreements of recently approved investments namely: Arrowstreet EM Fund, Northern EM Index Fund, Acadian, Int'l Small Cap Fund, SSGA Int'l Small Cap Index Fund.

GCM Secondary Opportunities Fund and Owl Rock Diversified Lending Fund agreements were finalized and executed. These two new funds added \$250M to unfunded commitments. Owl Rock Diversified lending has already made its initial capital call amounting to \$43.5M on October 18, 2021. Additionally, Varde Dislocation made a \$7.5M capital call on October 6, 2021, and Angelo Gordon DL IV will be making a capital call of \$15M scheduled for October 27, 2021. Therefore, with the addition of two new commitments and the capital calls in October, total unfunded commitments as of October 28, 2021, stands at approximately \$825.9M. These are as follows:

1. Apollo Accord Fund, \$84.8M
2. Varde Dislocation Fund, \$42.5M
3. GCM Private Equity, \$115.1M
4. ARES Pathfinder Fund, \$74.5M
5. Angelo Gordon DL IV, \$42.5M
6. Owl Rock Diversified Lending, \$56.5M
7. GCM Secondary Opportunities Fund, \$150M
8. JPM Infrastructure Fund, \$130M
9. Harrison Street Core Property Fund LP, \$130M

## Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of October 20, 2021. The figures provided are unaudited.



## O P E R A T I O N S

### Information Technology Project Status Update

The Department of Trust Land’s (Department) 2017-2019 biennial budget appropriation includes \$3.6 million to replace legacy information technology (IT) systems as authorized by Senate Bill 2013 of the Sixty-fifth Legislative Assembly.

Severe limitations in the current IT system, including redundant manual processes, have hampered efficiencies. Many of the Department’s core data management systems were developed in the 1980s and 1990s, using designs and tools no longer supported by vendors. Some supplemental system improvements and purchases have been implemented; however, the outdated database structure restricts many potential improvements.

On April 29, 2019, the new system for Unclaimed Property was successfully launched.

On July 1, 2020, the new Financial Management and Accounting system was successfully launched.

On September 14, 2020, the Revenue Compliance Division successfully launched the migrated and updated software system.

The Surface Land Management System is scheduled to go-live on November 8, 2021. The Department will eliminate the ability for web forms to be completed and submitted online at 5:00 on October 28, 2021. The web portal is currently scheduled to go-live on November 29, 2021. The Department will not allow for information to be input into the old IT system (Surfviewer) after 5:00 on October 29, 2021. On November 1, 2021, the Financial Management and Accounting will be shut-down until go-live is complete to allow for final migration of data into the Land Management System; no new vendors or invoices will be allowed to be created for 10 days.

Communications to assist the Department have been prepared and are being deployed via:

- [Facebook](#)
- [County Newspapers](#)
- [Letters to State Agencies](#)
- [Department website](#)
- [NDPC newsletter](#)
- [Enewsletter](#)

Additional capital funding was approved through Senate Bill 2013 to support the implementation of software for the Minerals Division. The Department will work with our vendor to determine an appropriate schedule for the building and implementation of a Minerals Management system.

## S U R F A C E

### **Outdoor Heritage Fund Grant Application**

At the April 29, 2021 Board of University and School Lands (Board) meeting, the Board authorized the Commissioner to submit a grant application to the Outdoor Heritage Fund (OHF) to support the Department of Trust Lands (Department) acquiring accurate geospatial data on school trust lands.

The Department submitted a grant to the OHF to leverage current efforts to improve management of the 706,600 acres of Trust Lands that will improve boundary identification and access while enhancing the geospatial information available to state agencies and the public.

Agricultural lessees in North Dakota are eligible for various assistance programs to aid in the implementation of conservation practices; many of these important conservation programs are supported by the OHF. The grant would have been used to provide accurate information and clarity over tract boundaries. Uncertainty over tract boundaries has resulted in lost opportunities to better manage Trust Lands for economic and environmental goals. This uncertainty has also led to instances of conflict and confusion regarding leasing and appropriate access in the state. Advances in technology and policy changes regarding land access have allowed the Department to begin addressing these issues. However, the benefits of this project warranted a state investment larger than what the Department can fund alone.

The OHF denied the Board's grant application for the following reasons:

- It was unclear how helpful this would be for the public.
- It should be the responsibility of the landowner to identify property lines.
- It doesn't seem like an appropriate use of OHF money.

Having an accurate geospatial representation of Trust Lands managed by the Department will improve the economic, ecological, and recreational management of these tracts. Thus, the Department will move forward with the project on a smaller scale.

## I N V E S T M E N T S

### Absolute Return Allocation

In November 2013, the Board of University and School Lands' (Board) approved the implementation of a new strategic asset allocation (SAA) for the Permanent Trust Funds (PTFs), including the addition of Absolute Return strategies. In April 2014, the Board approved an equal investment in the Absolute Return asset class divided amongst three managers: GMO, Westwood and PIMCO.

As a result of consistent underperformance over the past seven years, Department Staff and RVK recommend terminating GMO's Benchmark-Free Allocation Fund (~\$400 Million). The GMO mandate has underperformed both in its benchmark and with its peers. RVK's research shows the GMO mandate has a worse risk/return performance than its index and peer group.

Staff and RVK recommend moving to two new active managers, which should decrease portfolio risk while increasing returns. Staff and RVK began the manager search by compiling a list of the top performing managers within RVK's database. Staff and RVK reviewed the return performance and risk history of each manager, along with fees, investment staff, operations, and process. Staff and RVK selected and interviewed top managers to review their investment strategies and process.

After conducting a thorough due diligence of each manager it was determined that Staff and RVK would recommend the Board approve new mandates with Millennium and PineBridge:

Millennium Management LLC manages multi-strategy hedge funds with over \$54 Billion in assets under management, and has over 2,000 investment personnel managing assets in relative value fundamental equity, equity arbitrage, quantitative strategies, and fixed income strategies across the Americas, Europe and Asia. Millennium has an outstanding performance track record. Millennium manages these assets within a strong risk culture that closely measures and tracks investment performance and risk.

PineBridge Investments manages the PineBridge Dynamic Asset Allocation Fund an open-end mutual fund. PineBridge has a strong investment process and portfolio characteristics that Staff and RVK felt would well suit the PTFs. PineBridge is an investment manager spun out of AIG in 2010 and headquartered in New York, with 24 offices worldwide. They have over \$141 Billion in assets under management and over 200 investment professionals.

Staff and RVK are currently satisfied with the performance of PIMCO's All Asset All Authority mutual fund (~\$480 Million) within the Absolute Return asset class. However, Staff and RVK recommend reallocating the Absolute Return's 15% allocation evenly amongst PIMCO, Millennium and PineBridge.

**Motion: The Board approve terminating investment with GMO and reallocating the Absolute Return assets (~\$880 Million) evenly to maintain investment with PIMCO at a reduced amount, and to add investments with Millennium and PineBridge (~\$290 Million each). Subject to final review and approval of all legal documents by the Office of the Attorney General.**

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Baesler			X		
Treasurer Beadle		X	X		
Attorney General Stenehjem			X		
Governor Burgum			X		



**RVK Absolute Return Millennium Memo and Presentation; RVK Absolute Return PineBridge Memo and Presentation were presented to the Board and are available upon request.**

### **Private Infrastructure Investments**

In April 2020, the Board of University and School Lands' (Board) approved an asset allocation to Private Infrastructure within the broader Strategic Asset Allocation (SAA) for the Permanent Trust Funds (PTFs). In September 2020, the Board approved JPMorgan as the inaugural infrastructure manager with an investment that represented about half the 5% allocation within the new SAA.

Department Staff and RVK believe it is time to complete the initial 5% allocation to Private Infrastructure. Staff and RVK agreed upon certain goals for the PTFs initial investments in infrastructure:

- Open-end fund structure – Allows for reinvestment potential without conducting a new RFP or waiting for a new fund to open. Ability to withdraw investment under partnership terms. Provides greater manager flexibility to hold and trade assets, and generally have greater diversity of assets (both sector and geography).
- Core infrastructure strategy – Core infrastructure has higher expected yields and lower risk versus non-core which has higher expected total return and a higher risk profile.
- Low exposure to fossil fuels to reduce correlation to PTF revenues.
- Geographically diverse, primarily in developed countries.

Staff began the manager search by requesting RVK compile a list of the highest rated managers within their private infrastructure manager database. Staff and RVK interviewed three of the top managers on the list. Staff and RVK reviewed the return performance and risk history of each manager, along with fees, investment staff, operations, and process.

This due diligence process has resulted in Staff and RVK recommending First Sentier Investors' (FSI) Global Diversified Infrastructure Fund to the Board. FSI has over 25 years of infrastructure investment experience. They have a globally diversified portfolio with low exposure to revenue sources that mirror the PTFs' revenues. FSI has nearly \$13 Billion in assets under management, managed by 54 investment professionals located out of three offices: Sydney, New York and London. Their fund consists of 25 portfolio companies in 11 countries.

**Motion: The Board approve up to a \$150 Million initial investment in First Sentier Investors' Global Diversified Infrastructure Fund, subject to final review and approval of all legal documents by the Office of the Attorney General.**

<b>Action Record</b>	<b>Motion</b>	<b>Second</b>	<b>Aye</b>	<b>Nay</b>	<b>Absent</b>
Secretary Jaeger			<b>X</b>		
Superintendent Baesler	<b>X</b>		<b>X</b>		
Treasurer Beadle		<b>X</b>	<b>X</b>		
Attorney General Stenehjem			<b>X</b>		
Governor Burgum			<b>X</b>		

**RVK Infrastructure Recommendation Memo, First Sentier Investors Presentation were presented to the Board and are available upon request.**

**Commercial Real Estate – UBS Redemption**

In July 2014, the Board of University and School Lands’ (Board) approved an investment with UBS’ Trumbull Property Fund (TPF) as part of the commercial real estate asset allocation.

Due to continued underperformance Department Staff and RVK believe it is time to enter TPF’s redemption queue. TPF’s performance has been hampered by over allocation to retail, hospitality and office, and under allocation to apartments and industrial versus their peer group.

RVK’s real estate research team has outlined three items of primary concern:

1. Loss of confidence in UBS’ ability to manage the Fund’s competing issues.
2. Extended period of underperformance.
3. Growing redemption pool despite incentive programs to boost support.

Staff concurs with RVK’s concerns and recommendation.

**Motion: The Board approve notification to UBS of full redemption on or before November 2, 2021.**

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Baesler			X		
Treasurer Beadle			X		
Attorney General Stenehjem		X	X		
Governor Burgum			X		

**RVK Recommendation Memo was presented to the Board and is available upon request.**

**LITIGATION**

**Newfield Litigation**

**Case:** **Newfield Exploration Company, Newfield Production Company, and Newfield RMI LLC v. State of North Dakota, ex rel. the North Dakota Board of University and School Lands and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands, Civ. No. 27-2018-CV-00143**

Date Filed: March 7, 2018

Court: District Court/McKenzie County

Attorneys: David Garner

Opposing

Counsel: Lawrence Bender - Fredrikson & Byron, P.A. and Michelle P. Scheffler – Haynes and Boone, LLP

Judge: Robin Schmidt

Issues: Plaintiff is seeking a Declaratory Judgment that it is currently paying gas royalties properly under the Board’s lease. Specifically, Plaintiff is asking the Court to order that gas royalty payments made by the Plaintiff be based on the gross amount

received by the Plaintiff from an unaffiliated third-party purchaser, not upon the gross amount paid to a third party by a downstream purchaser, and that Plaintiff does not owe the Defendants any additional gas royalty payments based on previous payments.

History:

A Complaint and Answer with Counterclaims have been filed. Newfield filed an Answer to Counterclaims. A Scheduling conference was held July 27, 2018. Plaintiffs' filed a Motion for Summary Judgment on August 13, 2018 and Defendants filed a Cross-Motion for Summary Judgment. Plaintiffs' Response was filed October 19, 2018 and Defendants' Reply was filed November 9, 2018. A hearing on the Motions for Summary Judgment was held on January 4, 2019 at 1:30 p.m., McKenzie County. An Order on Cross Motions for Summary Judgment was issued on February 14, 2019, granting Plaintiff's motion for summary judgment and denying Defendants' motion for summary judgment. The Judgment was entered March 1, 2019, and the Notice of Entry of Judgment was filed March 4, 2019. Defendants have filed a Notice of Appeal to the North Dakota Supreme Court (Supreme Court). The trial scheduled in McKenzie County District Court for September 10 and 11, 2019 has been cancelled. Defendants/Appellants' Brief to the Supreme Court was filed April 29, 2019. Plaintiffs/Appellees filed their Brief of Appellees and Appendix of Appellees on June 7, 2019. Defendants/Appellants filed a reply brief on June 18, 2019. Oral Argument before the Supreme Court was held on June 20, 2019. On July 11, 2019, the Supreme Court entered its Judgment reversing the Judgment of the McKenzie County District Court. On July 25, 2019 Newfield filed Appellee's Petition for Rehearing. Also on July 25, 2019, a Motion for Leave to File Amicus Curiae Brief by Western Energy Alliance in Support of Newfield was filed with the Supreme Court. On July 26, 2019, a Motion for Leave to File Amicus Curiae Brief by North Dakota Petroleum Council in Support of Newfield was filed with the Supreme Court. On August 20, 2019, the North Dakota Supreme Court requested Defendants file a Response to the Petition for Rehearing and the two Amicus Curiae Briefs no later than September 4, 2019. Defendants/Appellants filed their Response to Petition for Rehearing on September 4, 2019. A Corrected Opinion was filed by the North Dakota Supreme Court on September 9, 2019, changing the page number of a citation. On September 12, 2019, the North Dakota Supreme Court entered an order denying Newfield's Petition for Rehearing. On September 20, 2019, the opinion and mandate of the Supreme Court was filed with McKenzie County District Court. A Telephonic Status Conference was held October 8, 2019. On October 9, 2019, the District Court issued an Order Setting Briefing Schedule which ordered "the parties to file a brief regarding how they suggest the case proceed after the Supreme Court's decision." The parties filed briefs with the District Court on November 6, 2019. Notice of Appearance for Michelle P. Scheffler of Hayes and Boone, LLP on behalf of Plaintiffs was filed November 7, 2019. Telephonic Status Conference scheduled for March 17, 2020 before the District Court. On May 14, 2020, the Court scheduled a five-day Court Trial to start on October 4, 2021, McKenzie County Courthouse. On July 28, 2020, a Stipulated Scheduling Order was entered, setting dates for various deadlines. On April 1, 2021, the State served Defendants State of North Dakota, ex re. the North Dakota Board of University and School Lands, and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands' Interrogatories, Requests for Production of Documents, and Requests for Admissions to Plaintiff. On April 1, 2021, the Plaintiffs served the following on the State: Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of a Representative of the North Dakota Department of Trust Lands; Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of Lance Gaebe; Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of Taylor K. Lee; Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of Jodi Smith; and Plaintiffs' First Set of Interrogatories, Requests for Production,

and Requests for Admission to all Defendants. On July 1, 2021, Defendants filed their Motion for Summary Judgment and Plaintiffs filed their Motion for Partial Summary Judgment. On August 2, 2021, Plaintiffs filed a Motion to Admit Garrett S. Martin Pro Hac Vice and their Response Brief in Opposition to Motion for Summary Judgment. Also on August 2, 2021, Defendants filed their Brief in Response to Plaintiffs' Motion for Partial Summary Judgment. On August 4, 2021, the parties filed an Expedited Joint Motion for Extension of Time to Reply to Briefs in Opposition/Response to Motions for Summary Judgment and the Joint Motion to Exceed Volume Limitations. On August 5, 2021, the Court issued its Order Granting Expedited Joint Motion for Extension of Time to Reply to Briefs in Opposition/Response to motions for Summary Judgment and the Order Granting Joint Motion to Exceed Volume Limitations. The parties now have until August 30, 2021 to file their opposition/response briefs and the page limit was extended from 12 pages to 30 pages for both parties. On August 9, 2021, Plaintiffs requested a hearing on Plaintiff's Motion for Partial Summary Judgment and Defendants Motion for Summary Judgment and scheduled that hearing for September 16, 2021, at 10 a.m. Also on August 9, 2021, a Pretrial Conference was scheduled for 10 a.m. on October 1, 2021. Mediation was held September 2, 2021. The Deposition of Adam Otteson was held August 31, 2021; Jodi Smith's deposition was held September 14, 2021; the deposition of Kelly Vandamme was held September 22, 2021; and the deposition of John Kemmerer was held for September 23, 2021. On September 3, 2021, Plaintiffs filed a Motion to Compel which was later withdrawn on September 16, 2021. On September 8, 2021, Plaintiffs submitted a Motion to Admit Ryan Pitts Pro Hac Vice. The Order of Admission was signed September 9, 2021. On September 10, 2021, Plaintiffs filed a Motion to Exclude Evidence Attached to Defendants Summary Judgment Brief. They also filed an Emergency Motion for Expedited Briefing Schedule and a request for the hearing on both of these motions be held with the motions for summary judgment. Judge Schmidt sent an email to the parties on September 10, 2021 regarding the status. On September 14, 2021, the Order Extending Deadline to Submit Motions in Limine and Pretrial Statements to be due September 20, 2021 was signed. On September 15, 2021, Defendants filed a Motion to Exclude Evidence and Response to Plaintiffs' Motion to Exclude. The parties attending the oral argument on September 16, 2021 and an Order on Cross Motions for Summary Judgment was issued that date. On September 17, 2021, the parties filed a Stipulation regarding Trial Witnesses and the Order Adopting the Stipulation was signed on September 20, 2021. On September 20, 2021, the Defendants filed an Expedited Motion to Supplement Exhibits and Plaintiffs filed a Motion in Limine or to Exclude and Limit Anticipated Testimony. The parties also filed their Pretrial Statements and a Combined Exhibit list.

**Current  
Status:**

- **On September 23, 2021, Plaintiffs filed their Response in Opposition to Defendants' Expedited Motion to Supplement Exhibits and the Court entered the Order Granting Expedited Motion to Supplement Exhibits filed by Defendants.**
- **On September 24, 2021, Plaintiffs filed their Response in Opposition to Defendants' Motion to Exclude Evidence, an Expedited Motion to Take Joy Barnett's Testimony by Reliable Electronic Means, and a Special Motion to Exclude and Motion in Limine. Defendants filed a Supplemented Exhibit List.**
- **On September 27, 2021, the Court entered its order Granting Plaintiffs' Expedited Motion to Take Joy Barnett's Testimony by Reliable Electronic Means. Defendants filed a Second Supplemented Exhibit List and their response to Plaintiff's Special Motion to Exclude and Motion in Limine.**

- On September 28, 2021, Defendants filed their response to Plaintiff's Motion in Limine or to Exclude and Limit Anticipated Testimony.
- A pretrial conference was held on October 1, 2021.
- The trial was held on October 4, 5 & 6.
- The Court issued its Memorandum Opinion, Findings of Fact, Conclusions of Law and Order for Judgment on October 13, 2021.
- On October 22, 2021, Plaintiffs filed their Statement of Costs and Disbursements of Lawrence Bender, Statement of Costs and Disbursements of Michelle P. Scheffler, and proposed Judgment.

## M I N E R A L S

### Repayment of Unpaid Gas Royalties Update

The Board of University and School Lands (Board) manages land, minerals, and proceeds as trustee for the exclusive benefit of constitutionally identified beneficiaries, with much of the income going towards funding North Dakota schools and institutions. The Board also manages oil, gas and other hydrocarbons underlying sovereign lands for the State of North Dakota.

The Department of Trust Lands (Department) has persistently worked with operators to collect payment or establish escrow accounts for royalties from the production of minerals, in accordance with the Board's lease, rules, and policies. Royalty audits began in the late 1980's and a Revenue Compliance Division was created in 2011 to ensure that royalty and other collections made on behalf of the trusts and other funds are complete and accurate.

A letter regarding Formal Notification of Gas Royalty Repayment Obligations dated February 11, 2020 (February 2020 Letter), was sent to all entities required to pay royalties to the Board pursuant to the Board's lease. The February 2020 Letter advised all entities who have been deducting post production costs from royalty payments made to the Department that they have been underpaying royalties, contrary to the terms of the Board's lease. Entities were advised that penalties and interest continue to accrue on any unpaid amounts in accordance with the February 2020 Letter until payment is received. On April 8, 2020, the Board extended the date to come into compliance with gas royalty payments, as outlined in the February 2020 Letter, to September 30, 2020. At the August 27, 2020, Board meeting, the Board extended the date to come into compliance with gas royalty payments, as outlined in the February 2020 Letter, to April 30, 2020.

Since the issuance of the February 2020 Letter, the Department has been working with payors who have been deducting post production costs from royalty payments made to the Department to ensure that they are in compliance with the terms of the Board's lease.

The Department has several royalty repayment offers prepared to present to the Board in executive session pursuant to N.D.C.C. §§ 44-04-19.1 and 44-04-19.2.

## S U R F A C E

### Request for Carbon Dioxide Storage Easement Agreement – Minnkota Power Cooperative, Inc. – Project Tundra

As companies look at a carbon constrained future, sequestration and geologic storage of carbon is being explored on a national and global level as an alternative to reduce the amount of and (10/28/21)

mitigate impacts from anthropogenic carbon. This process is known as carbon capture and storage (“CCS”) or geologic sequestration. CCS operations capture carbon dioxide (CO<sub>2</sub>) from a large industrial source (such as a power plant), compresses it, and injects the CO<sub>2</sub> into the pore space in an underground geologic formation. While large scale carbon sequestration technology is new, carbon injection technology has been used for enhanced oil recovery (EOR) operations in many areas. Geologic storage of CO<sub>2</sub> requires the correct form of CO<sub>2</sub>, the correct underground conditions, and the correct geologic layers for storage (porous and permeable) and cap rock/seals (non-porous and non-permeable) of the storage layer to be successful.

Project Tundra will capture carbon at the Milton R. Young Station and inject it into the Broom Creek and the Deadwood formations. According to the proponents of Project Tundra, the project will capture 90% of CO<sub>2</sub> emissions from the flue gas which equates to 4 million tons per year of carbon capture. Project Tundra will utilize the federal tax credit, 45Q, which pays per ton for CO<sub>2</sub> stored underground. The 45Q tax credit provides \$50 per ton of CO<sub>2</sub> that is permanently stored underground over a 12-year period. North Dakota-based Minnkota Power Cooperative, Inc. (Minnkota) is leading the project, along with research support from the Energy & Environmental Research Center at the University of North Dakota. Minnkota will need to establish relationships with financing parties in order to monetize the credits, as Minnkota is a not-for-profit cooperative. Once Minnkota has received a Certificate of Completion from the NDIC, the State of North Dakota is expected to become the owner of the injected CO<sub>2</sub> and all associated liabilities.

Minnkota is requesting an agreement allowing for the injection and permanent storage of CO<sub>2</sub> into Trust pore space. Under North Dakota law, title to pore space and all strata underlying the surface of lands and waters is vested in the owner of the overlying surface estate. The applicable laws taken into consideration of this agreement include Article IX “Trust Lands” of the North Dakota State Constitution, title 15 “Education”, chapter 47-31 “Subsurface Pore Space Policy”, and chapter 38-22 “Carbon Dioxide Underground Storage” of the North Dakota Century Code, and Articles 43-05 “Geological Storage of Carbon Dioxide” and 85-04 “Board of University and School Lands” of the North Dakota Administrative Code.

**EXECUTIVE SESSION**

**Under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, the Board close the meeting to the public and go into executive session for purposes of attorney consultation relating to:**

- **Royalty Offers**
- **Newfield Exploration Company et al Civ. No. 27-2018-CV-00143**
- **Continental Resources, Inc. et al Case No. 1:17-CV-00014**
- **Carbon Storage Agreement**

<b>Action Record</b>	<b>Motion</b>	<b>Second</b>	<b>Aye</b>	<b>Nay</b>	<b>Absent</b>
Secretary Jaeger		<b>X</b>	<b>X</b>		
Superintendent Baesler			<b>X</b>		
Treasurer Beadle			<b>X</b>		
Attorney General Stenehjem	<b>X</b>		<b>X</b>		
Governor Burgum			<b>X</b>		

**The Board entered into executive session at 11:06 AM.**

**EXECUTIVE SESSION****Members Present:**

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Wayne Stenehjem	Attorney General (Via Teams)
Thomas Beadle	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

**Department of Trust Lands Personnel present:**

Jodi Smith	Commissioner
Rick Owings	Administrative Staff Officer
Kristie McCusker	Paralegal
Adam Otteson	Revenue Compliance Director
Michael Humann	Surface Division Director
James Wald	Legal Council

**Guests in Attendance:**

Dave Garner	Office of the Attorney General
Troy Seibel	Office of the Attorney General
Reice Haase	Office of the Governor
Leslie Bakken Oliver	Office of the Governor
Charles Carvell	Office of the Attorney General - Newfield and Continental

---

The executive session adjourned at 1:19 PM and the Board returned to the open session and Teams meeting to rejoin the public. During the executive session meeting, the Board was provided information and no formal action was taken.

Post executive session, the Board took the following formal action relating to the Carbon Storage Agreement.

**Motion: The Board supports alignment with the state legislature, other state agencies and organizations in the creation of the Project Tundra initiative. The Board approved the issuance of the Carbon Capture Easement subject to final review and approval of all legal documents by the Office of the Attorney General.**

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Baesler			X		
Treasurer Beadle					X
Attorney General Stenehjem	X		X		
Governor Burgum			X		

**A D J O U R N**

There being no further business, the meeting was adjourned at 1:20 PM.

---

Doug Burgum, Chairman  
Board of University and School Lands

---

Jodi Smith, Secretary  
Board of University and School Lands

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**  
(November 29, 2021)

---

**RE: October 2021 Report of Encumbrances Issued by Land Commissioner**  
(No Action Requested)

**Granted to:** **DENBURY ONSHORE LLC, PLANO-TX**  
For the Purpose of: On-lease Activity: Pipeline-Water and CO<sub>2</sub> Injection Pipeline  
Right-of-Way Number: RW0008894  
Date Issued: 10/13/2021  
Application Fee: N/A  
Right-of-way Income: \$5,071.80  
Damage Payment to Lessee: \$163.49  
Trust: A - Common Schools  
Length (Rods): 181.66  
Area (Acres): 2.27  
Legal Description: BOW-131-105-16-SW4

**Granted to:** **DENBURY ONSHORE LLC, PLANO-TX**  
For the Purpose of: On-lease Activity: Pipeline-Water and CO<sub>2</sub> Injection Pipeline  
Right-of-Way Number: RW0008895  
Date Issued: 10/13/2021  
Application Fee: N/A  
Right-of-way Income: \$995.40  
Damage Payment to Lessee: \$21.21  
Trust: A - Common Schools  
Length (Rods): 42.43  
Area (Acres): 0.53  
Legal Description: BOW-132-106-36-S2SW4, LOTS 6,7

**Granted to:** **DENBURY ONSHORE LLC, PLANO-TX**  
For the Purpose of: On-lease Activity: Pipeline-Water and CO<sub>2</sub> Injection Pipeline  
Right-of-Way Number: RW0008897  
Date Issued: 10/12/2021  
Application Fee: N/A  
Right-of-way Income: \$782.10  
Damage Payment to Lessee: \$9.92  
Trust: A - Common Schools  
Length (Rods): 19.84  
Area (Acres): 0.25  
Legal Description: BOW-131-106-36-SW4

**Granted to:** **MARATHON OIL COMPANY INC, DICKINSON-ND**  
For the Purpose of: Easement: Pipeline-Salt Water Pipeline  
Right-of-Way Number: RW0008939  
Date Issued: 10/14/2021  
Application Fee: \$250.00  
Right-of-way Income: \$74,313.00  
Damage Payment to Lessee: \$148.62  
Trust: A - Common Schools  
Length (Rods): 165.14  
Area (Acres): 2.06  
Legal Description: DUN-146-93-16-NE4

**Granted to:** **NORTH DAKOTA GAME AND FISH DEPARTMENT, BISMARCK-ND**  
For the Purpose of: Permit: Access to School Land  
Right-of-Way Number: RW0008956  
Date Issued: 10/12/2021  
Application Fee: \$250.00



Right-of-way Income: \$100.00  
Damage Payment to Lessee: N/A  
Trust: A - Common Schools  
Length (Rods): 0.00  
Area (Acres): 0.00  
Legal Description: MOR-135-83-36-NE4, SE4, SW

**Granted to:** **SELECT ENERGY SERVICES LLC, WILLISTON-ND**  
For the Purpose of: Permit: Temporary Water Layflat Line  
Right-of-Way Number: RW0008972  
Date Issued: 10/1/2021  
Application Fee: \$250.00  
Right-of-way Income: \$208.00  
Damage Payment to Lessee: N/A  
Trust: A - Common Schools  
Length (Rods): 12.60  
Area (Acres): 0.00  
Legal Description: MCK-153-94-36-SW4

October 2021 Consideration Total: \$81,740.30

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

November 29, 2021

---

**RE: October 2021 Report of Shut-Ins Approved by Land Commissioner**  
(No Action Requested)

<b>Granted to:</b>	<b>Crescent Point Energy U.S. Corp</b>
For the Purpose of:	Operations
Date Issued:	10/15/2021
Application Fee:	\$100.00
Trust:	SIIF – Strategic Investment and Improvements Fund
Lease:	OG-09-01773, OG-09-01774

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

November 29, 2021

**RE: Summary of Oil and Gas Lease Auction**  
(No Action Requested)

On behalf of the Board of University and School Lands (Board), the Department of Trust Lands conducted an oil and gas lease auction on [www.energynet.com](http://www.energynet.com) which concluded on November 2, 2021.

There were 59 tracts offered, and 52 received competitive bids (if the Board does not receive a competitive bid, the lease is awarded to the nominator). The highest bid per acre was \$4,824.00 (\$96,480.00 for 20.00 net acres) in Williams County. 21 tracts benefit the Common Schools Trust Fund, two tracts benefit the North Dakota State University Trust Fund, and 36 tracts benefit the Strategic Investment and Improvements Fund (SIIF).

<b>County</b>	<b>Tracts/County</b>	<b>Net Mineral Acres</b>	<b>Total Bonus</b>	<b>Average Bonus/Acre</b>
Bottineau	1	80.00	\$8,320.00	\$104.00
Burke	8	637.66	\$5,108.30	\$8.01
Divide	14	1043.63	\$175,337.86	\$168.01
McKenzie	8	853.04	\$233,007.47	\$273.15
Sioux	7	719.24	\$719.24	\$1.00
Williams	21	1399.83	\$599,323.13	\$428.14
<b>GRAND TOTAL</b>	<b>59</b>	<b>4733.40</b>	<b>\$ 1,021,816.00</b>	<b>\$215.87</b>

There was a total of 18 bidders who submitted 728 bids on 52 tracts. The bidders were from 10 states and one Canadian province (AZ, CO, MN, MT, NC, ND, TX, WA, WY and AB Canada).

A total of \$1,021,816.00 of bonus was collected from the auction.

# MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

---

**RE: October Unclaimed Property Report**  
(No Action Requested)

Unclaimed property is all property held, issued, or owing in the ordinary course of a holder's business that has remained unclaimed by the owner for more than the established time frame for the type of property. It can include checks, unpaid wages, stocks, amounts payable under the terms of insurance policies, contents of safe deposit boxes, etc.

An owner is a person or entity having a legal or equitable interest in property subject to the unclaimed property law. A holder can include a bank, insurance company, hospital, utility company, retailer, local government, etc.

Since 1975, the Unclaimed Property Division (Division) of the Department of Trust Lands (Department) has been responsible for reuniting individuals with property presumed abandoned. The Division acts as custodian of the unclaimed property received from holders. The property is held in trust in perpetuity by the State and funds are deposited in the Common Schools Trust Fund. The 1981 Uniform Unclaimed Property Act created by the national Uniform Law Commission was adopted by the State in 1985.

For the month of October 2021, the Division received 2,169 holder reports with a property value of \$10,339,023 and paid 215 claims with a total value of \$199,461.

At the October 28, 2021, Board meeting the Treasurer requested the estimated amount of property held by the Unclaimed Property Division. As of June 30, 2021, the Department estimates \$104,284,403 is held.

N.D.C.C. § 47-30.2-44 provides:

1. Except as otherwise provided in this section, the department shall deposit to the credit of the common schools trust fund all funds received under this chapter, including proceeds from the sale of property under sections 47-30.2-40, 47-30.2-41, 47-30.2-42, and 47-30.2-43.
2. The department shall maintain an account with an amount of funds the commissioner reasonably estimates is sufficient to pay claims allowed under this chapter.

The Department's fiscal Cash Management policy states:

**Unclaimed Property:** The target range for Unclaimed Property operating cash is between \$1.5 and \$2.5 million. Any amounts over \$2.5 million will be invested in the Permanent Trust Fund investment pool. If the balance falls below \$1.5 million, it may be replenished through holder remittances or through the liquidation of a portion of the Unclaimed Property fund's investments.

Per the North Dakota Constitution Article IX Section 1:

All proceeds of the public lands that have been, or may be granted by the United States for the support of the common schools in this state; all such per centum as may be granted by the United States on the sale of public lands; the proceeds of property that fall to the state by escheat; all gifts, donations, or the proceeds thereof that come to the state for

ITEM 2D

support of the common schools, or not otherwise appropriated by the terms of the gift, and all other property otherwise acquired for common schools, must be and remain a perpetual trust fund for the maintenance of the common schools of the state. All property, real or personal, received by the state from whatever source, for any specific educational or charitable institution, unless otherwise designated by the donor, must be and remain a perpetual trust fund for the creation and maintenance of such institution, and may be commingled only with similar funds for the same institution. If a gift is made to an institution for a specific purpose, without designating a trustee, the gift may be placed in the institution's fund; provided that such a donation may be expended as the terms of the gift provide. Revenues earned by a perpetual trust fund must be deposited in the fund. The costs of administering a perpetual trust fund may be paid out of the fund. The perpetual trust funds must be managed to preserve their purchasing power and to maintain stable distributions to fund beneficiaries.

Once funding is placed in the Common Schools Trust Fund, it cannot be moved back into a cash account for the purposes of fulfilling a claim the Department has received. Thus, funds are kept available at the Bank of North Dakota and at Northern Trust to ensure adequate funding is available to meet claims obligations.

## ITEM 2D

# MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

**RE: Investment Updates**  
(No Action Requested)

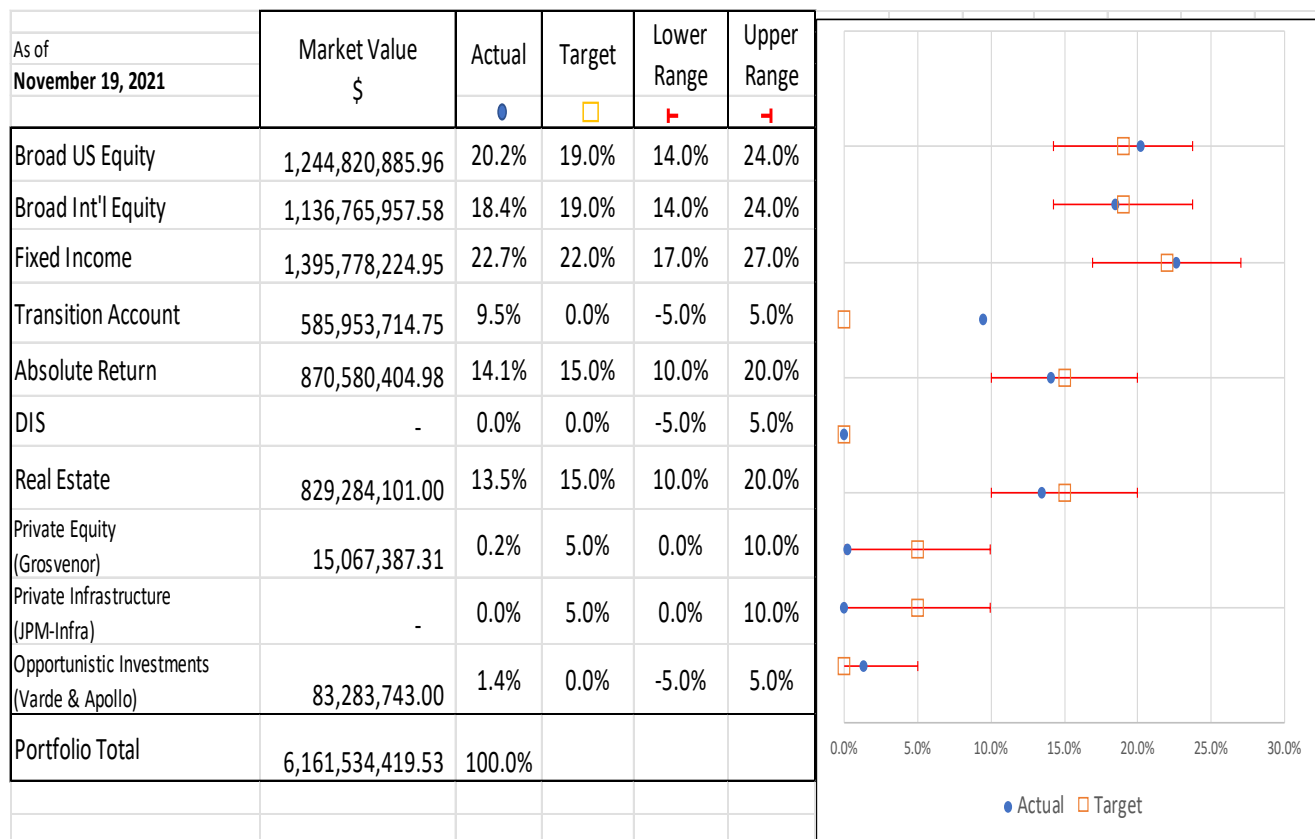
## Portfolio Rebalancing Updates

There were no capital calls made since the last Board meeting hence unfunded commitments as of November 19, 2021, still stands at around \$825.9M. These are as follows:

1. Apollo Accord Fund, \$84.8M
2. Varde Dislocation Fund, \$42.5M
3. GCM Private Equity, \$115.1M
4. ARES Pathfinder Fund, \$74.5M
5. Angelo Gordon DL IV, \$42.5M.
6. Owl Rock Diversified Lending, \$56.5M
7. GCM Secondary Opportunities Fund, \$150M
8. JPM Infrastructure Fund, \$130M
9. Harrison Street Core Property Fund LP, \$130M

## Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of Nov. 19, 2021. The figures provided are unaudited.



**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

November 29, 2021

**RE: No Net Loss Preliminary Land Sale Approval T136N R86W Section 28 NW1/4, Section 32 N1/2N1/2, Section 36 SE1/4**

**Trust Land** (Attachment 1 - aerial map)

Grant County

Township 136 North, Range 86 West

Section 28: NW<sup>1</sup>/<sub>4</sub>

Section 32: N<sup>1</sup>/<sub>2</sub>N<sup>1</sup>/<sub>2</sub>

Section 36 SE<sup>1</sup>/<sub>4</sub>

**Provided accessible and leasable land** (Attachment 2 - aerial map)

Hettinger County

Township 136 North, Range 94 West

Section 20: S<sup>1</sup>/<sub>2</sub>NE<sup>1</sup>/<sub>4</sub>, SE<sup>1</sup>/<sub>4</sub>

The Board of University and School Lands (Board) received an application from Kelly and Launa Moldenhauer for the purchase of approximately 480 acres of trust land in Grant County (see trust land legal description above) as part of a no net loss land sale in accordance with Chapter 85-04-07 and Chapter 85-04-08 of the North Dakota Administrative Code. To meet the requirements of a no net loss land sale, the applicants/purchasers are required to provide land (see provided accessible and leasable land legal description above) as payment.

The properties were evaluated and appraised as part of a no net loss property sale. The attached Land Evaluations (Attachments 3 and 4) contain land and environmental assessment, rental, and appraisal information for these properties. The Requirements of Sale – Sale Criteria Evaluation is also attached (Attachment 5).

The following is a summary of sale criteria (Attachment 5) considered by the Department of Trust Lands in consideration of a no net loss sale in accordance with subsections a through f of N.D. Admin. Code 85-04-07-02(2) and 85-04-08-02(2).

a. Equal of greater value

Trust Land Value:	Grant County Appraisal	\$262,625
	Allied Appraisals Inc.	\$293,000
Land to be provided:	Allied Appraisals Inc.	\$382,500

b. Equal or greater income

**Annual Rental Income**

Trust Land Fair Market Value (FMV) minimum rent Grant County	\$6,726
Land to be provided FMV minimum rent Hettinger County	\$6,721
Land to be provided current private rent Hettinger County	\$9,360

**Annual Income Return** (rent less tax obligations)

Trust Land FMV minimum rent less taxes Grant County	\$6,624
Land to be provided FMV minimum rent less taxes Hettinger County	\$5,677
Land to be provided current rent less taxes Hettinger County	\$8,586

**Comments:** The highest and best use for the trust land and the land to be provided is agricultural. The trust land in Grant County for which the sale application was received would have an annual income return of \$6,624. The land to be provided in Hettinger County would have a projected annual income, when applying the Board's FMV rent policy, of \$5,677, resulting in an estimated decrease in annual income of \$957 to the various trusts. Using the current cash rent value (obtained from applicant) there would be an annual income of \$8,586, resulting in an estimated increase in annual income of \$1,962 to the various trusts. It should be noted that the FMV minimum rent is lower because the major soil, Vebar-Cohagen, has a low cropland productivity index which results in the average cropland rental rate for Hettinger County being adjusted downward. The current rental rate of \$40 per acre (\$9,360) is indicative of good demand to rent cropland and a willingness for prospective lessees to pay average to above average rental rates for lower producing cropland.

- c. Acreage. A no net loss sale should result in the board receiving equal or greater acreage. The board may, however, consider receiving less acreage in return for one or more of the following:
- (1) Improved dedicated access;
  - (2) Substantially higher value; or
  - (3) Substantially higher income.

**Comments:** Although this transaction would not result in the Board receiving equal or greater acreage, the land to be provided has excellent dedicated access when compared to the N $\frac{1}{2}$ N $\frac{1}{2}$  of Section 32 and the SE $\frac{1}{4}$  of Section 36. The land to be provided is of higher value than trust land (\$382,500 versus \$293,000 – Allied Appraisal Values) and would provide similar income (\$5,677 versus \$6,624) using the Board's FMV rent policy and greater income (\$8,586 versus \$6,624) using the current private rental rate.

- d. Consolidation of trust lands. The proposed no net loss sale must not fragment trust land holdings by creating isolated parcels of trust land. In all no net loss sales, the Board shall reserve all minerals underlying the trust lands pursuant to section 5 of article IX of the Constitution of North Dakota subject to applicable law.

**Comments:** The proposed no net loss sale will not fragment trust land holdings by creating an isolated parcel of trust land. All minerals underlying the trust lands would be reserved pursuant to section 5 of article IX of the Constitution of North Dakota subject to applicable law.

- e. Potential for long-term appreciation. The proposed no net loss sale must have similar revenue potential as the trust lands.

**Comments:** The potential long-term appreciation for the land tracts involved in this sale would be similar for this proposed no net loss sale.

- f. Access. A no net loss sale must not diminish access to trust lands. The no net loss land should provide equal or improved access.

**Comments:** The land to be provided has excellent dedicated access. This land is 1 $\frac{1}{2}$  miles west of the Enchanted Highway and has a good County gravel road (St. Michaels Road) with access approaches along the south side of the tract and good section line access trails along the east and north sides of the tract. Two of the three proposed sale tracts do not have improved dedicated access. The N $\frac{1}{2}$ N $\frac{1}{2}$  of Section 32 is an isolated tract which requires access permission across surrounding private land. Access to the SE $\frac{1}{4}$  of Section 36 from the west would be across private land, while access from the east would be by section line



trail to the southeast corner. The NW $\frac{1}{4}$  of Section 28 has excellent dedicated access as a County Road traverses the tract (58<sup>th</sup> St SW).

Land adjacent to the proposed land is Wildlife Habitat to the north and east, as the United States Bureau of Reclamation owns the entire section 21 (640 acres), three quarters of section 22 (480 acres) to the east. Land to the north of Section 20 the S $\frac{1}{2}$  of Section 17 is owned by the Mott 30 Mile Creek Hunt Club. Land to the south and west is privately owned land used for cropland production.

Per N.D. Admin. Code § 85-04-07-03(3) and N.D. Admin. Code § 85-04-08-03(4) concerning the sale procedure:

Upon a determination that the application covers a tract the board is willing to sell, the department shall post on the department's website a notice of the application for sale, any supporting documentation, and instructions for submitting public comments. The department also shall publish notice of a letter of application for sale in the official newspaper of the county where the nominated tract is located and in the Bismarck Tribune. Notice must be published once each week for three consecutive weeks prior to the deadline for comments. The notice must contain the legal description of the proposed tract and the deadline for comments. If publication of any notice is omitted inadvertently by any newspaper or the notice contains typographical errors, the department may proceed with the scheduled comment period if it appears the omission or error is not prejudicial to the department's interest. All comments must be in writing and contain the following:

- a. Name and address of the interested person;
- b. Applicant's name and address;
- c. The legal description of the proposed tract for sale as shown on the published notice; and
- d. A detailed statement as to whether the interested person supports or opposes the sale.

After public comment and in accordance with N.D. Admin. Code §§ 85-04-07-03 and 85-04-08-03, the Board shall review all appraisals, any public comments, other relevant information including title examinations, and determine whether to proceed with the sale. If the Board decides to proceed with the sale, the Board shall establish a minimum acceptable sale price.

The Department posted notification in the Bismarck Tribune, the Grant County News, the Hettinger County Herald, and on the Department's website with comments received until 5:00 p.m. on September 10, 2021. The comments raised a concern that since many constituents subscribe to a newspaper in their area, which is not always the official county newspaper, not enough notification was provided to the public. It was requested that the comment period be extended and the notice of application for sale be advertised in a much larger area to allow more citizens an opportunity to comment.

On September 30, 2021, the Board authorized the Commissioner to extend the posting for public comment on the Department's website and that notice be published in necessary newspapers in areas surrounding the land for sale. The website included a notice of the application for sale, any supporting documentation, and instructions for submitting public comments regarding the sale. The notice provided a second public comment period set for October 25, 2021 through November 5, 2021. The Department posted in the following papers:

Adams County Record

Grant County News  
 Carson Press  
 Hettinger County Herold  
 Mandan News  
 Dickinson Press  
 Bismarck Tribune

The Department received a total of thirteen comments regarding the no net loss sale. A summary of the comments can be reviewed in Attachment 6.

**Proposed Sale of Property in Grant County**

**Tract 1 Township 136 North, Range 86 West, Section 28 NW¼:** This tract of land is located approximately 12 miles north and 2 miles east of Carson, North Dakota. There is a gravel road that provides access through the tract. This tract was acquired by foreclosure of the James N. Lester farm mortgage on January 27, 1927 and assigned to the North Dakota State University Trust Fund. The property was appraised by Allied Appraisals Inc., Bismarck, North Dakota, on February 25, 2021, having a current appraised value of \$99,000.

**Tract 2 Township 136 North, Range 86 West, Section 32 N½N½:** This tract of land is located approximately 9 miles north and 1 mile east of Carson North Dakota. There is no vehicular section line access to this tract. This tract was acquired by foreclosure of the Mina H. Aasved farm mortgage on August 3, 1935 and assigned to the Common Schools Trust Fund. The property was appraised by Allied Appraisals Inc., Bismarck, North Dakota, on February 25, 2021, having a current appraised value of \$93,000.

**Tract 3 Township 136 North, Range 86 West, Section 36 SE¼:** This tract of land is located approximately 8 miles north and 5½ miles east of Carson, North Dakota. There is a section line trail that allows access from the east to the southeast corner of this tract. This tract is also adjacent to trust land to the north (NE¼). This land was granted to North Dakota at statehood and assigned to the Common Schools Trust Fund. The property was appraised by Allied Appraisals Inc., Bismarck, North Dakota, on February 25, 2021, having a current appraised value of \$101,000.

Recommendation: **The Board authorizes the Commissioner to proceed with the no-net loss sale with a minimum opening bid(s) of:**

DESCRIPTION	Minimum Opening Bid
T136N R86W Section 28 NW1/4	\$99,000
T136N R86W Section 32 N1/2N1/2	\$93,000
T136N R86W Section 36 SE1/4	\$101,000

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Stenehjem					
Governor Burgum					

# Trust Land

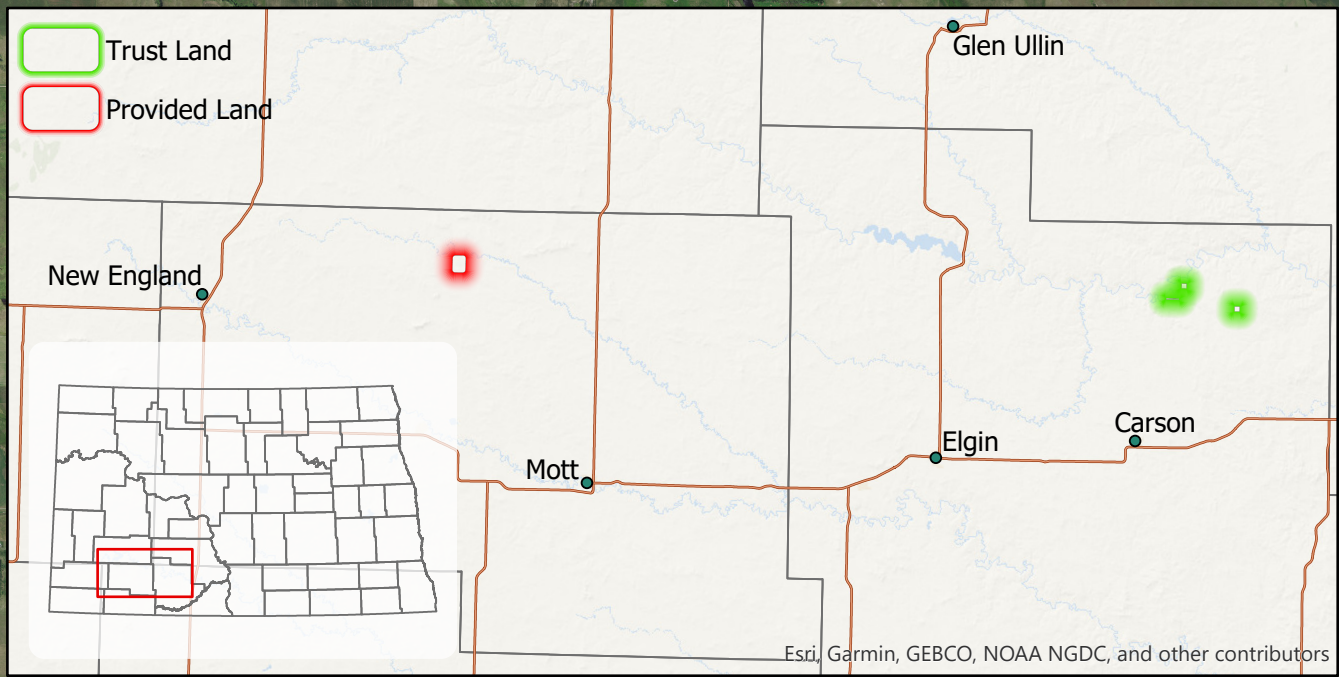
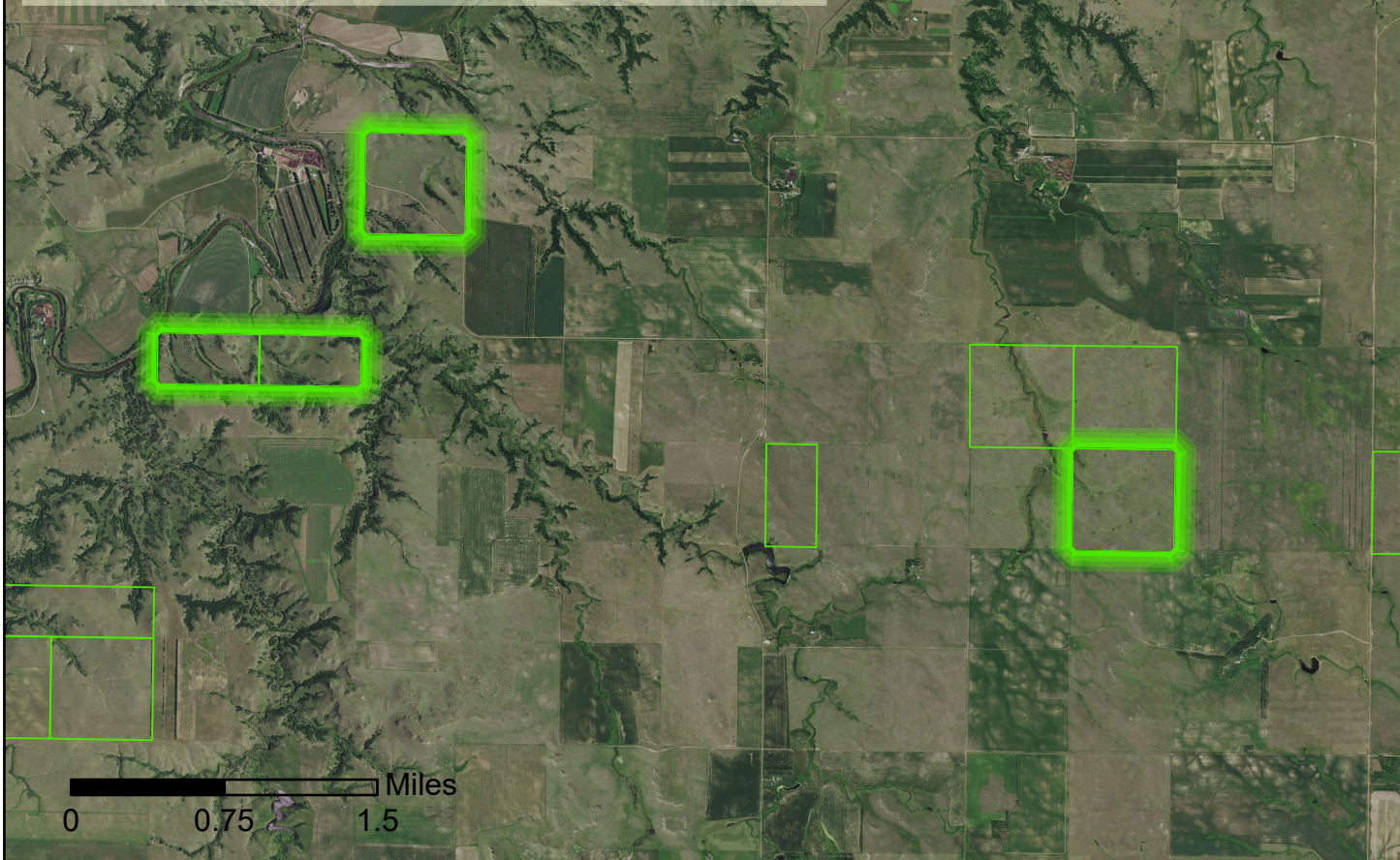
## Grant County

Township 136 North, Range 86 West

Section 28: NW¼

Section 32: N½N½

Section 36: SE¼

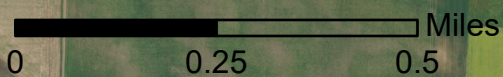


# Provided Accessible and Leasable Land

## Hettinger County

Township 136 North, Range 94 West

Section 20: S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$



## **Land Evaluation – Trust Land**

### **ND Department of Trust Lands**

#### **Trust Land Legal Description:**

##### **Grant County – Tract 1**

Township 136 North, Range 86 West

Section 28: NW¼

**Tract Access:** This land is located approximately 11 miles north of Carson North Dakota. An improved road bisects this tract running from northwest to the southeast and severs approximately 43 acres. The exact acreage is unknown because there is no survey for the road which existed prior to being acquired through foreclosure. Tract 1 aerial map is attached.

**Landscape Terrain:** The area northeast of the road has moderately sloping and strongly sloping terrain having slopes ranging from 6 – 15% slopes, being dissected by many small drainageways. The area southwest of the road has moderately steep to very steep terrain having slopes ranging from 9 – 35% being dissected by intermittent drainageways. Tract 1 topographic map is attached.

**Land Use Acres:** The entire acreage except for the road is used as grassland.

**Fence Improvement:** The area northeast of the road is fenced separately from the adjacent private land. The area southwest of the road is fenced only along the road and is open to the adjacent private land. These fences are owned by the current trust land surface lessee.

**Developed Land Improvements:** No developed permanent land improvements (livestock water developments).

**Trash:** No trash has been reported on this tract on past department field inspections.

**Natural Water Resources:** None

**Vegetation Present:** Native rangeland vegetation with needle and thread grass, needle leaf sedge, sand bluestem, sideoats grama and bluestem with Kentucky bluegrass invading

**Noxious Weeds:** Leafy spurge has been reported.

**Soil Capability, Productivity and Erosion Potential:** This tract of land is dominated by Vebar-Flasher-Tally soil complex 9 to 15 percent slopes. The soils in this complex are intricately intermixed or so small that mapping them separately is not practical. Permeability is moderately rapid in the Vebar and Tally soils, rapid in the Flasher soil. Runoff is medium on both soils. Available water capacity is low in the Vebar and Tally soils and very low in the Flasher soil. The land capability classification is VIe. The ecosite of the Vebar and Tally is Sandy, and that of the Flasher soil is Very Shallow. This soil is most used for rangeland pasture. The cropland productivity for this soil is 0 which means this soil is not recommended for cultivation. Tract 1 soils map is attached.

**Trespass / Encroachment:** None noted.

**Environmental Hazards:** No environmental hazards have been reported on this tract on past department field inspections.

**Protected Types:** None noted on past department land inspections.

**Potential Use:** Grazed or hayed grassland.

**Comments:** Area southwest of road is good wildlife habitat.

**Adjacent Land Use:** Rangeland used as pasture with some cropping on the more level higher producing soils.

**Appraised Value:**

Allied Appraisals of ND, Inc Certified General Appraiser developed an opinion of market value for the property exchange. The market value as of 2/25/2021 is:

\$99,000 Ninety-nine thousand dollars

**Title History (Surface):**

This tract was acquired through foreclosure of the James N. Lester Farm Real Estate Loan and Mortgage, with the sheriff's deed issued on January 27, 1927. This tract was assigned to the North Dakota State University Trust.

Encumbrances (Surface): County Road

Are there any restrictive Covenants: None known.

Surface Lease History:

2018 to present	Kelly Moldenhauer \$1,749
2013 – 2017	Kelly Moldenhauer \$1,321
2008 – 2012	Kelly Moldenhauer \$1,046

**Title History (Minerals): Minerals to be reserved by State.**

Mineral Lease History:

Past Mining: None found.

Overall/General Evaluation Comments: Well managed pasture with a good population of native mid-grasses along with Kentucky bluegrass in the swales. Forage utilization is uniform. No Leafy Spurge found north of road but a fair amount is present south of the road.

**Revenue Projections:**

**Current FMV Minimum Rent:**

\$1,749

Projected Annual Income from Tract using Board's FMV:

Anticipated Minimum Lease Rate:	\$1,749.00
Less Road and Bridge	<u>(\$34.00)</u>
<b>Projected Annual Income</b>	<b>\$1,715.00</b>

**Any potential long-term value that could be realized:**

Land appreciation

**Any potential risks to tract value as a Trust asset**

**Comments:** Limited to no risks as a Trust asset

**Attached Maps**

**Aerial map**

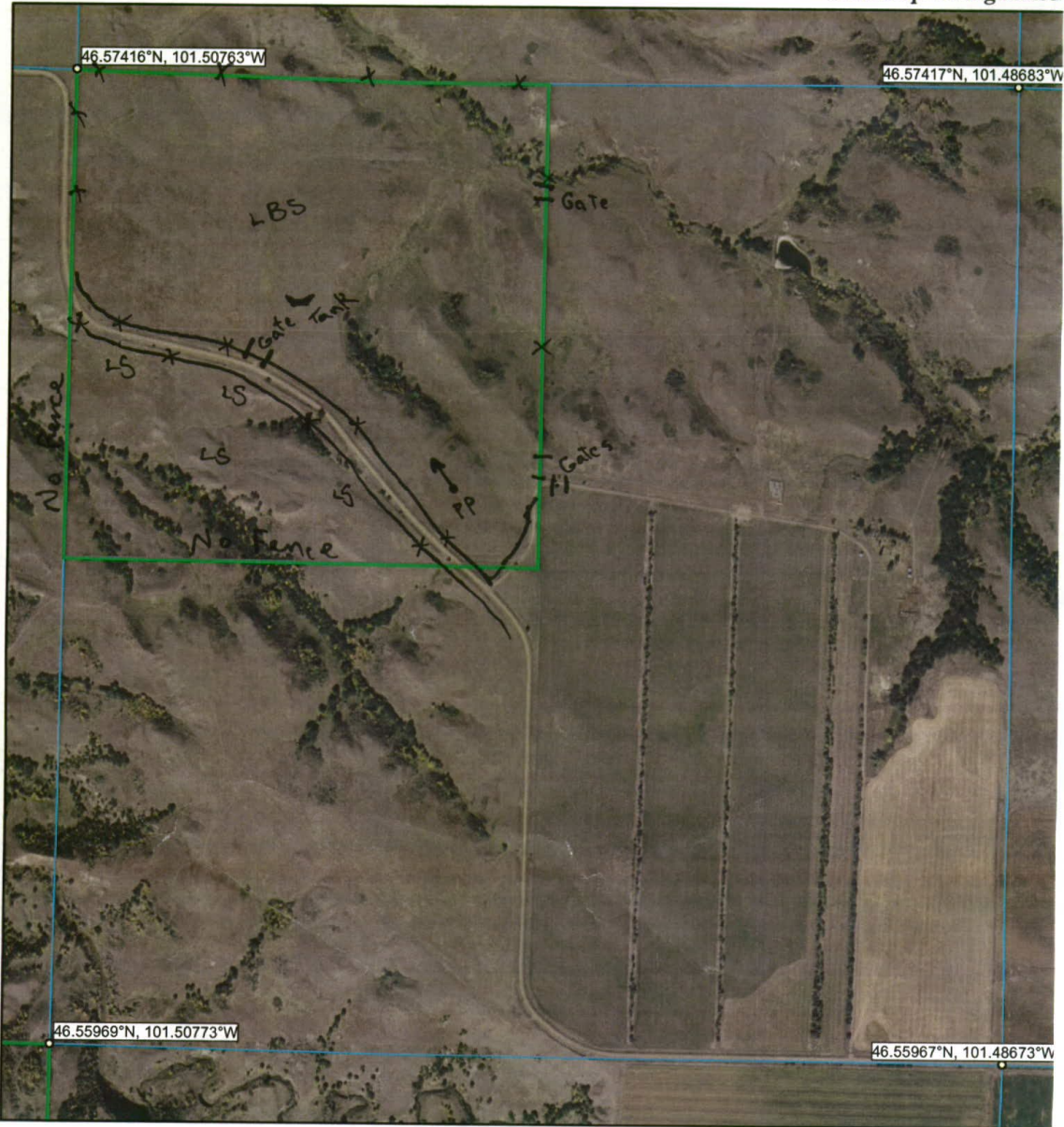
**Topographic Map**

**Soils Map**

Aerial Map

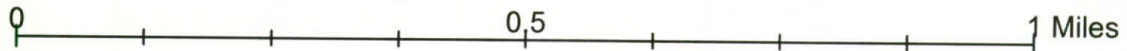
# 28-T136-R86

Grant County  
Township: Unorganized



Map printed: 5/31/2016 North Dakota State Land Department

Map Datum is WGS 84 (same as NAD 83)



8/31/14

Printed: 5/31/2016 -- ND State Land Dep

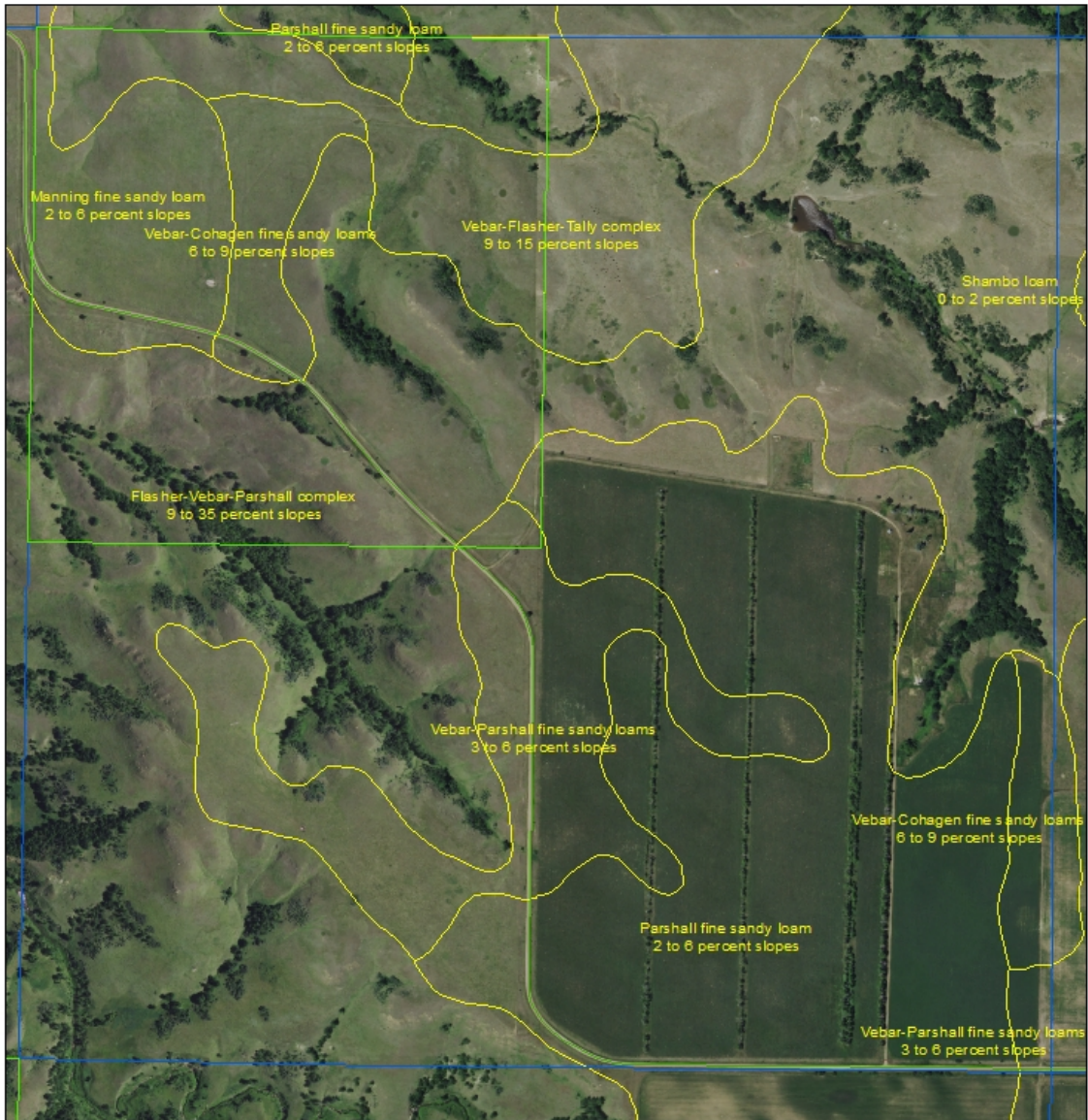




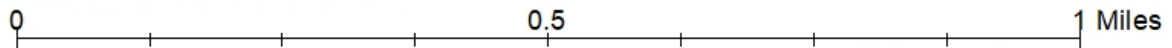
Soils Map

28-T136-R86

GRANT County



Map Datum is WGS 84 (same as NAD 83)



Printed: 8/6/2019 -- ND State Land Dept.

**Trust Land Legal Description:**

**Grant County – Tract 2**

Township 136 North, Range 86 West

Section 32: N½N½

**Tract Access:** This land is located approximately 11 miles north of Carson North Dakota. Access is extremely difficult. The Heart River prevents access from the west while steep topography makes access difficult but not impossible along the section line from the east. The section line to the east is walkable and is well marked by fence lines. However, a very steep slope on the east side of this tract requires climbing by hanging onto brush. This tract is surrounded on the north, west and south by Moldenhauer land. The only private land not owner by Moldenhauer is to the east and livestock would not be able to climb the extremely steep slope form the east. Access to this tract by the public can only gained by obtaining permission to cross Moldenhauer land.

**Landscape Terrain:** This tract has moderately steep to very steep terrain having slopes ranging from 9 – 35% being dissected b intermittent drainageways. Tract 1 topographic map is attached.

**Land Use Acres:** The entire acreage is used as grassland.

**Fence Improvement:** There is a fence near and along the north and east boundaries of this tract the south and west borders are not fenced and are open to the adjacent private land. The fences are owned by the current trust land surface lessee.

**Developed Land Improvements:** No developed permanent land improvements (livestock water developments).

**Trash:** No trash has been reported on this tract on past department field inspections.

**Natural Water Resources:** None

**Vegetation Present:** A mix of native and tame mid-grasses.

**Noxious Weeds:** Leafy spurge is getting established in one ravine.

**Soil Capability, Productivity and Erosion Potential:** This tract of land is dominated by Flasher-Vebar-Parshall soil complex 9 to 35 percent slopes. The soils in this complex are intricately intermixed or so small that mapping them separately in not practical. Permeability is rapid in the Flasher soil and moderately rapid in the Vebar and Parshall soils. Runoff is rapid. Available water capacity is low in the Vebar and Parshall soils and very low in the Flasher soil. The land capability classification is VIle. The ecosite of the Vebar and Parshall is Sandy, and that of the Flasher soil is Very Shallow. This soil is most used for rangeland pasture. This soil is not suited for cultivation. Tract 1 soils map is attached.

**Trespass / Encroachment:** None noted.

**Environmental Hazards:** No environmental hazards have been reported on this tract on past department field inspections.

**Protected Types:** None noted on past department land inspections.

**Potential Use:** Grazed and hayed grassland.

**Comments:** Tract provides good wildlife habitat.

**Adjacent Land Use:** Rangeland used as pasture with some cropping on the more level higher producing soils.

**Appraised Value:**

Allied Appraisals of ND, Inc Certified General Appraiser developed an opinion of market value for the property exchange. The market value as of 2/25/2021 is:

\$93,000 Ninety-three thousand dollars

**Title History (Surface):**

This tract was acquired through foreclosure of the Mina H. Aasved Farm Real Estate Loan and Mortgage, with the sheriff's deed issued on August 3, 1935. This tract was assigned to the Common Schools Trust.

Encumbrances (Surface): None

Are there any restrictive Covenants: None known.

Surface Lease History:

2021 to present	Kelly Moldenhauer \$2,760
2016 – 2020	Kelly Moldenhauer \$1,987
2011 – 2015	Kelly Moldenhauer \$1,538

**Title History (Minerals): Minerals to be reserved by State.**

Mineral Lease History:

Past Mining: None found.

Overall/General Evaluation Comments: Tract receives periodic grazing use and is partially hayed each year. Grassland use is slight in areas that are not hayed.

**Revenue Projections:**

**Current FMV Minimum Rent:**

\$2,760

Projected Annual Income from Tract using Board's FMV:

Anticipated Minimum Lease Rate:	\$2,760.00
Less Road and Bridge	(\$34.00)
<b>Projected Annual Income</b>	<b>\$2,726.00</b>

**Any potential long-term value that could be realized:**

Land appreciation

**Any potential risks to tract value as a Trust asset**

Poor access creates a risk.

**Attached Maps**

**Aerial map**

**Topographic Map**

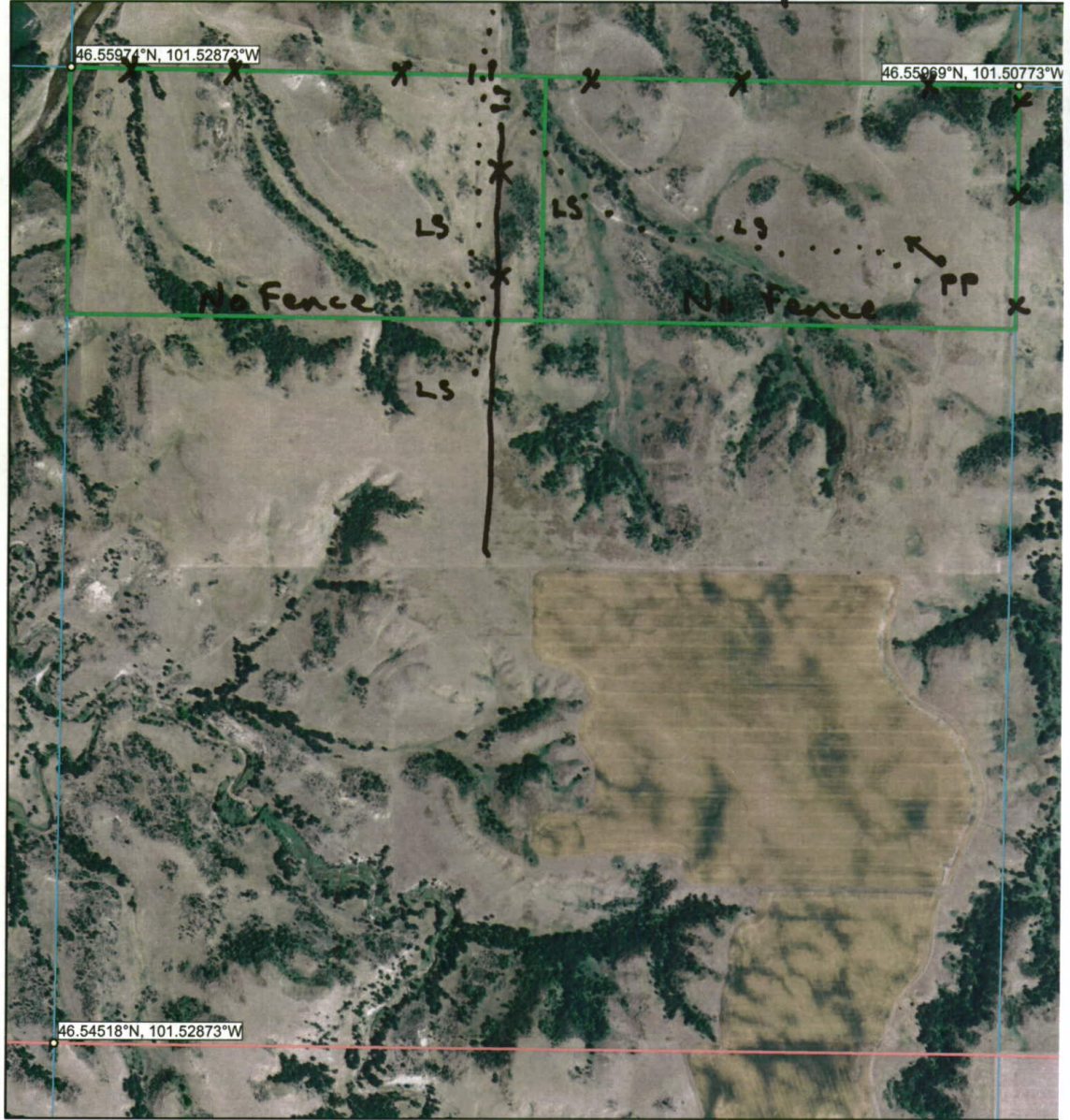
**Soils Map**

Aerial Map

32-T136-R86

To ↑ River crossing

Grant County  
Township: Unorganized



Map printed: 6/6/2014 North Dakota State Land Department

10/20/14



Map Datum is WGS 84 (same as NAD 83)

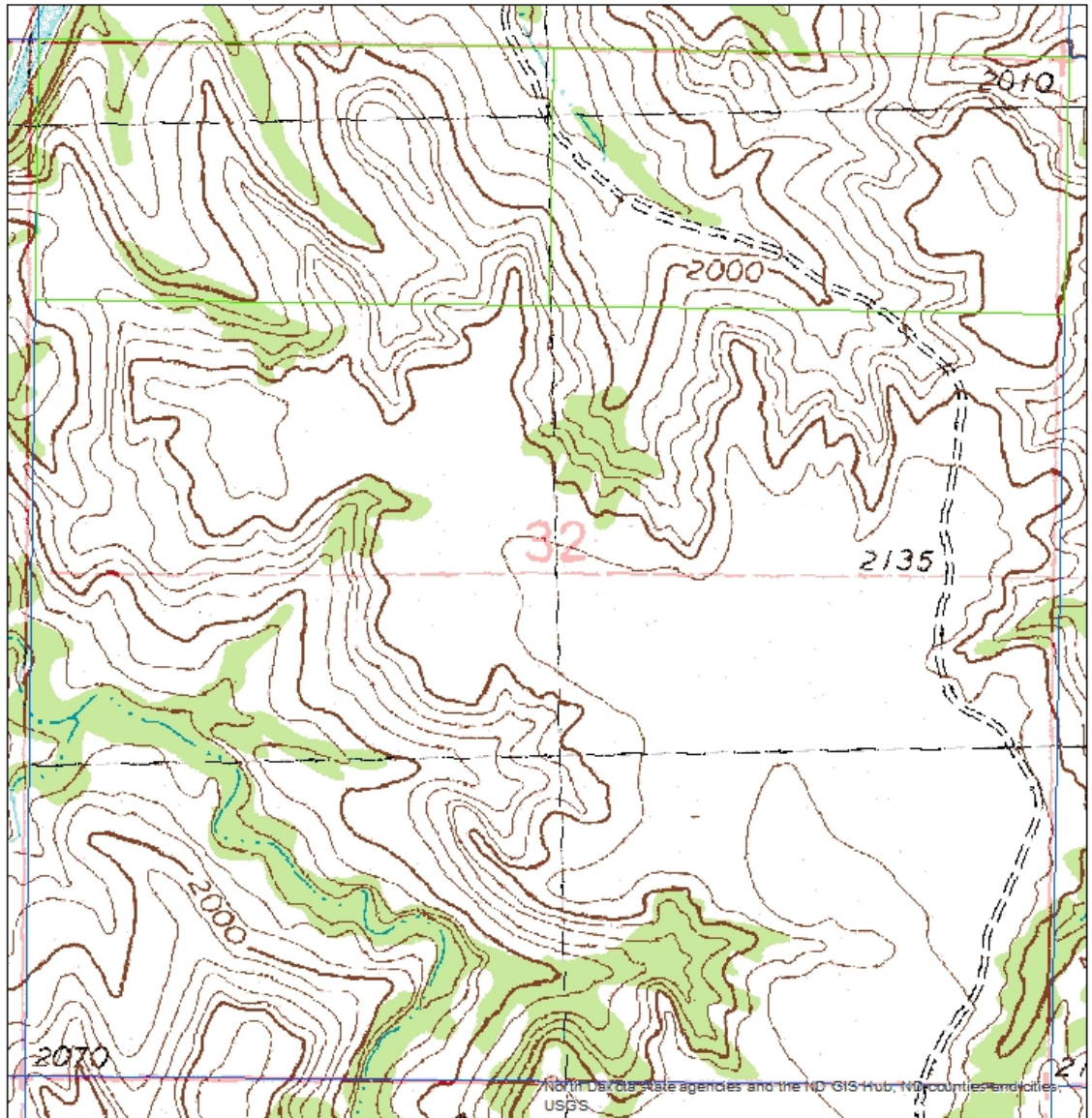


Printed: 6/6/2014 -- ND State Land Dep

Topographic Map

# 32-T136-R86

GRANT County



Map Datum is WGS 84 (same as NAD 83)

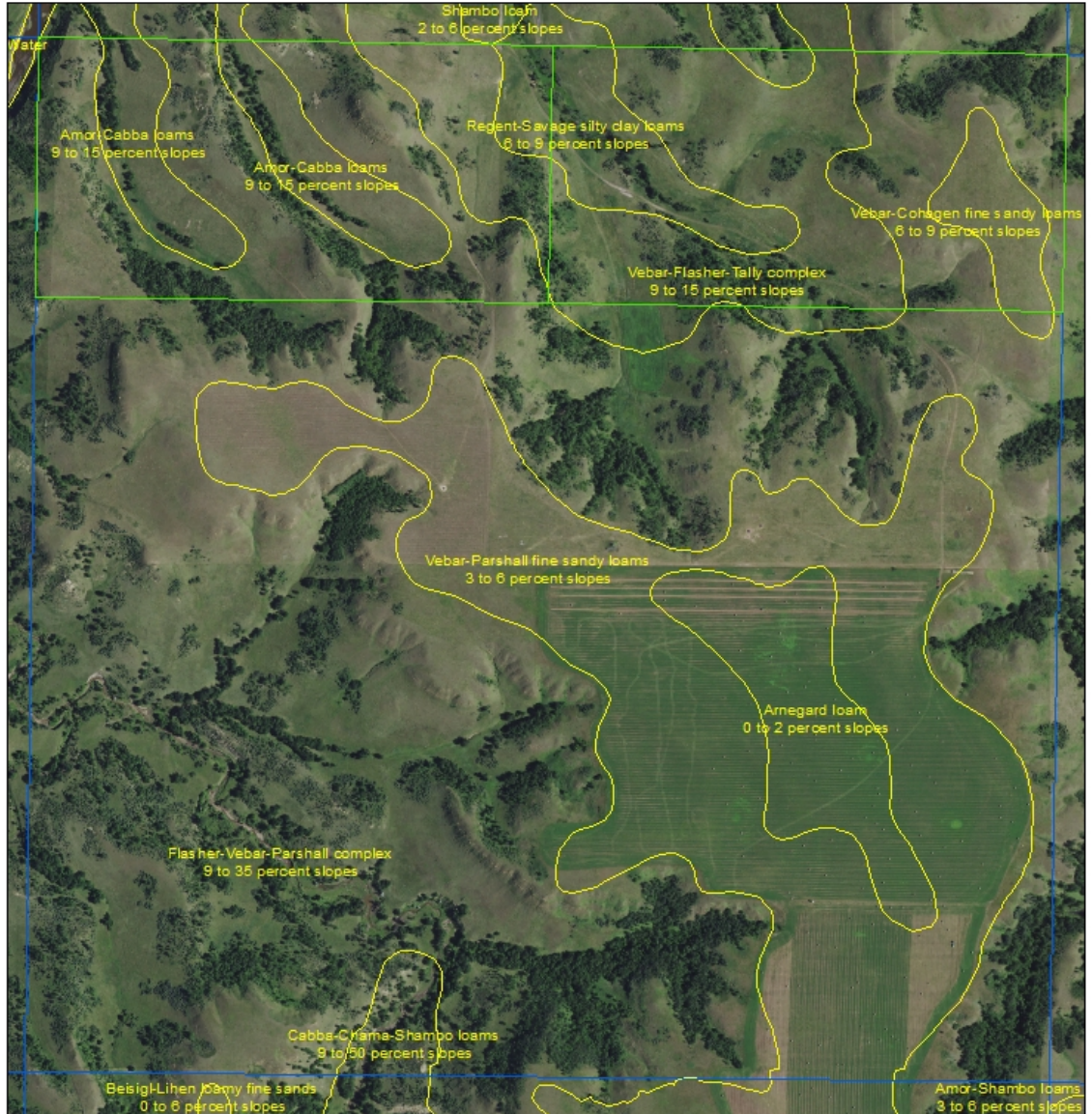


Printed: 8/6/2019 -- ND State Land Dept.

Soils Map

32-T136-R86

GRANT County



Map Datum is WGS 84 (same as NAD 83)



Printed: 8/6/2019 -- ND State Land Dept.



**Trust Land Legal Description:**

**Grant County – Tract 3**

Township 136 North, Range 86 West

Section 36: SE¼

**Tract Access:** This land is located approximately 11 miles northeast of Carson North Dakota. An impassable low area obstructs section line access from the west. Access from the west is through private land. Access from the east is along a section line trail along the south side of section 31 to a gate in the southeast corner of Section 36. Tract 1 aerial map is attached.

**Landscape Terrain:** This tract has rolling terrain having moderate slopes that range from 6 – 95. Tract 1 topographic map is attached.

**Land Use Acres:** The entire acreage is used as pastured grassland.

**Fence Improvement:** The tract is fenced on the north, south and east sides with west side being open to private land to the east. The fences are owned by the current trust land surface lessee.

**Developed Land Improvements:** No developed permanent land improvements (livestock water developments). Livestock obtain water from adjoining private land to the west.

**Trash:** No trash has been reported on this tract on past department field inspections.

**Natural Water Resources:** None

**Vegetation Present:** Very vigorous stand of desirable native rangeland vegetation with needle and thread grass, needle leaf sedge, sand bluestem, sideoats grama and bluestem with Kentucky bluegrass and brome grass invading.

**Noxious Weeds:** No noxious weeds noted.

**Soil Capability, Productivity and Erosion Potential:** This tract of land is dominated by Vebar-Cohagen fine sandy loams. Permeability is moderately rapid, and runoff is medium. Available water capacity is low. The land capability classification is IVe. The ecosite is Sandy. This soil is mostly used for cropland but controlling soil blowing and water erosion are major management concerns if cultivated crops are grown. Pastured grassland is a proper use of this soil. Tract 1 soils map is attached.

**Trespass / Encroachment:** None noted.

**Environmental Hazards:** No environmental hazards have been reported on this tract on past department field inspections.

**Protected Types:** None noted on past department land inspections.

**Potential Use:** Grazed or hayed grassland.

**Comments:** Good grassland pasture.

**Adjacent Land Use:** Rangeland used as pasture with some cropping on the more level higher producing soils.

**Appraised Value:**

Allied Appraisals of ND, Inc Certified General Appraiser developed an opinion of market value for the property exchange. The market value as of 2/25/2021 is:

\$101,000 One hundred one thousand dollars

**Title History (Surface):**

This tract was granted at statehood for the support of the Common Schools Trust.

Encumbrances (Surface): None

Are there any restrictive Covenants: None known.

Surface Lease History:

2017 to present	Kelly Moldenhauer \$2,217
2012 – 2016	Kelly Moldenhauer \$1,660
2007 – 2011	Kelly Moldenhauer \$1,315

**Title History (Minerals): Minerals to be reserved by State.**

Mineral Lease History:

Past Mining: None found.

Overall/General Evaluation Comments: Well managed pasture with a good population of native mid-grasses along with Kentucky bluegrass in the swales. Forage utilization is uniform. No noxious weeds noted.

**Revenue Projections:**

**Current FMV Minimum Rent:**

\$1,749

Projected Annual Income from Tract using Board's FMV:

Anticipated Minimum Lease Rate:	\$2,217.00
Less Road and Bridge	(\$34.00)
<b>Projected Annual Income</b>	<b>\$2,183.00</b>

**Any potential long-term value that could be realized:**

Land appreciation

**Any potential risks to tract value as a Trust asset**

**Comments:** Limited to no risks as a Trust asset

**Attached Maps**

**Aerial map**

**Topographic Map**

**Soils Map**

**Attached Maps**

**Aerial map**

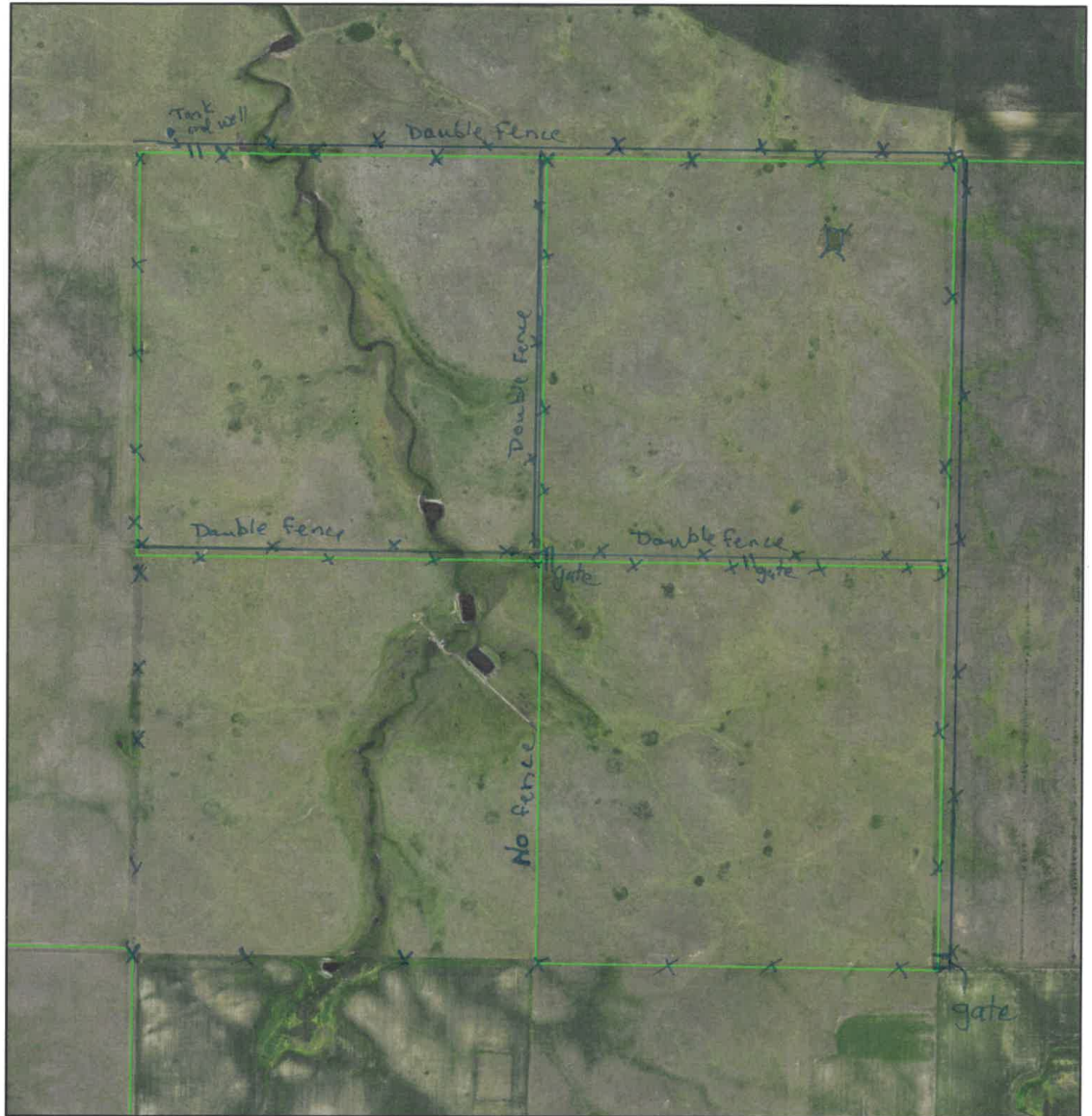
**Topographic Map**

**Soils Map**

Aerial Map

36-T136-R86

GRANT County



Map Datum is WGS 84 (same as NAD 83)

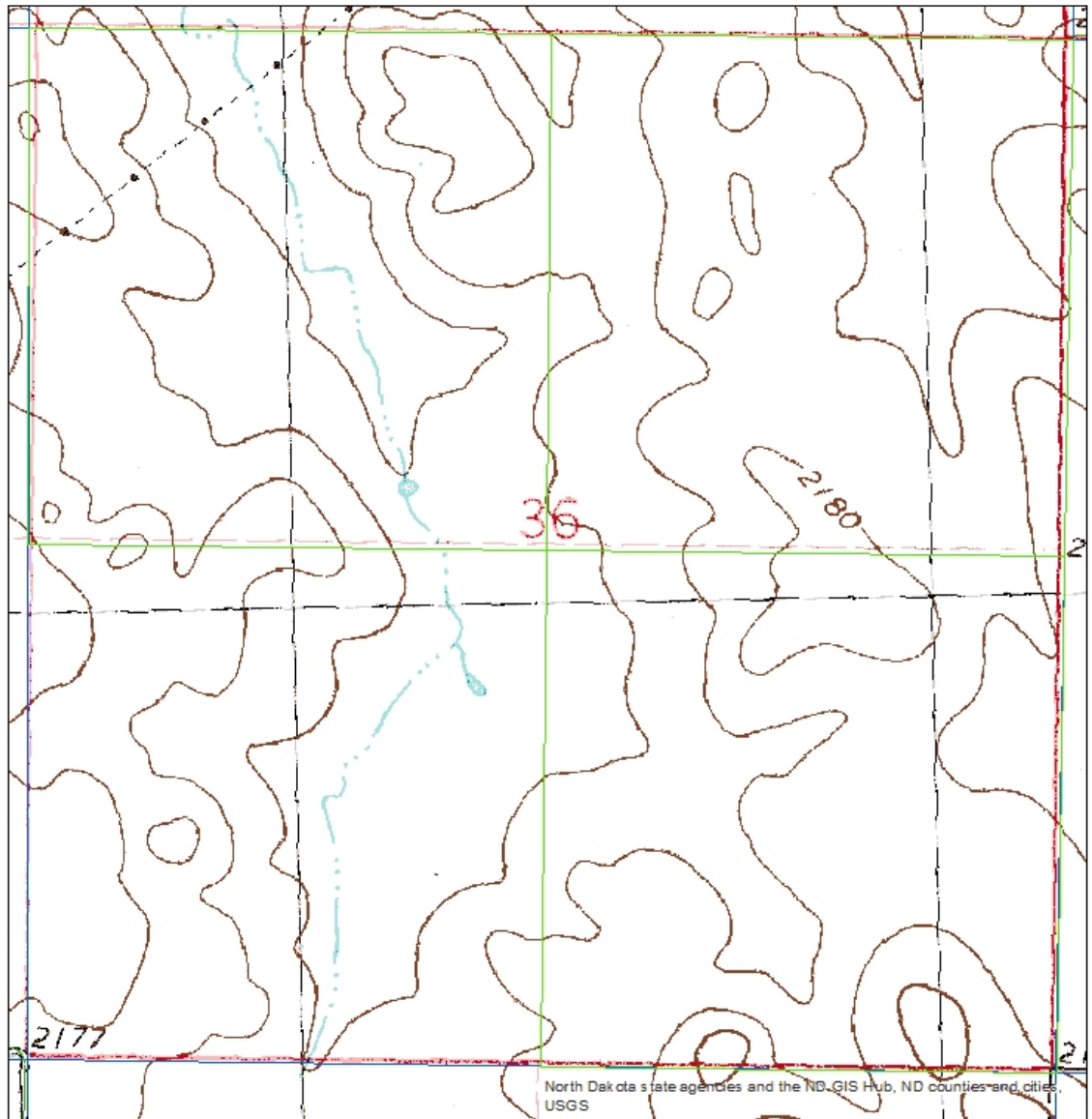


Printed: 8/6/2019 -- ND State Land Dept.

# Topographic Map

## 36-T136-R86

## GRANT County



Map Datum is WGS 84 (same as NAD 83)

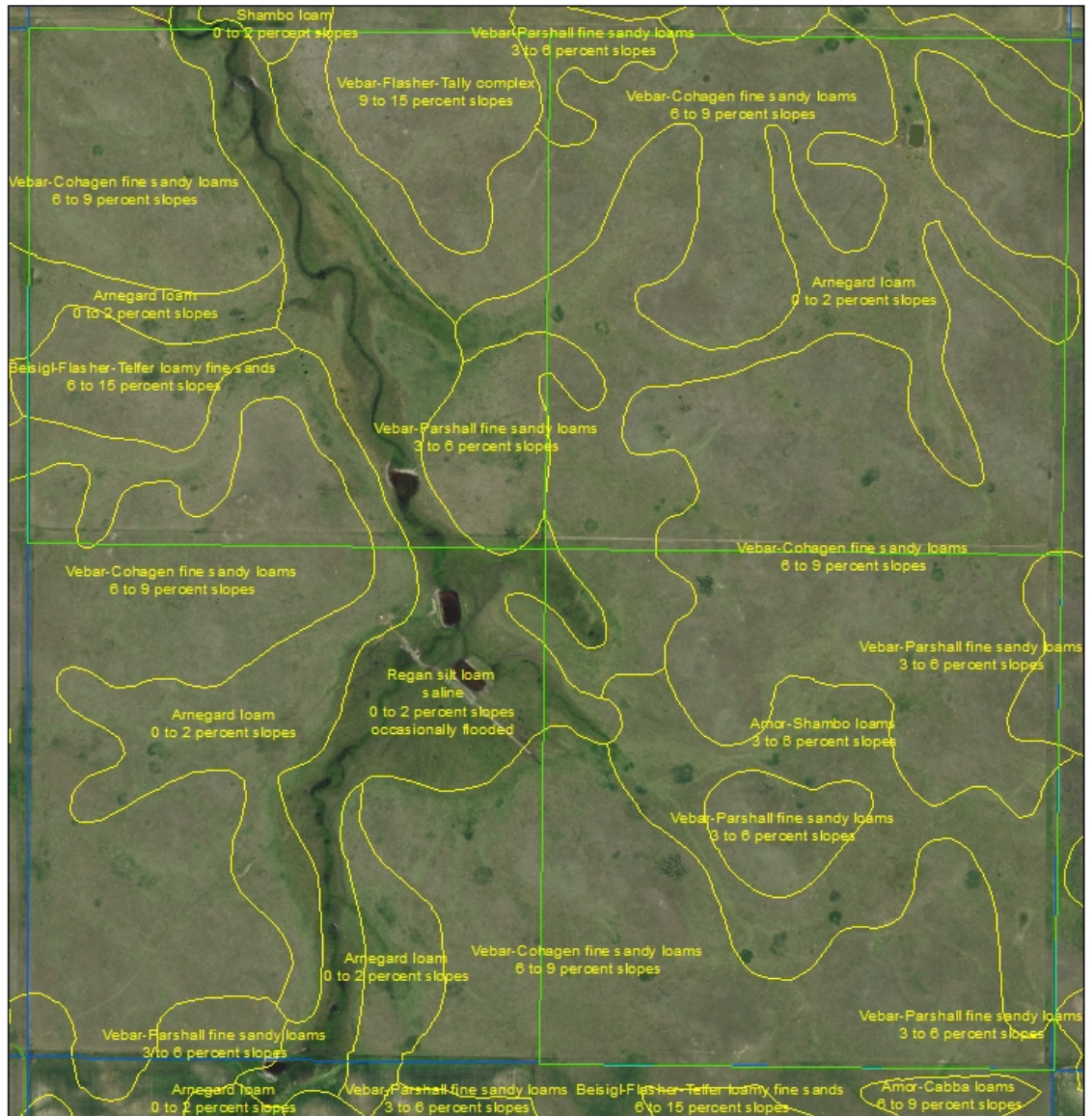


Printed: 8/6/2019 -- ND State Land Dept.

# Soils Map

## 36-T136-R86

## GRANT County



Map Datum is WGS 84 (same as NAD 83)



Printed: 8/6/2019 -- ND State Land Dept.

## **Land Evaluation – Land to be Provided**

### **ND Department of Trust Lands**

Proposed Land to be provided legal Description:

#### **Hettinger County**

Township 136 North, Range 94 West

Section 20: S½NE¼, SE¼

**Tract Access:** This land is located 10 miles north Regent North Dakota on paved Highway 103 AVE SW (Enchanted Highway) and 1½ miles east on the St. Michael's Rd. There is a good County gravel road on the south side of the property and good section line trails along the east and north sides of the property. An approach off the County allows for good access along the south side of the property. The section lines along the east and north sides of the property also provide good access for agricultural use (see attached aerial map).

**Landscape Terrain:** This tract has rolling terrain having moderately sloping (6 – 9%) soils on the uplands with the dominant slopes being 9%. The tract is crossed by shallow to moderately deep drainage ways. The upland side slopes are moderately long and smooth (see attached topographic map).

**Land Use Acres:** Cropland 234 acres, non-cropland 1.5 acres, County Road and section line 4.5 acres.

**Fence Improvement:** No Fences

**Developed Land Improvements:** There is an abandoned building (no functional value) and abandoned water well in the south-central part of the tract approximately 50 yards north of the gravel road.

**Trash:** No trash was noted.

**Natural Water Resources:** None

**Vegetation Present:** The entire tract is cropped with there being 2020 canola crop stubble remaining.

**Noxious Weeds:** No noxious weeds were noted.

**Soil Capability, Productivity and Erosion Potential:** This tract of land is dominated by Vebar-Cohagen fine sandy loams 6 to 9 percent slopes. The slopes are predominately 9%. The two soils are intricately intermingled lending is impractical to map them separately. The moderately deep, well drained Vebar soil is on side slopes. It has convex, moderately long, smooth slopes. The shallow, somewhat excessively drained Cohagen soil is on knobs and ridges and has convex, short, smooth slopes. Included with these soils are small areas of Arnegard, Parshall, and Heil soils in swales. Permeability is moderately rapid in the Vebar soil and rapid in the Cohagen soil. Runoff is medium on both soils. Available water capacity is low in the Vebar soil and very low in the Cohagen soil. Although most of the Vebar-Cohagen soil is used for cropping, this soil is highly erodible and has a low cropland productivity rating (44 out of 100). The hazard of soil blowing is severe, and that of water erosion is moderate. This soil is mostly used for cropland but controlling soil blowing and water erosion are major management concerns if cultivated crops are grown (see attached soils map).

**Trespass / Encroachment:** None noted.

**Comments:** Land would need to be surveyed to prevent encroachment and establish the west and north boundary as currently the section is farmed as one entire cropping unit.

**Environmental Hazards:** The abandoned well is a potential environmental hazard being a point source pollution hazard to ground water and should be decommissioned to remediate this potential environmental hazard. The outbuilding although not an environmental hazard should be demolished.

**Protected Types:** None noted (entire tract has had tillage disturbance)

**Potential Use:** Hayland is a potential use as well as grassland for wildlife habitat.

**Comments:** The revenue return from the cropland and hayland uses would be less than the revenue generated from the current cropland use.

**Adjacent Land Use:** Wildlife Habitat to the north and east, agricultural crop land to the south and west (see attached map)

**Comments:** The United States Bureau of Reclamation owns the entire section 21 (640 acres) and 3 quarters of section 22 (480 acres land to the east). The Land to the north (S½ of section 17 320 acres) is owned by the Mott 30 Mile Creek Hunt Club. Land to the south and west is in private ownership.

**Appraised Value:**

Allied Appraisals of ND, Inc Certified General Appraiser developed an opinion of market value for the property exchange. The market value as of 3/23/2021 is:

\$382,500 Three hundred eighty-two thousand five hundred dollars

**Title History (Surface): (Title opinion to be completed at a later date)**

Encumbrances (Surface):

Are there any restrictive Covenants?

Surface Lease History:

**Title History (Minerals): Minerals to be reserved by applicant.**

Past Mining: None found.

**Overall/General Evaluation Comments:** Below average producing cropland in good cultural condition.



**FMV Minimum Lease Rate Calculation**

$$=(((0.44/0.66)*(41.67*0.95))*234) + (0.05*240)$$
  
**= \$6,186**

Cropland Minimum Rent (Hettinger County floor)  
Hettinger County crop minimum \$28.67  
= \$28.67\*234 + (0.05\*240)  
**= \$6721 Fair Market Minimum Rent**

**Revenue Projections:**

Anticipated Fair Market Value Minimum annual rent:  
\$6,552  
Current Lease annual rent

\$9,630

Appraisal Income Approach annual rent:

\$10,530

Projected Annual Income from Tract using Board’s FMV:

Anticipated annual rent	:	\$9,630.00
Less Real Estate Taxes (\$4.35*240)		<u>(\$1,044.00)</u>
<b>Projected Annual Income</b>		<b>\$8,586.00</b>

**Any potential long-term value that could be realized:**

Land appreciation

**Any potential risks to tract value as a Trust asset**

**Comment:** Limited to no risks as a Trust asset

**Attached Maps**

**Aerial map**

**Topographic Map**

**Soils Map**

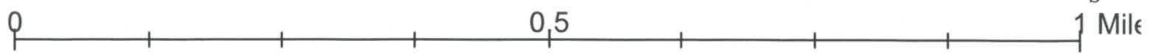
Aerial Map

20-T136-R94

HETTINGER County



Map Datum is WGS 84 (same as NAD 83)



Printed: 8/6/2019 – ND State Land Dept.

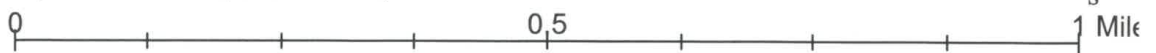
Topographic Map

20-T136-R94

HETTINGER County



Map Datum is WGS 84 (same as NAD 83)



Printed: 8/6/2019 -- ND State Land Dept.

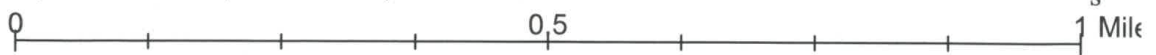
# Soils Map

## 20-T136-R94

## HETTINGER County



Map Datum is WGS 84 (same as NAD 83)



Printed: 8/6/2019 -- ND State Land Dept.

## Requirements of Sale – Sale Criteria Evaluation

1. The proposed sale would result in no net loss of leasable original grant lands;
2. The applicant agrees to provide accessible and leasable land equal or greater in acres and value to the trust form which the original grant land were sold for which the department then shall consider the criterial listed below in subsections a through f in any no net loss sale. Land provided for a no net loss sale is not required to satisfy all six criteria outlined below.

- a. Equal or greater value

### Value - Land Sale application parcels

#### Grant County Appraisal Values

##### Grant County Township 136 North, Range 86 West

Section 28: NW¼	\$86,625
Section 32: N½N½	\$88,000
Section 36: SE¼	<u>\$88,000</u>
<b>Total</b>	<b>\$262,625</b>

#### Allied Appraisals Inc. Values

##### Grant County Township 136 North, Range 86 West

Section 28: NW¼	\$99,000
Section 32: N½N½	\$93,000
Section 36: SE¼	<u>\$101,000</u>
<b>Total</b>	<b>\$293,000</b>

### Value - Land to be provided

#### Allied Appraisals Inc. Value

##### Hettinger County Township 136 North, Range 94 West

Section 20: S½NE4, SE4	<u>\$382,500</u>
<b>Total</b>	<b>\$382,500</b>

- b. Equal or greater income

### Land Sale application Fair Market Value minimum rent

##### Grant County Township 136 North, Range 86 West

Section 28: NW¼	\$1,749
Section 32: N½N½	\$2,760
Section 36: SE¼	<u>\$2,217</u>
<b>Total</b>	<b>\$6,726</b>

**Road and Bridges Service Fee (In lieu tax)**

Grant County Township 136 North, Range 86 West

Section 28: NW¼	\$34
Section 32: N½N½	\$34
Section 36: SE¼	\$34

**Land to be provided Fair Market Value minimum rent**

Hettinger County Township 136 North, Range 94 West

Section 20: S½NE¼, SE¼	<u>\$6,721</u>
<b>Total</b>	<b>\$6,721</b>

**Land to be provided current private rental value**

Hettinger County Township 136 North, Range 94 West

Section 20: S½NE¼, SE¼	<u>\$9,360</u>
<b>Total</b>	<b>\$9,360</b>

**Real Estate Property Tax**

Hettinger County Township 136 North, Range 94 West

Section 20: S½NE¼, SE¼	\$1,044
------------------------	---------

**Projected Income (FMV Minimum Rent less taxes)**

Grant County Township 136 North, Range 86 West

Section 28: NW¼	\$1,715
Section 32: N½N½	\$2,726
Section 36: SE¼	<u>\$2,183</u>
<b>Total</b>	<b>\$6,624</b>

Hettinger County Township 136 North, Range 94 West

Section 20: S½NE¼, SE¼	<u>\$5,677</u>
<b>Total</b>	<b>\$5,677</b>

**Projected Income (current private rental rate)**

Hettinger County Township 136 North, Range 94 West

Section 20: S½NE¼, SE¼	<u>\$8,586</u>
<b>Total</b>	<b>\$8,586</b>

**Comments:** The highest and best use for the trust land and the land to be provided is agricultural. The sale application trust land applying the Board's FMV rent policy has a current annual rent income of

\$6,624. The land to be provided would have a projected annual income when **applying the Board's FMV rent policy of \$5,677**, resulting in a **decreased annual income of \$947** to the various trusts. Using the **current cash rent value** (obtained from applicant) would result in an annual income of \$8,586 and **an increase of \$1,962 in annual income** to the various trusts.

- c. Acreage. A no net loss sale should result in the board receiving equal or greater acreage. The board may, however, consider receiving less acreage in return for one or more of the following:
  - (1) Improved dedicated access;
  - (2) Substantially higher value; or
  - (3) Substantially higher income.

**Comments:** Although this transaction would not result in the Board receiving equal or greater acreage, the land to be provided has excellent dedicated access when compared to 2 of the 3 sale tracts. The land to be provided is of higher value (\$382,500 versus \$293,000) and would provide similar income (\$5,665 versus \$6,624) using Board FMV rent policy and greater income (\$8,586 versus \$6,624) using the current private rental rate.

- d. Consolidation of trust lands. The proposed no net loss sale must not fragment trust land holdings by creating isolated parcels of trust land. In all no net loss sales, the board shall reserve all minerals underlying the trust lands pursuant to section 5 of article IX of the Constitution of North Dakota subject to applicable law.

**Comments:** The proposed no net loss sale will not fragment trust land holdings by creating an isolated parcel of trust land. All minerals underlying the trust lands would be reserved pursuant to section 5 of article IX of the Constitution of North Dakota subject to applicable law.

- e. Potential for long-term appreciation. The proposed no net loss sale must have similar revenue potential as the trust lands.

**Comments:** The potential long-term appreciation for the land tracts involved in this sale would be similar for this proposed no net loss sale.

- f. Access. A no net loss sale must not diminish access to trust lands. The no net loss land should provide equal or improved access.

**Comments:** The land to be provided has excellent dedicated access being 1½miles west of the Enchanted Highway having a good County gravel road (St. Michaels Road) with access approached along the south side of the tract and good section line access trails along the east and north sides of the tract, while two of the three sale tracts do not have improved dedicated access. The N½N½ of Section 32 is an isolated tract which requires access permission across surrounding private land, while access to the SE¼ of Section 36 from the west would be across private land to access the trust land from the west, while access from the east would be by section line trail to the southeast corner. The NW¼ of Section 28 has excellent dedicated access as a County Road traverses the tract (58th St SW).

The adjacent land use is Wildlife Habitat to the north and east as the United States Bureau of Reclamation owns the entire section 21 (640 acres) and three quarters of section 22 (480 acres) of land

to the east and the land to the north south half of section 17 (320 acres) is owned by the Moth 30 Mile Creek Hunt Club. Land to the south and west is in privately owned land used for cropland production.

3. Any land acquired pursuant to a sale or original grant lands, subject to no net loss, shall be treated by the board as “original grant lands”

Comments: The SE¼ of Section 36 is original grant land while the NW¼ of Section 28 and N½N½ of Section 32 are tracts acquired through foreclosure. One third of the land to be provided would be treated as “original grant land”, while two thirds would be treated as acquired land.



**SUMMARY OF COMMENTS ON APPLICATION FOR SALE OF GRANT LAND AND NONGRANT LAND  
KELVIN (KELLY) AND LAUNA MOLDENHAUER**

	COMMENTS RECEIVED			COMMENT
	DATE RECEIVED	ORAL OR WRITTEN	COMMENTS RECEIVED	
	8/30/21	Written – email	Loron Skretteberg	<p>This is in regards to Kelvin Moldenhauer wanting to trade private land for state land</p> <p>He is a home builder from Bismarck and does not live out here and wants every piece of land he can get, and has no respect for our young farmers trying to make a living and get a start in farming and ranching, and when he gets the land no one will set foot on it to hunt or for any reason, he has been buying up land ranchers have rented for 30 years and goes to the owners and offers them big money and gets it bought and the rancher doesn't even get a chance to bid, and he will do that to that state land if he gets it, If the state sells to him there are a lot of other farmers and ranchers that would be happy to buy state land,</p>
	9/1/21	Written – email	Loron Skretteberg	<p>pending land trade with Kelvin Moldenhauer at 1857 Wood Moor PL Bismarck ND 58501</p> <p>Kelvin lives in Bismarck and is not involved in the rural community, just to own land to hunt on, If he gets to own the NW 1/4 sec 28 136 86 and n1/2 of n1/2 sec 32 136 86 and se 1/4 sec 36 136 86, no one will ever set foot on it ever, He has been buying every tract of land he can get his hands on, our young ranchers and farmers can not compete with what he will pay, He has bought land that ranchers have rented for more than 30 years from owners and they never had a chance to bid he just goes to the owner and offers big money and they sell to him,</p> <p>I disagree with the values he put on the land he is offering and the land he wants, If the state decides to sell to him, there are many ranchers and farmers that will want to buy state land that is by their own land, everyone should be treated equal, I have land on 3 sides of state land I would like to own.</p> <p>To me this is not a fair transaction, and I oppose it 100% Thanks for reading my thoughts</p>
	9/9/21	Phone call	Kelly Dawson	<p>Kelly called with comments regarding the proposed sale. Kelly would appreciate if this was re-advertised in the Carson Press, in addition to the Grant County News. Kelly said that most people in the eastern part of the county do not get the newspaper in the county where it was advertised in. He heard about this third hand. He has land right up against the quarter by a mile and the other quarter that is off by itself is about a mile from them. He said that because it is close, he may want the option to rent this land. He feels if it is re-advertised in the Carson Press, more people in the area where the land is located would have an opportunity to respond. He said that sometimes the Carson Press is the official newspaper. He said usually people in Elgin and New Leipzig get the Grant County News and those that are in Carson and to the east get the Carson Press. He thinks the Sioux County's official paper is the Carson Press. He said that sometimes</p>

				things make it into both papers but sometimes it is in one or the other. Where it is advertised, in this corner of the county they don't get that paper. He felt it would be nice if it is readvertised in the Carson Press.
	9/9/21	Written - letter	Darren Johnson	<p>I am writing this letter in response to Kelly Moldenhauer's application to trade land that he purchased in Hettinger County for land that they currently leases from the State of North Dakota located in Grant County.</p> <p>First of all I am curious as to why the public notice involving this application was only published in the Grant County News. Why was it not also published in the Carson Press, which is the newspaper that serves the population in the area where the state land that is described in the application is located?</p> <p>Even though the Grant County News is the official newspaper of Grant County, anytime there is a State Land Lease auction in the fall it is published in both newspapers. Many people are unaware of this application.</p> <p>I see the applicant purchased 319 acres in Hettinger County which according to the legal description is roughly 50 miles away from the State Land in Grant County which involves 469 acres.</p> <p>The land offered for trade seems to have an inflated value to make up for the disparity in the 150 less acres the state would receive in the trade.</p> <p>Using this technique of inflating the value of the property one owns to achieve leverage is wrong and I don't believe it should be allowed in this application.</p> <p>God bless Kelly, but he has a history of trying to use leverage over people to get what he wants. This case is no different.</p> <p>This sale is wrong for the people who live near the State Land in Grant County described in this application, and it is wrong for the State of North Dakota.</p>
	9/10/21	Written – email	Jody Dawson	<p>Concerning the land swap the State Land Dept. is considering in Grant Co., I strongly oppose it. This land either borders us, or is within a 1/2 mile of our land. I would like to keep the option of renting it open for the future.</p> <p>Kelvin Moldenhauer of Bismarck/Carson, ND is the current renter and wants to own it. The land description is; Grant Co.: NW 1/4 28 136-86; N1/2N1/2 32 136-86; and SE1/4 36 136-86. Land to be traded is: Hettinger Co.; S1/2NE1/4, SE1/4 20 136-94.</p> <p>This trade was poorly advertised for the people in eastern Grant Co., which is where this land is. I would like to see an extension on the deadline and more advertising in the Carson Press, which most people in this area</p>

				<p>get. They deserve to know what is going on.</p> <p>Also, I think swaps like this could turn into land grabs for the big money boys, buying land where ever and trading it for State land they really want (think personal hunting grounds). Therefore, I am against all trades of this nature. Thank you for considering this.</p>
	10/20/21	Phone call	Austin Steinmetz	<p>Austin had left a voice mail on October 20, 2021, regarding trade into Hettinger County. He feels that the revenue should stay in Grant County as Grant County needs the revenue.</p> <p>Called in from Carson in Grant County and would like to make a formal opposition to Kelly Moldenhauer purchasing land in Grant County with land from Hettinger. Mr. Moldenhauer has three quarters of state land he leases and wants to trade for land in Hettinger County. He said the reason he opposes is that his son is a beginning farmer/rancher and it is hard for the young people to break into farming with the land and rent prices what they are. This is not what state land is supposed to do and it was in Grant County for a purpose. He does not feel that one person should get the land in the area.</p>
	10/20/21	Phone call	Kelly Dawson	<p>Jacob Lardy spoke to Kelly Dawson last week. Told him that this tract is being sold, hence it is not up for auction. I believe he said he has land within a half mile of this tract and that is why he is interested.</p> <p>He seemed slightly upset that the tract is not up for auction, saying "it's a done deal already" (the sale) since there is no auction for the lease. I told him that's not the case, and IF the sale falls through that there would have to be an auction anyways to lease it. I encouraged him to put in comments regarding the sale, but he seemed reluctant to since he claims that others have submitted comment. I didn't want to push him, so I left it at that.</p>
	10/21/21	Phone call	Kent Well	<p>Kent received land through his grandparents. He heard about this and wanted to comment that Mr. Moldenhauer is not well liked in the community and advised that both eyes should be kept on him. He understands that the state will do what it wants to do and he is okay with whatever. He just wanted the Board to know that Mr. Moldenhauer does not do things to make him well liked. He wants the Board to double check this potential sale as there is always an angle. He mentioned that there is a fence line between his property and the parcel. He said there is a section line between them. He said that there is a fence four feet away from Kent's and that if Mr. Moldenhauer buys it, the fence line should be reevaluated and should open it up for the section line. He said that this can be a touchy issue and he just wants it cleaned up so there are no problems down the road.</p>

	10/22/21	Phone call	Wencil Wagner –	<p>Mr. Wagner called and left a message indicating that he owns land near one of the tracts. He said that the State land was made for education and if we trade it for something out of Grant County, it would not help the Grant County Schools. He thought this was a dumb, dumb idea and the state should wake up.</p> <p>His call was returned and he indicated this was given to the State way back when and if the money goes to education, then Grant County would lose out on that money. He said that he can't see why we would want to do this in the first place as it has been with the state so many years. He is very much against the sale of this land. He does not think that land should ever be sold and feels it should never change. Just because Mr. Moldenhauer wants to do it does not mean we should do it. His biggest complaint is that if it is for education in Grant County, Grant County would lose out on it. He also indicated he has personal things against Mr. Moldenhauer which he can't bring up but did say that Mr. Moldenhauer is not a good neighbor.</p>
	10/29/21	Written – email	Janice Steinmetz	<p>I am writing in regards to The Public Notice of ND Trust Land, Grant County 136-86 NW1/2,SE1/4 Vs. Moldenhauer.</p> <p>Whereas Moldenhauer wants to trade Hettinger County Land he owns for the said ND Trust Land 136-86. If this is allowed against the objections of other Land Owners in Grant County, What is to STOP the next individual from doing this - Making the rules for themselves.</p> <p>The ND Trust Lands was established to help Farmers and Ranchers.</p> <p>By allowing this individual to do the land trade, This said land will never be brought again for public access to a ranchers opportunity, which we need in this county, A County of Farmers and Ranchers dependent on this public land usage,</p> <p>There are many Farmers and Ranchers who need these lands for our livelihood through a FAIR public auction and all can have that opportunity to use this forum. If individuals who are allowed to trade and make their own rules - It will put tremendous pressure on the local Farmers and Ranchers who can not afford to play this same game. Now is Not the time to squeeze the serious Farmer and Rancher who depend on these Trust Lands.</p> <p>I am grateful for the tremendous Blessings we have - That we have the freedom and right to voice our thoughts and opinions because of the gravity of this situation.</p> <p>I ask that great care and considerations be taken in this matter.</p>

	11/2/21	Written – email	Nicholas O. Jensen	<p>To Whom it May concern,</p> <p>As a concerned resident of Grant County and a strong supporter of public lands I oppose the No Net Loss sale of the above listed tracts to Kelvin and Launa Moldenhauer. Public lands are best kept as is, this sale would decrease both the acres and the income to the people of North Dakota. The land that the Moldenhauer family is proposing to trade with is miles from their base of operations and appears to be purchased for the sole purpose of being used for this No Net Loss sale.</p> <p>I grew up next to these lands and the value to the people of Grant County and the State for grazing, hunting, and recreation is unlimited. Public lands should never be sold for the sole reason that one producer can increase his acreage while decreasing the acreage of the people as a whole. We all own these lands and charge you the Department of State trust and School Lands to hold and manage them for the benefit of all.</p>
	11/2/21	Written – email	Sam Jensen	<p>To Whom it May concern,</p> <p>Thank you for the opportunity to offer comment. As a concerned resident of Grant County and a strong supporter of public lands I oppose the No Net Loss sale of the above listed tracts to Kelvin and Launa Moldenhauer for three main reasons.</p> <p>Firstly, these lands in Grant County are native range in rough Creek Bottom areas that provide an important grazing resource to area producers and income source to the State. These three tracts should remain in the public trust to provide grazing access to all producers who choose to bid and not be used to expand the holdings of a single Absentee landowner. The Moldenhauer’s do not operate the lands they own adjoining these three tracts and seek to expand their contiguous holdings for their own benefit and to stop them from being rented by other producers.</p> <p>Secondly, these lands are native range in good condition and provide fantastic habitat to many of our prairie species such as White tail and Mule Deer, Pronghorn, Upland birds, migratory birds, small mammals, native pollinators and many others. These areas of public land that are prime habitat provide many hunting opportunities to those who do not have access to private lands. The proposed Land in Hettinger County is mostly tillable acres that will not provide the same level of Habitat or hunting opportunities. The State is charged with managing wildlife in Public Trust and Lands such as these in Grant County are a valuable tool to that end.</p> <p>Thirdly, the economic benefits of these State lands to the people of Grant County and the state are vast. They provide Income to the State, and opportunity for producers to expand grazing operations. Being great habitat, the hunting opportunities draw people from across the country to the Carson area during hunting season who provide an influx of funds spent on lodging, fuel, groceries, bars and restaurants that would be</p>

				<p>in jeopardy should we lose these lands. Our rural communities cannot afford to lose this income source given the downturn from loss of population and economic forces from the Pandemic.</p> <p>I urge you to reject this application given the harm it will do to producers, public access for hunting and recreation, and hunter spending in the town of Carson. Additionally, this sale could set a dangerous precedent allowing a single large absentee landowner to expand his holdings while replacing it with fewer acres of a lower value to the people of this state. We need to protect every acre we can for the benefit of all, not the profit of the few.</p>
	11/5/21	Written – email	Jerry Saude	<p><b>Statement in Opposition to the actions being proposed under NDAC 85-04-07 &amp; 85-04-08</b></p> <p>This is a land trade that you are proposing to do. Land trades are addressed in the constitution and this trade of <i>“land for land with an individual”</i> is not allowed under the North Dakota Constitution. The office of the ND Attorney General has in the past opined that only a constitutional change could remedy this action. Subsequently, twice the House and Senate have passed legislation to bring this question to the voters and twice it failed. It was a land management tool sought after by the State Land Dept, AKA Dept of Trust Lands, in a limited capacity.</p> <p>If the use of Administrative Code can in fact circumvent the state constitution, then a tenet of democracy is under attack.</p> <p>Having been a past employee of this state agency I have firsthand knowledge of many aspects of this application. The applicants purchased adjacent property to these tracts of trust lands in Grant County in 2004 and have truly lusted after and coveted the trust lands they have leased since then. The applicants were driven to reach out to all board members to amend the sale policy so that they might get these tracts brought to sale. The Land Commissioner at that time did bring an amendment to the “Land Sale Policy” to require a no net loss to trust acreages if a sale were to deviate from the long-standing policy. As adopted, it was unworkable and heavily tilted to the favor of the Trusts.</p> <p>With past legislative vindictiveness and intent to reign in the Land Commissioner and the Board of University and School Lands, the exemption to ND Administration Rules was removed. So now a former board policy has evolved and become a rule under NDAC.</p> <p>Furthermore, the inclusion of the SE4 of Section 36 to this application is another overreach. Section 36 is <math>\frac{3}{4}</math> owned by the Common Schools Trust with only the SW4 previously sold. A sounder approach to a legal trade, if the constitution allowed it, would be to trade the 2 state holdings in sections 28 &amp; 32 for the applicants privately held SW4 of Section 36, thereby putting all of section 36 back into state management and adding additional productive cropland into the asset mix.</p> <p>The board’s evaluation of lands in the packet, show an appraised value on the Hettinger County land being offered by the applicants at nearly \$1,600/acre. County records reviewed this evening show the applicants received a personal representatives deed from an estate, being recorded in July, 2021. The applicants in fact paid just \$1,000/acre. So, did the applicants have actual ownership of their offering to you at the time of</p>

				<p>application? Did they know it was being valued for \$1,600/acre for the trade, when they were contracting for \$1,000/acre?</p> <p><b>Again, I respectfully offer these comments in opposition to the application that you are considering and ask that the Attorney General review the history of this Sale/Trade conflict.</b></p>
--	--	--	--	---

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

November 29, 2021

**RE: Summary of Fall Surface Lease Auctions**

The 2021 fall lease auctions were completed in October. The following table is a summary of the fall lease results as compared to the 2019 in-person fall auctions and the 2020 online auctions.

	<b>2019</b>	<b>2020</b>	<b>2021</b>
Number of counties	34	36	34
Total tracts offered	1146	1039	1503
Number of tracts bid unleased	78	43	34
Number of tracts bid-up	146	208	174
Total amount of minimum advertised bids	\$2,546,925	\$2,001,193	\$2,729,707
Total amount received	\$2,418,748	\$2,330,000	\$3,062,820
Total amount collected over minimum bid	\$128,177	\$328,807	\$333,113

All payments from the fall auctions have cleared and no issues remain.

The 34 unleased tracts will be offered again in March of 2022 at the spring auctions.

With the Board's approval of leases today the Department will process the lease documents for the lessees.

**Recommendation: The Board approves the 1,469 surface leases resulting from the fall 2021 surface lease auctions.**

<b>Action Record</b>	<b>Motion</b>	<b>Second</b>	<b>Aye</b>	<b>Nay</b>	<b>Absent</b>
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Stenehjem					
Governor Burgum					



# MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

---

## **RE: Information Technology Project Status Update**

(No Action Requested)

The Department of Trust Land's (Department) 2017-2019 biennial budget appropriation includes \$3.6 million to replace legacy information technology (IT) systems as authorized by Senate Bill 2013 of the Sixty-fifth Legislative Assembly.

Severe limitations in the current IT system, including redundant manual processes, have hampered efficiencies. Many of the Department's core data management systems were developed in the 1980s and 1990s, using designs and tools no longer supported by vendors. Some supplemental system improvements and purchases have been implemented; however, the outdated database structure restricts many potential improvements.

On April 29, 2019, the new system for Unclaimed Property was successfully launched.

On July 1, 2020, the new Financial Management and Accounting system was successfully launched.

On September 14, 2020, the Revenue Compliance Division successfully launched the migrated and updated software system.

On November 8, 2021, the Surface Land Management System successfully launched. The Department is currently working through the implementation of specific processes that were considered non-critical for go-live. Additionally, the web-portal launched on December 8, 2021. Funding was requested through the American Rescue Plan Act to support expansion of the web portal to enhance and to allow for online transactions; however, the funding request was not appropriated.

Additional capital funding was approved through Senate Bill 2013 to support the implementation of software for the Minerals Division. The Department will work with our vendor to determine an appropriate schedule for the building and implementation of a Minerals Management system.

## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

---

### **RE: Definitions, Unclaimed Property, Surface Land Management, and Minerals Management Administrative Rules**

Due to statutory changes made during the Sixty-seventh Legislative Assembly, the Department of Trust Lands (Department) proposes changes to Title 85, Board of University and School Lands, of the North Dakota Administrative Code as follows:

#### North Dakota Administrative Code § 85-01-01-01:

Repeal of N.D.A.C. ch. 85-06-01, Administrative Rules relating to public access, necessitated revisions to the N.D.A.C. § 85-01-01-01, including removal of the definition of the word vehicle, which resulted in renumbering the remaining definitions. The definition of encumbrance was revised to be more encompassing of all types of encumbrances. Due to the repeal and reenactment of the Unclaimed Property Act it was necessary to make a clerical correction as to the chapter number. All revisions are spelled out in the attached proposed rules.

#### North Dakota Administrative Code ch. 85-03:

Due to the repeal of the Unclaimed Property Act (N.D.C.C. ch. 47-30.1), and the enactment of the Revised Uniform Unclaimed Property Act (N.D.C.C. ch. 47-30.2) under Senate Bill 2048, the Department proposes revisions to Article 85-03, Unclaimed Property, of the North Dakota Administrative Code. Many of the revisions relate to clerical corrections regarding references to the North Dakota Century Code chapter, general authority, and law implemented. Further, certain administrative rules were repealed to reflect information that now appears in statute as part of N.D.C.C. ch. 47-30.2, while other proposed rules were added based on new requirements under the law. The most significant change relates to the addition of a chapter regarding Examinations. All revisions are spelled out in the attached proposed rules.

#### North Dakota Administrative Code ch. 85-04-05:

House Bill 1081 was brought to address enforcement mechanism concerns for N.D.A.C. ch. 85-04-05, Public Access and Use. With the passage of HB 1081, all of N.D.A.C. ch. 85-04-05 was incorporated into N.D.C.C. ch. 15-08. Therefore, the Department requests repeal of this chapter in its entirety. All revisions are spelled out in the attached proposed rules.

#### North Dakota Administrative Code § 85-06-01-12:

Due to changes in N.D.C.C. §§ 15-05-10 and 47-16-39.1, as provided in House Bill 1080, the Department proposes revising N.D.A.C. § 85-06-01-12 as it relates to penalty and interest calculations. Waiver of penalty and interest was also removed from this section of the administrative code based on the revised language in N.D.C.C. § 15-05-10. All revisions are spelled out in the attached proposed rules.

On August 26, 2021, the Board authorized the Commissioner to proceed with a public comment period and the collection of comments. Additionally, the Board authorized the Commissioner to submit to Legislative Council the Administrative Rules.

The Department received comments relating to Article 85-03, Unclaimed Property. The Department is recommending revising the originally proposed Administrative Rules, as shown in the attached red-line version (Attachment 1), prior to submitting to the Attorney General's Office for review. Attachment 2 is

a summary of the comments received, the discussion and review by the Department, and the action taken concerning the proposed rules and changes made based on the comments and discussions.

The following is a summary of the changes provided in Attachment 1, the proposed Administrative Rules as revised after the public comment period. Changes after comments include:

85-03-02-05:

- Title changed.
- Narrowed the scope to further define due diligence requirements for specific types of securities accounts.

**Recommendation: The Board approves the Commissioner to proceed in submitting the proposed revised Administrative Rules for Land Sale, Land Exchange and Offset Wells.**

<b>Action Record</b>	<b>Motion</b>	<b>Second</b>	<b>Aye</b>	<b>Nay</b>	<b>Absent</b>
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Stenehjem					
Governor Burgum					

Attachment 1 – Administrative Rules (showing redlines to 85-03-02)

Attachment 2 – Summary of Comments

**ARTICLE 85-01  
GENERAL ADMINISTRATION**

Chapter  
85-01-01            Definitions and General Provisions

**CHAPTER 85-01-01  
DEFINITIONS AND GENERAL PROVISIONS**

Section  
85-01-01-01        Definitions  
85-01-01-02        Exception

**85-01-01-01. Definitions.**

The following definitions, in addition to the definitions in North Dakota Century Code chapters 15-05, 15-06, 15-07, 15-08, 15-08.1, 38-09, 47-06, ~~47-30.1~~47-30.2, and 57-62, apply to this title:

1. "Acquired lands" includes all property defined as "nongrant" and "other than original grant lands" in North Dakota Century Code section 15-07-01.
2. "Arm's length transaction" means a transaction between parties with adverse economic interests in which each party to the transaction is in a position to distinguish its economic interest from that of the other party and does not mean a transaction made by a corporation or other entity with itself, or a parent, subsidiary, or interrelated corporation or entity, or between partners or co-joint venturers, or between corporations or other entities having interlocking directorships or close business relationships that may compromise their individual interests.
3. "Agricultural use" includes the use of trust lands for the purpose of grazing, cropping, haying, and honey bee pasture or meadow.
4. "Board" means the board of university and school lands.
5. "Bonus" means the monetary consideration paid by a lessee for the execution of a lease by the board.
6. "Certified appraiser" means a certified general appraiser or a certified residential appraiser who holds a valid permit issued by the North Dakota real estate appraiser qualifications and ethics board.
7. "Coal" means a dark-colored compact and earthy organic rock with less than forty percent inorganic components, based on dry material, formed by the accumulation and decomposition of plant material. The term includes consolidated lignitic coal, in both oxidized and nonoxidized forms, and leonardite, having less than eight thousand three hundred British thermal units per pound [453.59 grams], moist and mineral matter free, whether or not the material is enriched in radioactive materials.
8. "Coal lease" means a contract entered between the board and a third party for a coal mining operation on trust lands.
9. "Coal leased premises" means the land subject to a given coal lease.
10. "Coal mining operation" means any type of activity conducted to discover, or prospect for, the presence of coal, or to remove the coal so discovered from its original position on or in the land by any means whatsoever.
11. "Commercial quantities" means whether:

- a. The well yields a profit exceeding operating costs over a reasonable period of time; and
  - b. A reasonably prudent operator would continue operating a well in the manner being operated under the facts and circumstances.
12. "Commissioner" means the commissioner of university and school lands.
  13. "Construction aggregate" means gravel, sand, scoria, road material, building stone, colloidal or other clays, and cement materials.
  14. "Construction aggregate lease" means a contract entered between the board and a third party for mining of construction aggregate on trust lands.
  15. "Construction aggregate leased premises" means the land area subject to a given construction aggregate lease.
  16. "Construction aggregate mining operation" means any type of activity conducted to discover, or prospect for, the presence of construction aggregate, or to remove the construction aggregate so discovered from its original position on or in the land by any means whatsoever.
  17. "Custodial agreement" means an agreement between the lessee and a third party in which the lessee agrees to take custody of livestock not owned by the lessee for a specified period of time and to provide day-to-day care for the livestock.
  18. "Delay rental" means the annual minimum payment given to maintain a lease in the absence of production in commercial quantities during the primary term.
  19. "Department" means the office of the commissioner and the department of trust lands.
  20. "Disturbed" means any alteration of the surface or subsurface of any lands subject to a lease or encumbrance with the board.
  21. "Encumbrance" means a right other than an ownership interest in real property. The term includes easements, permits, surface damage agreements and any other restrictions, encroachments, licenses, mortgages, and liens that relate to trust lands, and specifically excludes ~~leases for agricultural use, construction aggregate, sodium sulfate, chemical substances, metallic ores, uranium ores, and oil, gas, and coal~~ which are administered separately.
  22. "Fair market value" means the price set by the commissioner after an analysis of prices paid for similar products or services in the local area under article 85-04.
  23. "F.O.B." means free on board.
  24. "Gas" means all natural gas and all other gaseous or fluid hydrocarbons not defined as oil, but does not include coal, lignite, oil shale, or similar hydrocarbons.
  25. "Gas well" means a well producing gas or natural gas from a common source of gas supply as determined by the North Dakota industrial commission, other than from coalbed methane.
  26. "Gross proceeds" means the sum of all consideration in whatever form or forms, paid for the gas attributable to the lease.
  27. "Invasive species" means a species that is nonnative to the ecosystem under consideration and whose introduction causes or is likely to cause economic or environmental harm or harm to human health.

28. "Market value" means the price a willing buyer would pay a willing seller in an arm's length transaction in which the buyer is not compelled to buy or the seller is not compelled to sell.
29. "Net construction aggregate interest" means the undivided portions of the total construction aggregate estate on a given tract of land.
30. "Offset drainage" means the drainage of oil or gas to an adjoining tract of land on which a well is being drilled or is already in production.
31. "Offset well" means any well drilled opposite another well on adjoining property with the specific purpose of preventing drainage to the adjoining property.
32. "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity produced in liquid form and the liquid hydrocarbons known as distillate or condensate recovered or extracted from gas, other than gas produced in association with oil and commonly known as casinghead gas.
33. "Oil and gas lease" means a contract entered between the board and a third party for oil and gas production.
34. "Oil and gas leased premises" means the land subject to a given oil and gas lease.
35. "Oil well" means a well capable of producing oil and which is not a gas well as defined herein.
36. "Original grant lands" means all those lands granted to the state of North Dakota by virtue of the Enabling Act of 1889, as further defined in North Dakota Century Code section 15-06-01.
37. "Payor" means either the lessee or an entity other than the lessee who assumes, or agrees to perform, any of the lessee's rights and responsibilities under a lease.
38. "Pest" means any insect, rodent, nematode, fungus, weed, any form of terrestrial or aquatic plant or animal life, viruses, bacteria, or other micro-organisms, except viruses, bacteria, or other micro-organisms, whose presence causes or is likely to cause economic or environmental harm or harm to human health.
39. "Surface land lease" means a contract entered between the board and a third party for agricultural use on trust lands.
40. "Surface land leased premises" means the land area subject to a given surface land lease.
41. "Terminate," unless otherwise provided, has the same meaning as the word "cancel."
42. "Trust lands" means any property owned by the state of North Dakota and managed by the board.
43. "Trusts" means permanent trusts and other funds managed or controlled by the board.
- ~~44. "Vehicle" means every device in, upon, or by which any person or property may be transported or drawn upon a public highway or trail, except devices moved by human power.~~
45. "Vertical oil and gas well" means a well, the wellbore of which is drilled on a vertical or directional plane into a non-shale formation and is not turned or curved horizontally to allow the wellbore additional access to the oil and gas reserves in the formation.
46. "When run" means that point in the time when the production from a well is removed or sold from the leased premises and delivered to the purchaser or user of such production; for purposes of computing royalties, that point in time must be considered to be 7:00 a.m., on the day the production is delivered, using central standard time, to the purchaser or user regardless of the actual time delivered.

**History:** Effective January 1, 2019; amended effective January 1, 2020; January 1, 2021; \_\_\_\_\_.

**General Authority:** NDCC 15-05-05, 15-07-20, 15-08.1-06, 28-32, 61-33-06

**Law Implemented:** NDCC 4.1-47-04, 15-01, 15-04, 15-05, 15-07, 15-08, 15-08.1

**ARTICLE 85-03  
UNCLAIMED PROPERTY**

Chapter	
85-03-01	Definitions
85-03-02	Reporting Abandoned Property
85-03-03	Claiming Property
<u>85-03-04</u>	<u>Examinations</u>

**CHAPTER 85-03-01  
DEFINITIONS**

Section	
85-03-01-01	Definitions

**85-03-01-01. Definitions.**

The following definitions, in addition to the definitions in North Dakota Century Code chapter ~~47-30.1-47-30.2~~, apply to this article:

1. "Claim" means the formal filing that initiates the process of returning unclaimed property to the rightful owner.
2. "Claimant" means the individual submitting the claim form for unclaimed property.
3. "Claim form" means the form prescribed by the administrator by which a claim can be initiated.
4. "Due diligence" means the holder's efforts to contact the owner prior to remitting property to the administrator, as required under North Dakota Century Code ~~section 47-30.1-17~~sections 47-30.2-26 and 47-30.2-27.
5. "Heir finder" means an individual or business that assists owners in locating unclaimed property for a fee.

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC ~~47-30.1-38~~47-30.2-03

**Law Implemented:** NDCC ~~47-30.1~~47-30.2



**CHAPTER 85-03-02**  
**REPORTING ABANDONED PROPERTY**

Section	
85-03-02-01	Electronic Reporting of Abandoned Property
85-03-02-02	Information Contained in Reports
85-03-02-03	<del>Due Diligence</del> <u>Repealed</u>
85-03-02-04	Mineral Proceeds
85-03-02-05	<del>Early Reporting</del> <u>Repealed</u>
85-03-02-06	<u>Holder Notice to Apparent Owner</u>

**85-03-02-01. ~~Electronic reporting~~Reporting of abandoned property.**

A holder shall report abandoned property ~~electronically~~ to the administrator in the standard national association of unclaimed property administrators' format.

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC ~~47-30.1-38~~47-30.2-03

**Law Implemented:** NDCC ~~47-30.1-17, 47-30.1-27~~47-30.2-21, 47-30.2-22, 47-30.2-23, 47-30.2-32, 47-30.2-37

**85-03-02-02. Information contained in reports.**

In addition to the requirements in North Dakota Century Code section ~~47-30.1-17~~47-30.2-22, a holder shall submit the following information in the report, if available:

1. ~~Owner social security number;~~
- ~~2. Identifying check, account, or policy number;~~
- ~~3.2. Owner date of birth; and~~
- ~~4. Payee and remitter information for all cashier's checks, money orders, and traveler's checks; and~~
- ~~5.3. For mineral proceeds, a legal land description, well number, recording information, and any other information to adequately describe the lease.~~

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC ~~47-30.1-38~~47-30.2-03

**Law Implemented:** NDCC ~~47-30.1-17, 47-30.1-27~~47-30.2-21, 47-30.2-22, 47-30.2-23

**85-03-02-03. ~~Due diligence~~--Repealed**

~~Holder due diligence, including written or electronic communication, must include:~~

- ~~1. A deadline for owner response to holder;~~
- ~~2. Property type;~~
- ~~3. Property value; and~~
- ~~4. Unclaimed property division contact information.~~

**History:** Effective January 1, 2019.

**General Authority:** NDCC ~~47-30.1-38~~

**Law Implemented:** NDCC ~~47-30.1-17~~

#### **85-03-02-04. Mineral proceeds.**

A holder shall accumulate mineral proceeds and submit an annual lump sum report to the administrator ~~by~~before November first for the amount due through June thirtieth.

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC ~~47-30.1-38~~47-30.2-03

**Law Implemented:** NDCC ~~47-30.1-16.1, 47-30.1-17, 47-30.1-~~47-30.2-04, 47-30.2-21, 47-30.2-22, 47-30.2-23, 47-30.2-32

#### **85-03-02-05. Early reporting--~~Repealed~~**

~~—A holder may report property before it is deemed abandoned if the holder:~~

~~—1. Has been granted prior written approval by the administrator; and~~

~~—2. Demonstrates to the satisfaction of the administrator that due diligence has been performed.~~

**History:** Effective January 1, 2019.

**General Authority:** NDCC ~~47-30.1-38~~

**Law Implemented:** NDCC ~~47-30.1-17, 47-30.1-27~~

#### **85-03-02-06. ~~Holder n~~Notice to apparent owner by holder of automatic reinvestment account.**

~~For instances of automatic re-investment of dividends and interest accounts and accounts with automatic withdrawals or deposits~~For accounts containing a security as defined in subsection 30 of North Dakota Century Code section 47-30.2-01 that allow for automatic reinvestment of dividends or interest and where there is no record of indication of apparent owner interest in the property as defined in North Dakota Century Code section 47-30.2-12, holders shall provide notice via certified mail to the apparent owner at a minimum of once every three years in a format substantially similar to that required in North Dakota Century Code section 47-30.2-27. A return of a certified mail return receipt signed by the apparent owner shall constitute evidence of indication of apparent owner interest in the subject property as required by North Dakota Century Code section 47-30.2-12. The holder shall retain all valid return receipts as records of indication of apparent owner interest. A return to sender as undeliverable or not signed by the apparent owner shall cause the property to be subject to due diligence procedures pursuant to North Dakota Century Code sections 47-30.2-26 and 47-30.2-27. A deceased individual cannot demonstrate an ownership interest in property.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03

**Law Implemented:** NDCC 47-30.2-12, 47-30.2-26, 47-30.2-27

## CHAPTER 85-03-03 CLAIMING PROPERTY

### Section

85-03-03-01	<del>Claims</del> <u>Repealed</u>
85-03-03-02	Required Documentation
85-03-03-03	Payment of Claim
85-03-03-04	Heir Finder Requests
85-03-03-05	Claims Submitted by Heir Finder

### **85-03-03-01. ~~Claims~~Repealed**

~~—A claim must be submitted on a claim form and signed under penalty of perjury.~~

**History:** Effective January 1, 2019.

**General Authority:** NDCC 47-30.1-38

**Law Implemented:** NDCC 47-30.1-24, 47-30.1-24.1, 47-30.1-25

### **85-03-03-02. Required documentation.**

A claimant shall provide adequate documentation to establish ownership of the abandoned property, including photo identification and documentation of social security number.

1. The following additional documentation is required when a claim is submitted on behalf of:
  - a. Deceased individuals: Copy of death certificate and documentation providing legal claim authority.
  - b. Business claims: Federal employer identification number and documentation providing legal claim authority.
  - c. Incapacitated individuals: Copy of documentation providing legal claim authority.
2. If there are multiple owners, all reported owners or the legal representative shall submit a claim form.
3. The administrator may request additional documentation necessary to support a claim.
4. If a claimant chooses to donate the property to the common schools trust fund, required documentation remains the same.

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.1-38 47-30.2-03

**Law Implemented:** NDCC 47-30.1-24, 47-30.1-24.1, 47-30.1-25 47-30.2-50, 47-30.2-51, 47-30.2-52

### **85-03-03-03. Payment of claim.**

Upon approval of a claim, payment must be issued:

1. In the name of the reported owner;
2. In accordance with a court order; or
3. In the name of the rightful owner, as determined by the administrator, based on the records of the holder and other information available to the administrator.

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.1-38 47-30.2-03

**Law Implemented:** NDCC ~~47-30.1-24, 47-30.1-25~~47-30.2-50, 47-30.2-51, 47-30.2-52

**85-03-03-04. Heir finder requests.**

1. An electronic list of owners must be provided upon request. The list includes:
  - a. Property held by the unclaimed property division as of the date of the request;
  - b. Owner's name;
  - c. Owner's last known address;
  - d. Holder information;
  - e. Date of last activity; and
  - f. Type of property.
2. A paper copy of the list must be provided upon request for a fee to be set by the administrator.

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC ~~47-30.1-38~~47-30.2-03

**Law Implemented:** NDCC ~~47-30.1-19.144-04,~~ 47-30.2-03

**85-03-03-05. Claims submitted by heir finder.**

An approved claim submitted by an heir finder must be paid in the name of the original owner.

**History:** Effective January 1, 2019, amended effective \_\_\_\_\_.

**General Authority:** NDCC ~~47-30.1-38~~47-30.2-03

**Law Implemented:** NDCC ~~47-30.1-24, 47-30.1-35~~47-30.2-50, 47-30.2-51, 47-30.2-52, 47-30.2-68, 47-30.2-69, 47-30.2-70

**CHAPTER 85-03-04**  
**EXAMINATIONS**

Section

<u>85-03-04-01</u>	<u>Contract Auditors</u>
<u>85-03-04-02</u>	<u>Notice of Examination</u>
<u>85-03-04-03</u>	<u>Entrance Conference</u>
<u>85-03-04-04</u>	<u>Examination Refusal</u>
<u>85-03-04-05</u>	<u>Examination Guidelines</u>
<u>85-03-04-06</u>	<u>Estimation</u>
<u>85-03-04-07</u>	<u>Multistate Examinations</u>
<u>85-03-04-08</u>	<u>Bankruptcy</u>
<u>85-03-04-09</u>	<u>Audit Resolution Agreements</u>
<u>85-03-04-10</u>	<u>Voluntary Disclosure Agreement Program</u>

**85-03-04-01. Contract auditors.**

1. The administrator may contract with a person to conduct unclaimed property examinations to determine compliance with the North Dakota Century Code chapter 47-30.2.
2. A contract to conduct an examination may provide for compensation of the person based on a fixed fee, hourly fee, or contingent fee.
3. An auditor shall not engage in any unclaimed property examination to determine compliance with North Dakota Century Code chapter 47-30.2 without written authorization from the administrator.
4. An auditor shall report in writing to the administrator at least monthly on the status of all unclaimed property examinations the auditor has been authorized to perform by the administrator.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-55

**85-03-04-02. Notice of examination.**

1. All unclaimed property examinations begin with an official notice of examination.
2. A notice of examination shall notify the person subject to examination that:
  - a. Its books and records, including those belonging to subsidiary and related entities or maintained by a third party that has contracted with the person, are subject to examination;
  - b. Identify the assigned auditor; and
  - c. Include auditor contact information.
3. A notice of examination may either be sent directly to the person subject to examination

by the administrator or to the auditor assigned to the examination for delivery to the person subject to examination.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-55

#### **85-03-04-03. Entrance conference.**

1. Once an examination is assigned and written notice of examination is provided to the person subject to examination, an entrance conference will be scheduled with the auditor and representatives of the person subject to examination. A representative of the administrator may participate in an entrance conference.
2. During the entrance conference, the auditor shall, to the extent practicable:
  - a. Identify the types of property that will be subject to the examination and the time period covered by the examination;
  - b. Discuss an examination work plan, a tentative schedule, and the scope of work;
  - c. Provide contact information for both the auditor and the administrator;
  - d. Notify the person subject to examination of his or her ability to request an informal conference with the administrator pursuant to North Dakota Century Code section 47-30.2-61;
  - e. Advise the person subject to examination that the administrator and not the auditor makes determinations concerning that person's liability under North Dakota Century Code chapter 47-30.2 and that interpretations of that chapter are made by the administrator;
  - f. Request records and materials necessary to proceed with the next steps of the examination;
  - g. Explain the requirement to provide a due diligence notice to the apparent owner of property presumed abandoned; and
  - h. Explain that, unless otherwise agreed to in writing by the administrator, the person subject to examination shall remit to the auditor any unclaimed property identified during the examination that is owed to the State of North Dakota.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-55, 47-30.2-57, 47-30.2-58, 47-30.2-61, 47-30.2-62

#### **85-03-04-04. Examination refusal.**

If the person subject to examination refuses to adhere to the rules and laws, the auditor shall inform the administrator of the refusal and the commissioner may bring action to enforce the rules and laws as outlined in North Dakota Century Code chapter 47-30.2, including issuing an administrative subpoena.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2

### **85-03-04-05. Examination guidelines.**

1. The auditor and the person subject to examination shall act in good faith to conduct the examination under the terms and within the time frame established in the entrance conference.
2. During the examination, the auditor may make subsequent requests, to the person subject to examination, for additional books and records required to complete the examination.
  - a. The auditor shall submit record requests to the person subject to examination in writing or, if the request is made verbally, shall follow up with written documentation of the request.
  - b. Record requests must have reasonable deadlines in order to move the examination forward and avoid unnecessary delays.
  - c. The auditor shall provide a reasonable timeframe for the person subject to examination to respond to the request based on the type and extent of the information requested and other relevant facts and circumstances.
  - d. The auditor shall provide confirmation of receipt with reasonable projected response times to submissions received from the person subject to examination.
3. The examination must include access to the original books, records, and other supporting documentation deemed by the administrator to be necessary to ascertain compliance with North Dakota Century Code chapter 47-30.2.
4. The auditor shall properly document the examination and make the working papers gathered during the unclaimed property examination available for review by the administrator. The working papers must include planning information and all related calculations, statistical analyses, and summarizations.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-55, 47-30.2-57, 47-30.2-58

### **85-03-04-06. Estimation.**

Concerning estimation under North Dakota Century Code section 47-30.2-59:

1. Unless agreed to by a person subject to examination, estimation should be used only when there has been a violation of North Dakota Century Code section 47-30.2-24. The ability of the administrator to use estimation is intended as a deterrent to the intentional or negligent destruction of records that would be used in an unclaimed property examination to identify unclaimed property.
2. A payment made based on estimation under this section does not relieve a person from an obligation to report and deliver property to a state in which the holder is domiciled.
3. An auditor may use estimation in an examination if:
  - a. The person subject to examination agrees in writing to the use of estimation as part of an examination resolution agreement; or
  - b. The administrator approves in writing the use of estimation in the examination.
4. Estimation by the administrator should reasonably approximate the amount of unclaimed property that should have been reported to North Dakota if all reports had been filed and records had been maintained as required by North Dakota Century Code chapter 47-30.2.
5. Prior to the use of estimation in an examination, the administrator shall:
  - a. Notify the person subject to examination, in writing, that estimation is being considered because of a failure to maintain the records required by North Dakota Century Code section 47-30.2-24;
  - b. After considering any evidence submitted by the auditor and the person subject to examination, make a written determination that the person subject to examination has failed to maintain the records required by North Dakota Century Code section 47-30.2-24;
  - c. Provide an opportunity for the person subject to examination to submit written objections, including, but not limited to:
    - (1) Submitting evidence that the person subject to examination has maintained sufficient records to perform the examination for some or all of the years during the time period covered by the examination; or
    - (2) Proposing an estimation methodology;
  - d. Notify in writing the person subject to examination of:
    - (1) The estimation methodology to be used; and
    - (2) For which years during the time period covered by the examination estimation will be used.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56



**85-03-04-07. Multistate Examinations.**

1. The administrator may agree to participate in an examination of a person for compliance with unclaimed property laws of multiple states, including North Dakota Century Code chapter 47-30.2, when auditors perform examinations for more than one state.
2. As different states participating in a multistate examination will have different rules for examinations, there may be conflicts between the statutory or regulatory requirements for how the auditor should conduct the examination. When practicable, the auditor should comply with the requirements of this section when conducting a multistate examination. However, if there is a conflict between the requirements of this section and the requirements of one or more other states, the auditor may vary from the requirements of this section so long as the auditor:
  - a. Follows any requirements imposed by North Dakota Century Code chapters 44-04 and 47-30.2, including confidentiality requirements; and
  - b. Uses North Dakota Century Code chapter 47-30.2 with regards to any property for which the State of North Dakota has the superior claim.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-55, 47-30.2-57, 47-30.2-63, 47-30.2-64

**85-03-04-08. Bankruptcy.**

If, at any time before or during an examination, the person subject to examination files for bankruptcy, that person shall give notice of the filing to the auditor. The auditor shall, within seven calendar days after receiving notice or the discovery of the event, notify the administrator of the bankruptcy filing. If the administrator so elects, the auditor shall assist the administrator to ensure that a proper proof of claim is timely filed in the bankruptcy action.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-55, 47-30.2-58, 47-30.2-62

**85-03-04-09. Examination resolution agreements.**

1. The commissioner may resolve an examination via negotiation and settlement with the person subject to examination.
2. The commissioner shall not agree in a settlement to provide indemnification beyond that provided in North Dakota Century Code chapter 47-30.2.
3. A mutually-agreed upon settlement resolves a specific examination and does not create

any precedent on specific legal issues.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-03, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-55, 47-30.2-58, 47-30.2-62

**85-03-04-10. Voluntary disclosure agreement program.**

1. The administrator may establish a voluntary disclosure agreement program for persons who are not in compliance with North Dakota Century Code chapter 47-30.2.
2. Under a voluntary disclosure agreement program, the commissioner may agree to waive, in whole or in part, interest and penalties for a person who voluntarily reports and remits to the administrator property that should have been previously reported, paid or delivered to the administrator pursuant to North Dakota Century Code chapter 47-30.2. The voluntary disclosure agreement program includes property that is reportable pursuant to the transition provisions of North Dakota Century Code section 47-30.2-74. Property reportable under North Dakota Century Code chapter 47-30.2 or the previous Uniform Unclaimed Property Act may be eligible to be voluntarily reported and remitted under the voluntary disclosure agreement program.
3. A person who has been sent an official notice of examination may not participate in the voluntary disclosure agreement program.
4. Participation in the administrator's voluntary disclosure agreement program does not waive or otherwise limit the administrator's authority to order and conduct an unclaimed property examination pursuant to North Dakota Century Code section 47-30.2-55.

**History:** Effective \_\_\_\_\_.

**General Authority:** NDCC 47-30.2-21, 47-30.2-56

**Law Implemented:** NDCC 47-30.2-22, 47-30.2-55, 47-30.2-58, 47-30.2-59, 47-30.2-62, 47-30.2-65, 47-30.2-66, 47-30.2-67, 47-30.2-74

**CHAPTER 85-04-05  
PUBLIC ACCESS AND USE**

Section

- 85-04-05-01 — Vehicular Access
- 85-04-05-02 — Public Access
- 85-04-05-03 — Prohibited Activities
- 85-04-05-04 — Organized Event

~~85-04-05-01. Vehicular access.~~

~~The use of vehicles on trust lands is prohibited, except:~~

- ~~1. Within thirty three feet [10.06 meters] of section lines;~~
- ~~2. As allowed by the terms of a lease, permit, or easement issued by the board;~~
- ~~3. When used for travel on a public road easement issued by the board;~~
- ~~4. When used by government personnel in the performance of official duties; or~~
- ~~5. When hunting under a special permit issued by the director of the North Dakota game and fish department to shoot from a stationary vehicle and with written permission from the lessee and commissioner.~~

~~History:~~ Effective January 1, 2020.

~~General Authority:~~ NDCC 28-32-02

~~Law Implemented:~~ NDCC 15-01-02, 20.1-02-05(10)

~~85-04-05-02. Public access.~~

- ~~1. Nonvehicular public access to leased and unleased trust lands is allowed, if in the best interests of the trusts, unless:~~
  - ~~a. Specifically prohibited by the commissioner; or~~
  - ~~b. The lessee posts the land with signage issued by the department, which:~~
    - ~~(1) Requires notification to the lessee before entry by the public; or~~
    - ~~(2) Closes the trust lands to all public access.~~
- ~~2. Lessee may not lease, sell, or otherwise be compensated for access to, on, across, or over leased trust lands.~~

~~History:~~ Effective January 1, 2020.

~~General Authority:~~ NDCC 28-32-02

~~Law Implemented:~~ NDCC 15-01-02, 15-02-05

~~85-04-05-03. Prohibited activities.~~

~~The following activities and items are prohibited on trust lands:~~

- ~~1. Target shooting, explosives, and exploding targets;~~
- ~~2. Camping, picnicking, or campfires;~~
- ~~3. Unattended hunting blinds, tree stands, and screw in steps;~~

- ~~4. Baiting to attract, lure, feed, or habituate wildlife for any purpose. Bait includes grains, screenings, minerals, salt, fruits, vegetables, hay, or any other natural or manufactured feeds. Bait does not include the use of lures, scents, or liquid attractants for hunting;~~
- ~~5. Disturbing or removing artifacts or any cultural, historical, archeological, or paleontological resources found on trust lands without written permission from the board;~~
- ~~6. Disposing of refuse, including garbage, bottles, cans, trees, branches, or other waste materials;~~
- ~~7. Dog training;~~
- ~~8. Metal detecting;~~
- ~~9. Guiding and outfitting;~~
- ~~10. Collecting plant parts for sale or other commercial purposes;~~
- ~~11. Trapping, unless authorized in writing by the commissioner;~~
- ~~12. Tree cutting and firewood gathering, unless authorized in writing by the commissioner; and~~
- ~~13. Beehives, unless specifically authorized in a surface land lease.~~

**History:** Effective January 1, 2020.

**General Authority:** NDCC 28-32-02

**Law Implemented:** NDCC 15-01-02, 15-02-05, 15-04-18, 15-04-20, 20-1-03-42, 55-02-07, 55-10-09

~~**85-04-05-04. Organized event.**~~

~~Upon written request, the commissioner may allow by written agreement or permit, an organized event involving public access or activity on trust lands if the event:~~

- ~~1. Is an appropriate use of trust lands;~~
- ~~2. Does not damage trust lands;~~
- ~~3. Does not negatively impact the value or financial return of the trust lands in violation of the board's fiduciary duty to the applicable trusts as determined by the commissioner;~~
- ~~4. Protects the state of North Dakota from liability and other claims for damage; and~~
- ~~5. Has been approved by the current surface land lessee, if leased.~~

**History:** Effective January 1, 2020.

**General Authority:** NDCC 28-32-02

**Law Implemented:** NDCC 15-01-02

**ARTICLE 85-06  
MINERALS MANAGEMENT**

Chapter	
85-06-01	Oil and Gas
85-06-02	Coal

**CHAPTER 85-06-01  
OIL AND GAS**

Section	
85-06-01-01	Oil and Gas Lease Nomination
85-06-01-02	Advertisement for Public Auction
85-06-01-03	Public Auction
85-06-01-04	Rejection of Nomination and Bids
85-06-01-05	Form and Term of Oil and Gas Lease
85-06-01-06	Assignment, Amendment, or Extension
85-06-01-07	Voluntary Release
85-06-01-08	Royalties
85-06-01-09	Disputed Title Royalty Escrow Account
85-06-01-10	Breach of Oil and Gas Lease
85-06-01-11	Board Review
85-06-01-12	Reports of Lessee - Delinquency Penalty
85-06-01-13	Audit and Examination
85-06-01-14	Request for Shut-In Status for Oil
85-06-01-15	Offset Obligations for Vertical Oil and Gas Wells

**85-06-01-12. Reports of lessee - Delinquency penalty.**

Royalty payment and reporting are due on forms prescribed by the department as follows:

1. For gas:
  - a. Within one hundred twenty-three days of the last day of the month in which initial production occurs, royalty payment and reporting are due for the first, second, and third months of production.
  - b. Successive royalty payments and reporting are due within sixty-one days of the last day of the month in which production occurs.
2. For oil:
  - a. Within ninety-two days of the last day of the month in which initial production occurs, royalty payment and reporting are due for the first, second, and third months of production.
  - b. Successive royalty payments and reporting are due within thirty days of the last day of the month in which production occurs.
3. The royalty payment and reporting deadline may be extended by the commissioner upon written request. An extension, if granted, only applies to future royalty payments and reporting.
4. Any sum, other than delay rentals, not paid when due is delinquent and is subject to a delinquency penalty of one percent of the sum for each thirty day period of delinquency or fraction of delinquency period, unless a waiver or board review is requested under subsection 6. For leases issued after July 31, 2021, any penalty must be calculated pursuant to North Dakota Century Code section 15-05-10(3).

5. Unpaid royalties bear interest under North Dakota Century Code section ~~47-16-39.1~~15-05-10(2).
6. A lessee has thirty days from the date of the receipt of a notice of a penalty and interest assessment to pay the penalty and interest, request a waiver or reduction, or to request board review.
  - a. A request for a waiver or reduction of the penalty or interest or a request for board review must be in writing and provide the grounds for the request.
  - b. The following factors may be considered when deciding to waive or reduce the penalty or interest: the reason for the late payment; the degree of control the payor had over the late payment; any unusual or mitigating circumstances involved; the loss of interest earnings to the trust involved; and any other relevant factors.
  - c. ~~The commissioner, for good cause, may waive up to twenty five thousand dollars of the penalty or reduce interest initially sought. A request for a waiver or reduction of penalty in excess of twenty five thousand dollars must be presented to the board, with the commissioner's recommendation, for review and decision.~~
  - d. A waiver or reduction of penalty and interest does not constitute a waiver of the right to seek the full amount of both penalty and interest if the initial claim for royalty payment is not paid. If a claim for unpaid royalties, penalties, and interest is settled and payment received, the amount of penalties and interest not collected is deemed waived.

**History:** Effective January 1, 2020, amended effective.

**General Authority:** NDCC 15-05-09, 15-05-10, 15-07-20, 15-08.1-06, 61-33-06

**Law Implemented:** NDCC 15-05-09, 15-05-10, ~~47-16-39.1~~, 47-16-39.2

**SUMMARY OF COMMENTS ON ADMINISTRATIVE RULES**  
**Public Hearing Held October 26, 2021**  
**Comment Period Ending November 8, 2021**

ADMIN. RULE SECTION	COMMENTS RECEIVED			COMMENT	DISCUSSION	ACTION TAKEN
	DATE RECEIVED	ORAL OR WRITTEN	COMMENTS RECEIVED			
85-03-02-06	Email string beginning 9/28/21 through 10/15/21	Verbal, meeting with Department; Written – email	Rick Clayburgh	<p>The Department met with Rick Clayburgh of the North Dakota Banker’s Association on September 28, 2021. The issue was raised that this rule would be overly burdensome for banks to implement as it appeared to apply to all types of accounts.</p> <p>On September 28, 2021, the Bankers’ Association proposed that we replace the language with the following: <b>For holders of mutual funds that hold</b> automatic reinvestment of dividends and interest accounts and accounts with automatic withdrawals or deposits, those holders shall provide notice via certified mail to the apparent owner at a minimum of once every three years in a format substantially similar to that required in North Dakota Century Code section 47-30.2-27.</p> <p>Thereafter, on October 15, 2021, language was proposed by the Department and the Bankers Association responded as follows:</p> <p>I ran this by my bank RUUPA experts. They have mixed feelings about this. On the one hand, it relieves the majority of the banks from having to do the certified mailings; on the other hand, it will still require it of banks with wealth management. The major concern is that there is no statutory support for this. It’s not part of North Dakota’s Revised Act, it wasn’t part of the prior act, and it isn’t part of any Federal requirements. Additionally, it offers the holders no avenue for</p>	<p>The intent of this proposed rule is to ensure that owners of certain reinvestment accounts are still aware of the account’s existence and to document this acknowledgement. Without an affirmative record of this acknowledgement, such accounts may continue in perpetuity unbeknownst to its owner or the holder.</p> <p>The Department met with the Bankers’ Association and agreed upon the language proposed in the Action Taken column of this Summary. The rule was revised to narrow the scope of accounts implicated by the rule, the property types subject to the rule, and the circumstances under which the rule applies. The statutory authority was questioned and it is clear that the Commissioner may adopt rules to implement and administer N.D.C.C. ch. 47-30.2 under N.D.C.C. § 47-30.2-03. This rule administers the indication of owner interest in property under N.D.C.C. § 47-30.2-12.</p>	<p>Revised as follows:</p> <p><b><u>85-03-02-06. Holder notice to apparent owner by holder of automatic reinvestment account.</u></b></p> <p><u>For instances of automatic reinvestment of dividends and interest accounts and accounts with automatic withdrawals or deposits</u>For accounts containing a security as defined in subsection 30 of North Dakota Century Code section 47-30.2-01 that allow for automatic reinvestment of dividends or interest and where there is no record of indication of apparent owner interest in the property as defined in North Dakota Century Code section 47-30.2-12, holders shall provide notice via certified mail to the apparent owner at a minimum of once every three years in a format substantially similar to that required in North Dakota Century Code section 47-30.2-27. A return of a certified mail return receipt signed by the apparent owner shall constitute evidence of indication of apparent owner interest in the subject property as required by North Dakota Century Code section 47-30.2-12. The holder shall retain all valid return</p>

			<p>recouping the costs of that type of effort, and it will be expensive.</p> <p>So, overall, it addresses our concern about demand, savings, and time deposit accounts. It leaves IRAs and UTMA/UGMA accounts exposed because they can potentially contain securities. It doesn't address where the statutory authority for the certified mail requirement lies. We don't know if the rule would stand up to scrutiny under their Administrative Agencies Practice Act which states:</p> <p>"28-32-18. Administrative rules committee may void rule - Grounds - Amendment by agreement of agency and committee.</p> <p>1. The legislative management's administrative rules committee may find that all or any portion of a rule is void if that rule is initially considered by the committee not later than the fifteenth day of the month before the date of the administrative code supplement in which the rule change is scheduled to appear. The administrative rules committee may find a rule or portion of a rule void if the committee makes the specific finding that, with regard to that rule or portion of a rule, there is:</p> <ol style="list-style-type: none"> <li>a. An absence of statutory authority.</li> <li>b. An emergency relating to public health, safety, or welfare.</li> <li>c. A failure to comply with express legislative intent or to substantially meet the procedural requirements of this chapter for adoption of the rule.</li> <li>d. A conflict with state law.</li> <li>e. Arbitrariness and capriciousness.</li> <li>f. A failure to make a written record of its consideration of written and oral submissions respecting the rule under section 28-32-11" </li></ol>		<p><u>receipts as records of indication of apparent owner interest. A return to sender as undeliverable or not signed by the apparent owner shall cause the property to be subject to due diligence procedures pursuant to North Dakota Century Code sections 47-30.2-26 and 47-30.2-27. A deceased individual cannot demonstrate an ownership interest in property.</u></p>
--	--	--	---	--	--



				<p>We believe the proposed rule is still problematic.</p> <p>A possible solution would be to omit this provision from the department's proposed administrative rule and address it in the 2023 Legislative session.</p>		
85-03-02-01	10/25/21	Written – emailed letter	Toni J. Nuernberg, executive Director, United Property Professionals Organization (UPPO)	<p>The Unclaimed Property Professionals Organization (UPPO) is the national trade association of unclaimed property holders and service providers. We represent more than 350 unclaimed property holders and service providers and 1,500 unclaimed property professionals of diverse industries and employer size. UPPO advocates for fairness in unclaimed property laws and regulations, and consistent with this mission, UPPO actively participated in and submitted several whitepapers to the Uniform Law Commission's (ULC) Drafting Committee for consideration in its rewrite of the Revised Uniform Unclaimed Property Act (RUUPA) which was ultimately passed and endorsed by the ULC in July 2016.</p> <p>We are writing to provide comments regarding the North Dakota Department of Trust Lands' Notice of Intent to Adopt, Repeal, and Amend Administrative Rules, which was published on September 1, 2021 along with the proposed rules. To summarize, while we appreciate the Department's attempt to conform its existing regulations to Senate Bill 2048 (SB 2048), which adopted a version of RUUPA, we have some concerns and points of clarification that we respectfully request be addressed before the rules are finalized.</p> <p><b>Amendment to rule 85-03-02-01 Reporting of abandoned property.</b> The Department's proposed amendment to this</p>	The Department is simply updating its existing rule to reflect that electronic reporting is now a statutory requirement as a result of SB 2048 and hence does not need to be included in the rules.	No changes needed.

				rule would delete reference to “electronic” reporting of unclaimed property. We assume that the Department does not intend for holders to use a reporting method other than electronic filing, given that N.D. Cent. Code § 47-30.2-22(1)(b) expressly requires holders to file reports electronically. Rather, we assume that the Department is simply updating its existing rule to reflect that electronic reporting is now a statutory requirement as a result of SB 2048 and hence does not need to be included in the rules. However, we would appreciate your confirmation in this regard.		
85-03-02-02				<b>Amendment to rule 85-03-02-02 Information contained in reports.</b> The Department’s proposed amendment to this rule, which addresses the information that a holder is required to include in a report “in addition to” the statutory requirements, would delete the requirement that a holder provide an owner’s Social Security number in a report. Similar to the above amendment, we assume that the Department is updating this rule to adhere to updates that have been made to North Dakota’s statute by SB 2048 rather than to effectuate a substantive change in reporting practices. In particular, N.D. Cent. Code § 47-30.2-22(1)(d) requires holders to include owner Social Security numbers in reports—hence, it is not necessary for the rule to address this topic. Please let us know if our assumption is not correct.	The Department is updating this rule to adhere to updates that have been made to North Dakota’s statute by SB 2048 rather than to effectuate a substantive change in reporting practices. In particular, N.D.C.C. § 47-30.2-22(1)(d) requires holders to include owner Social Security numbers in reports—hence, it is not necessary for the rule to address this topic.	No changes needed.
85-03-02-06				<b>New rule 85-03-02-06 Holder notice to apparent owner.</b> The Department’s proposed rule would require holders to send certified mail to owners in certain circumstances. In particular, the rule provides that certified mail must be sent “[f]or instances of automatic re-investment of dividends and interest accounts and accounts with automatic withdrawals or	These concerns are substantially similar to those brought by the North Dakota Bankers’ Association.	<u>See</u> Action Taken regarding comments from North Dakota Bankers’ Association to N.D.A.C. § 85-03-02-06.

				<p>deposits.” In these instances, a holder must send “at a minimum of once every three years” certified mail to the owner. If the receipt is signed and returned, the holder can consider this evidence of the owner’s interest. However, if the receipt is not signed or the mailing is returned as undeliverable, the holder must consider the property presumed abandoned and subject to due diligence. A threshold concern with this rule is that it is overly burdensome and will require holders to incur significant expense in sending certified mailings to owners. In addition, we have the following concerns:</p> <ul style="list-style-type: none"> <li>o The proposed rule has no basis in North Dakota’s law and thus would be invalid. The law contains no provision requiring a holder to send certified mail under any circumstances. In addition, the law expressly recognizes that holders may consider automatic withdrawals or deposits to/from an account at a financial institution to be an indication of owner interest in the property. To superimpose on top of that broad concept of owner-generated activity a burdensome and narrow view of what is suggested by the return or non-return of a certified mailing would inappropriately weaken the statutory provision. Thus, this requirement cannot be imposed absent a statutory amendment.</li> <li>o The proposed rule is vague and does not specify the exact conditions under which a certified mailing must be sent. For example, it is not clear whether the requirement only applies to certain property types or whether all property types are implicated. It is also not clear whether certified mailing is required if an account has other types of non-automated</li> </ul>		
--	--	--	--	---	--	--

				<p>activity—presumably not, but additional clarification is needed.</p> <p>o The proposed rule does not consider that other statutory requirements could apply for purposes of determining whether property is escheatable. For example, a securities account that is subject to section 47-30.2-10 of North Dakota’s law is only considered escheatable to the extent there has been returned mail on the account. A holder is required to send the owner email if the owner does not receive physical mail. To require a holder to send certified mail in the absence of returned mail and then potentially subject the account to due diligence depending on the outcome of the certified mailing, would appear to be directly contrary to these existing provisions.</p> <p>o Finally, we have the following additional general concerns with any certified mailing requirement, whether imposed by statute or regulation:</p> <ul style="list-style-type: none"> <li>▪ Such a requirement is not in the holder or the owner’s best interest.</li> <li>▪ To date, there is no known quantifiable data that illustrates certified mail improves reunification of owners and their property.</li> <li>▪ Certified mail could provide useful information, but holders have no way of verifying if the signature obtained by the Postal Service is the signature of a true owner of unclaimed property.</li> </ul>		
85-03-03-03				<p><b>Existing rule 85-03-03-03 Payment of claims.</b> Although the Department has not proposed any amendments to this rule, we would note that the existing rule appears to conflict with new N.D. Cent. Code § 47-30.2-50. In particular, that statute provides the legal requirements for the administrator’s payment of claims to claimants and specifically provides that the administrator may pay or deliver property</p>	<p>The commenter states N.D.A.C. § 85-03-03-03 conflicts with N.D.C.C. § 47-30.2-50. The Department disagrees as N.D.C.C. § 47-30.2-50 addresses how a claim may be submitted and processed; whereas the existing rule referenced by the commenter further</p>	<p>No changes needed.</p>

				to anyone claiming to be the owner of the property. In contrast, the rule appears to provide a narrower category of potential payees and thus would appear to conflict with the statute. Accordingly, the rule should be deleted.	clarifies how payment of a claim is to be issued under N.D.C.C. § 47-30.2-52.	
85-03-04-01				<p><b>New rule 85-03-04-01 Contract auditors.</b></p> <p>The Department's proposed rule would allow the administrator to contract with a person to conduct unclaimed property audits and to pay that person on a contingency-fee basis. This rule has no basis in the North Dakota law – there is no provision that expressly allows the Department to retain third parties to conduct unclaimed property audits (section 1009 of RUUPA is not included as part of SB 2048), and similarly there is no provision authorizing the Department to enter into contingency-fee arrangements with any third parties; thus, we believe the rule is invalid. The rule also raises significant constitutional concerns for holders. Indeed, applicable judicial decisions have suggested that this type of arrangement violates the constitutional Due Process rights of holders under audit. <i>See, e.g., Plains All-American Pipeline L.P. v. Cook</i>, 866 F.3d 534 (3rd Cir. 2017) (“[B]ecause [the contingency-fee auditor] has been vested with responsibility for conducting the Plains audit and has issued document demands,” the court concluded that the holder had established a justiciable due process violation); <i>Univar, Inc. v. Geisenberger</i>, 409 F. Supp. 3d 273 (concluding that the holder had sufficiently stated a claim for violation of procedural due process on the basis that a “self-interested party [was] adjudicating its unclaimed property audit”). In light of these constitutional issues, other states have begun moving away from the contingency-fee model. <i>See, e.g., Del. S.B. 104</i> (151st</p>	The law provides that the Commissioner shall adopt rules governing an examination under N.D.C.C. § 47-30.2-56. Further, N.D.C.C. § 47-30.2-55 grants to the Administrator the authority to examine records. Any contracted auditor examines the records under the authority and at the direction of the Administrator.	No changes needed.

				Gen. Assemb.) (prohibiting Delaware from paying auditors on any basis other than hourly except in certain limited circumstances). We would respectfully urge the Department to take the same approach.		
85-03-04-02				<b>New rule 85-03-04-02 Notice of examination.</b> The Department's proposed rule outlines the requirements applicable to the notice of examination that is required to be sent to a holder at the outset of an audit. In light of the ongoing pandemic and the continued existence of a work-from-home model for many companies for the foreseeable future, we would request that the Department clarify in the rule that any notice of examination should be sent by both overnight mail (e.g., UPS or FedEx) as well as via email, to the extent the Department has electronic contact information for the holder, which should be the case for all holders that have previously filed reports with the Department electronically. This will help ensure that holders are properly apprised of audits and are able to timely respond to the administrator or auditor.	This would add additional administrative burden and expenses for the department.	No changes needed.
85-03-04-04				<b>New rule 85-03-04-04 Examination refusal.</b> The Department's proposed rule is entitled "Examination refusal." However, the text of the rule applies to instances when the holder under examination "refuses to adhere to the rules and laws" without further explanation or examples of what this could include. In our view, this rule could be interpreted broadly to encompass any number of actions taken by a holder during an examination beyond a basic refusal to cooperate with the examination, which is all that is suggested by the title. Thus, at minimum, we would request that the Department clarify the types of refusals to adhere to rules and laws that are within the scope of the rule	This rule only applies for instances where the holder is noncompliant with a rule or law.	No changes needed.

				beyond not cooperating with the examination, if any.		
85-03-04-05				<p><b>New rule 85-03-04-05 Examination guidelines.</b> The Department's proposed rule creates examination guidelines, including authorizing the auditor to make requests to the holder for the production of books and records. We believe that these guidelines, while helpful, could be improved by the addition of parameters applicable to the scope of auditors' requests; for example, requiring such requests to be reasonably tailored to identifying unclaimed property or other information pertinent to a holder's obligations to report unclaimed property to the state. As the rule is currently proposed, it does not provide any guidance or request parameters beyond "books and records required to complete the examination." This is vague and has the potential to be abused by auditors in seeking to issue overly broad information and document requests. Requiring auditors to issue narrowly tailored requests that do not unnecessarily burden holder resources will be more effective in moving audits forward and bringing them to completion timelier. Auditor requests for information/documents that are not reasonably relevant to the determination of any unclaimed property liability, or that are overly burdensome, also violate constitutional requirements.</p>	Under this rule, the books and records must be "required to complete the examination." The Department feels that it is essential for the Administrator to determine which records are necessary to ascertain compliance with North Dakota law.	No changes needed.

85-03-04-06				<p><b>New rule 85-03-04-06 Estimation.</b> The Department’s proposed rule provides details regarding an auditor’s or the administrator’s use of estimation in unclaimed property audits. While our general view of estimation supports Section 1006 of RUUPA, specifically, estimation should be limited to the purpose of encouraging compliance with record-keeping rules and not a calculation of property actually owed; we wanted to comment on one particular aspect of the North Dakota’s proposed rule. In particular, the proposed rule would provide that payment of estimated liability to North Dakota “does not relieve a person from an obligation to report and deliver property to a state in which the holder is domiciled.” As you may be aware, states routinely assert that they may estimate liability under the Supreme Court’s secondary rule and escheat an amount related to <i>all</i> unclaimed property estimated to be owed by the holder to all states in the years for which the holder lacks records. Thus, North Dakota’s provision would potentially subject a holder to multiple liability if North Dakota is not also the holder’s state of domicile. To the extent that a holder will—or even may—be subject to multiple liability under state unclaimed property laws or practices, such laws or practices violate due process. <i>Western Union Tel. Co. v. Commonwealth of Pennsylvania</i>, 368 U.S. 71 (1961).</p>	<p>Estimation may only be used when a holder fails to retain records required by N.D.C.C. § 47-30.2-24. Additionally, estimation may only be used for property escheatable to North Dakota. N.D.C.C. § 47-30.2-24(4). North Dakota law addresses potential priority issues between states in N.D.C.C. §§ 47-30.2-15 through 47-30.2-20.</p>	No changed needed.
85-03-04-08				<p><b>New rule 85-03-04-08 Bankruptcy.</b> This rule would require a holder under examination to give notice to an auditor of a bankruptcy filing, to the extent the bankruptcy filing occurs before or during an examination. However, such a rule is entirely unnecessary and also conflicts with federal law. Federal bankruptcy laws already required that debtors provide</p>	<p>The requirement under this proposed rule is in addition to the federal bankruptcy law to ensure that the State receives the required notice in the event the State is not listed as a creditor.</p>	No changes needed.



				adequate notices to creditors (or potential creditors) to file proofs of claim. Debtors that do not provide such notices may continue to have liability to the creditor post-bankruptcy. The proposed North Dakota regulation is also defective because it exceeds what is required by the North Dakota statute. Thus, this rule should be deleted.		
85-03-04-09				<p><b>New rule 85-03-04-09 Examination resolution agreements.</b> This rule would authorize the commissioner to resolve examinations via negotiation and settlement with the holder. While we are in favor of any authority that the state may have to resolve examinations in an amicable manner, we have some concern with the provision prohibiting the commissioner from providing “indemnification beyond that provided in” the unclaimed property law. This would appear to us to unnecessarily restrict the state’s authority to settle and close examinations, as there may be some instances when it is appropriate or desirable for the state to provide broader indemnity than the statute provides. For example, in instances when the state seeks to escheat shares of stock or other investment assets where the legal grounds for doing so are questionable or disputed. Holders will be unwilling to escheat property if, by doing so, they may be exposed to claims by the owners or other states. If a state insists that the property must be escheated, it should be prepared to defend and indemnify the holder against any claims related to the escheatment. If a state is attempting to force the holder to escheat but will not indemnify the holder against all such claims related to the escheat or the property, that would violate the holder’s due process rights. <i>Western</i></p>	Under N.D.C.C. §§ 47-30.2-32, 47-30.2-33 and 47-30.2-34, the Department is required to defend and indemnify a holder against liability on a claim against the holder resulting from the payment or delivery of the property to the administrator made in good faith and after the holder substantially complies with North Dakota law.	No changes needed.

				<i>Union Tel. Co. v. Commonwealth of Pennsylvania, 368 U.S. 71 (1961).</i>		
--	--	--	--	--	--	--

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

November 29, 2021

---

**RE: Audited Financial Statements for the Year Ended June 30, 2021**  
(No Action Requested)

Eide Bailly CPAs and Business Advisors has completed its review of the financial statements of the Department of Trust Lands for the year ended June 30, 2021 and provided an opinion on the fair presentation of the financial statements.

The draft report identified two audit findings and recommendations, see pages 89 and 90 of financial statement report

The electronic version of the audited financial statement has not been posted, but when finalized will be available on the State Auditor's website at: [www.nd.gov/auditor/trust-lands-nddepartment](http://www.nd.gov/auditor/trust-lands-nddepartment) and on the Department of Trust Lands website at: [www.land.nd.gov](http://www.land.nd.gov).

Attachment – Department of Trust Lands Audited Financial Statement Fiscal Year 2021



Financial Statements  
June 30, 2021 and 2020

# North Dakota Department of Trust Lands

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	17
Statement of Fiduciary Net Position .....	19
Statement of Changes in Fiduciary Net Position .....	21
Statement of Appropriations .....	23
Notes to the Financial Statements.....	25
 <b>SUPPLEMENTARY INFORMATION</b>	
Combining Fund Statements:	
Combining Balance Sheet – Non-major Governmental Funds .....	79
Combining Statement of Revenues, Expenditures, and Changes Fund Balances – Non-major Governmental Funds .....	81
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Contributions to NDPERS Pension Plan .....	83
Schedule of Employer’s Proportionate Share of Net Pension Liability .....	84
Schedule of Contributions to NDPERS OPEB Plan .....	85
Schedule of Employer’s Proportionate Share of Net OPEB Liability .....	86
 <b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	
	87
SCHEDULE OF FINDINGS AND RESPONSES.....	89
Independent Auditor’s Comments Requested by the Legislative Audit and Fiscal Review Committee .....	91



## Independent Auditor's Report

State Land Board and the  
Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota Department of Trust Lands, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the North Dakota Department of Trust Lands' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota Department of Trust Lands, as of June 30, 2021 and 2020, and the respective changes in financial position and the statement of appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Reporting Entity*

As discussed in Note 1, the financial statements of North Dakota Department of Trust Lands are intended to present the financial position and changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of the North Dakota Department of Trust Lands. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2021 and 2020 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Contributions to NDPERS Pension Plan, Schedule of Contributions to NDPERS OPEB Plan, Schedule of Employer's Proportionate Share of Net Pension Liability, and Schedule of Employer's Proportionate Share of Net OPEB Liability on pages 4 through 11 and 83 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Department of Trust Lands' financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the North Dakota Department of Trust Lands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Department of Trust Lands' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Department of Trust Lands' internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Bismarck, North Dakota  
November 1, 2021



As management of the Department of Trust Lands (the Department), our discussion and analysis of the Department's financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2021, 2020, and 2019. Please read it in conjunction with the basic financial statements, which follow this discussion.

### Financial Highlights

- The assets of the Department exceeded its liabilities as of June 30, 2021, 2020, and 2019 by \$6,999,894,777, \$5,751,626,475, and \$6,165,096,555, respectively.
- The Department's net position increased by \$1,248,268,302 for the year ended June 30, 2021; decreased by \$413,470,080 for the year ending June 30, 2020; and increased by \$1,097,250,609 for the year ending June 30, 2019. The net position increase for fiscal year 2021 is due to increase in gross production and oil extraction taxes, as well as a strong rally of the financial markets after the country reopened following COVID restrictions. The net position decrease for fiscal year 2020 is due to the significant stress on the investment market as a result of the COVID-19 pandemic as well as a decrease in oil and gas production due to the downturn in the oil economy during the last two quarters of the fiscal year.
- Royalty revenues totaled \$276,182,311 in fiscal year 2021, an increase of \$37,741,297 over the amount earned in fiscal year 2020. Royalty revenues totaled \$238,441,014 in fiscal year 2020, a decrease of \$83,467,196 over the amount earned in fiscal year 2019. Royalty revenues totaled \$321,908,210 in fiscal year 2019. The increase in fiscal year 2021 was due to increased crude oil prices following the effects of COVID-19 pandemic on the oil and gas industry during fiscal year 2020. The decrease in fiscal year 2020 was due to the downturn in the commodity markets and the effects of COVID-19 pandemic on the oil and gas industry.
- Mineral lease bonus revenues totaled \$304,310 in fiscal year 2021, a decrease of \$9,295,718 when compared to fiscal year 2020. Bonus revenues totaled \$9,600,028 in fiscal year 2020, an increase of \$5,529,780 when compared to fiscal year 2019. Bonus revenues totaled \$4,070,248 in fiscal year 2019. This decrease in fiscal year 2021 was due to fewer mineral acres available to lease in producing areas and by bonus refunds issued pursuant to N.D.C.C. §61-33.1. The increase in fiscal year 2020 occurred during the fall auction with one track in the prime Bakken area exceeding a single payment of \$7 million.
- During fiscal year 2021, gross production tax revenues totaled \$218,197,798 compared to no gross production tax revenue during fiscal year 2020. All gross production tax revenue was deposited into the Strategic Investment and Improvements fund as directed by the legislature, which resulted in higher distributions during the second year of each biennia versus the first year.

- During fiscal year 2020, the Strategic Investment and Improvements fund did not receive any gross production tax revenues in fiscal year 2020, compared to revenues of \$433,343,880 in fiscal year 2019. Gross production tax revenues are deposited into the Strategic Investment and Improvements fund during the second year of each biennia versus the first year.
- The sixty-sixth legislative assembly did not appropriate any gross production tax revenues to the oil and gas impact grant fund of the 2019-21 biennia. In fiscal year 2019, the gross production tax revenues received by the oil and gas impact grant fund totaled \$2,000,000.
- Oil extraction tax revenues received in fiscal year 2021 totaled \$222,667,616, an increase of \$143,398,355 over the \$79,269,261 earned in fiscal year 2020. Oil extraction tax revenues in fiscal year 2020 decreased by \$354,023,758 over the \$433,293,019 earned in fiscal year 2019.
  - Oil extraction tax revenues received by the Common School Trust fund totaled \$68,855,764 in fiscal year 2021, compared to \$79,269,261 in fiscal year 2020. The tax revenue changes between fiscal year 2021 and 2020 was primarily due to swings in production and commodity prices caused by the COVID-19 pandemic.
  - Oil extraction tax revenues received by the Common School Trust fund totaled \$79,269,261 in fiscal year 2020, compared to \$100,523,292 in fiscal year 2019. These tax revenue changes are primarily due to decrease in commodity prices followed by the effects of the COVID-19 pandemic as compared to fiscal year 2019.
  - Oil extraction tax revenues received by the Strategic Investment and Improvements fund totaled \$153,811,852 in fiscal year 2021. During fiscal year 2020 the Strategic Investment and Improvements fund did not receive any oil extraction tax revenues compared to revenues of \$332,769,727 in fiscal year 2019. Oil extraction tax revenues are deposited into the Strategic Investment and Improvements fund as directed by the legislature, which results in higher distributions to the Strategic Investment and Improvements fund during the second year of each biennia versus the first year.
- During fiscal year 2021, the Common School Trust fund received a one-time transfer from the State General Fund in the amount of \$64,370,000. This transfer was legislated to cover underpayments of oil extraction taxes owed to the Common School Trust fund and collected between August 2008 and February 2019.
- Investment income totaled \$145,540,697 in fiscal year 2021, an increase of \$11,171,826 over fiscal year 2020. Investment income totaled \$134,368,871 in fiscal year 2020, a decrease of \$16,029,825 over fiscal year 2019. Investment income totaled \$150,398,696 in fiscal year 2019. The increase of investment income in fiscal year 2021 was a result of strong market rally after the country reopened following COVID restrictions. The decrease in investment income in fiscal year 2020 was a result of a significant stress on the investment market as a result of the COVID-19 pandemic.

- The change in fair value of investments, otherwise known as capital gains/loss, totaled \$907,771,770 in net gains for fiscal year 2021, an increase of \$1,099,139,492 compared to the loss of \$191,367,722 in fiscal year 2020. The change in fair value of investments in fiscal year 2020 decreased by \$266,158,632 compared to the gain of \$74,790,910 in fiscal year 2019. The gain in fiscal year 2021 is attributed to the strong market rally after the country reopened following COVID restrictions. The decline in fiscal year 2020 is attributed to the significant market correction, related to the COVID-19 pandemic, that adversely impacted the permanent trust's master limited partnerships, natural resources equities, and commodity futures investments, which declined by nearly 50%, 40% and 30%, respectively.

### **Overview of the Financial Statements**

This report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a section that presents combining statements for non-major government funds. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements.** The *government-wide financial statements* provide broad information about the Department's financial condition.

The *statement of net position* presents information on all assets and deferred inflows of resources and liabilities and deferred inflows of resources managed by the Department with the difference between these reported as *net position*. Changes in net position may at times, serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *statement of activities* presents information showing how the net position managed by the Department changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**Fund Financial Statements.** A *fund* is a grouping of related accounts used to maintain control of resources that have been segregated for specific objectives. The Department uses fund accounting to provide a relevant financial statement format for users and to demonstrate compliance with constitutional and legislative requirements. All funds of the Department are governmental funds except for two funds that are private purpose trust funds, Indian Cultural Education Trust and Theodore Roosevelt Presidential Library and Museum Endowment.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Common Schools Trust fund, Coal Development Trust fund, Department of Trust Lands General fund, Oil and Gas Impact Grant fund including the Energy Impact fund, and the Strategic Investment and Improvements fund.

Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these is provided in the *combining statements* immediately following the notes to the financial statements.

Activities of the private purpose trust funds are presented separately in the statement of fiduciary net position and statement of changes to fiduciary net position for the Indian Cultural Education Trust and the Theodore Roosevelt Presidential Library and Museum Endowment.

The Department is appropriated a biennial budget from the North Dakota Legislature for its General fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Notes to the Financial Statements and Other Information.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Government-Wide Financial Analysis**

As noted earlier, changes in net position may, at times, serve as a useful indicator of the Department's financial position. As of June 30, 2021, the Department's total net position was \$6,999,894,777. As of June 30, 2020, the Department's total net position was \$5,751,626,475. As of June 30, 2019, the Department's total net position was \$6,165,096,555. The largest portion of the Department's net position is represented by investments in financial securities. The Department uses this net position to provide distributions to educational entities and general government.

The following is a comparative summary statement of net position:

**Condensed Statement of Net Position**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$7,292,333,461	\$5,973,887,833	\$6,423,453,973
Capital assets	8,830,180	8,798,580	7,808,336
Total assets	7,301,163,641	5,982,686,413	6,431,262,309
Deferred outflows of resources:			
Pension	3,577,193	845,960	1,268,258
Other Post-Employment Benefits	51,366	34,800	34,834
	3,628,559	880,760	1,303,092
Long-term liabilities	5,794,468	2,002,074	3,219,895
Other liabilities	298,017,927	228,651,357	263,845,783
Total liabilities	303,812,395	230,653,431	267,065,678
Deferred inflows of resources:			
Pension	1,058,720	1,255,612	379,020
Other Post-Employment Benefits	26,308	31,655	24,148
	1,085,028	1,287,267	403,168
Net Position:			
Net position held in capital assets	8,830,180	8,798,580	7,808,336
Restricted net position			
Nonexpendable	71,010,157	70,750,577	70,213,873
Expendable	6,061,026,839	4,897,656,032	4,925,726,600
Unrestricted net position	859,027,601	774,421,286	1,161,347,746
Total net position	\$6,999,894,777	\$5,751,626,475	\$6,165,096,555

During fiscal year 2021, the Department's net position increased by \$1,248,268,302. The main change relates to an increase in royalty revenues, oil extraction and gross production taxes deposited into the Strategic Investment and Improvements fund, and gains in the fair value of investments during the year.

During fiscal year 2020, the Department's net position decreased by \$413,470,080. The main change relates to the lack of oil extraction and gross production taxes deposited into the Strategic Investment and Improvements fund during the year, and losses in the fair value of investments.

The following provides a comparative statement of the Department's operations:

	<b>Changes in Net Position</b>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>			
<b>General Revenues:</b>			
Interest on investments	\$6,338,605	\$16,429,644	\$15,136,269
Change in fair value of investments	(3,150,562)	2,882,713	10,016,548
Interest income	21,555	-	100,445
Royalties	110,738,895	89,224,480	128,227,190
Bonuses, net of bonus refunds	(851,997)	1,167,696	2,601,964
Rents	255,544	245,978	268,279
Interest on loans	594,417	616,240	684,490
Contributions to perpetual funds	11,162,710	9,515,851	11,014,244
Taxes	442,333,437	80,816,356	870,213,807
Gain on Sale of Capital Asset Land	80,761	24,950	-
Total General Revenue	<u>567,523,365</u>	<u>200,923,908</u>	<u>1,038,263,236</u>
<b>Program Revenues:</b>			
Interest on loans	418,568	713,376	753,945
Interest on investments	138,167,552	116,609,611	133,723,547
Change in fair value of investments	910,922,332	(194,250,435)	64,774,362
Royalties	165,443,416	149,216,534	193,681,020
Bonuses, net of bonus refunds	1,156,307	8,432,332	1,468,284
Rents	12,838,966	14,314,097	13,295,252
Fees to Maintenance fund	8,013,262	7,960,688	4,567,223
Total Program Revenue	<u>1,236,960,403</u>	<u>102,996,203</u>	<u>412,263,633</u>
Total Revenues	<u>1,804,483,768</u>	<u>303,920,111</u>	<u>1,450,526,869</u>
<b>Expenses</b>			
<b>Governmental Activities:</b>			
General government	2,517,361	3,204,107	3,433,657
Intergovernmental	7,709,625	22,220,963	34,160,869
Education	21,596,993	24,350,910	23,306,092
Total Expenses	<u>31,823,979</u>	<u>49,775,980</u>	<u>60,900,618</u>
Excess before transfer	1,772,659,789	254,144,131	1,389,626,251
Transfers	(524,391,487)	(667,614,212)	(292,375,641)
Increase(decrease) in net position	<u>1,248,268,302</u>	<u>(413,470,080)</u>	<u>1,097,250,609</u>
Net position - beginning	<u>5,751,626,475</u>	<u>6,165,096,555</u>	<u>5,067,845,946</u>
Net position - ending	<u>\$6,999,894,777</u>	<u>\$5,751,626,475</u>	<u>\$6,165,096,555</u>

During the fiscal year ending June 30, 2021, the Department's revenues increased by a total of \$1,500,563,657. Royalty revenues increased by \$37,741,297 as commodity prices recovered following the effects of the COVID-19 pandemic. In addition, oil extraction tax and gross production tax revenues increased by \$143,398,355 and \$218,197,798, respectively, primarily due to the tax distribution formula, which resulted in higher distributions to the Strategic Investment and Improvements fund during the second year of each biennia versus the first year. Mineral lease bonus revenue decreased by \$9,298,718 due to fewer mineral acres available to lease in producing areas and by bonus refunds issued pursuant to N.D.C.C. §61-33.1. The change in fair value of investments indicates a net gain of \$1,099,139,492 for fiscal year 2021 attributed to the strong market rally after the country reopened following COVID restrictions.

During the fiscal year ending June 30, 2020, the Department's revenues decreased by a total of \$1,146,606,758. Royalty revenues decreased by \$83,467,196 as commodity prices dropped followed by the effects of the COVID-19 pandemic. In addition, oil extraction tax and gross production tax revenues decreased by \$354,023,758 and \$435,343,880, respectively, due primarily to the tax distribution formula, which resulted in higher distributions to the Strategic Investment and Improvements fund during the second year of each biennia versus the first year. Mineral lease bonus revenue increased by \$5,529,780 as one track in prime Bakken area exceeded a single payment of \$7 million. The change in fair value of investments indicates an additional decline of \$266,158,632 for fiscal year 2020 from the previous year attributed to the significant market correction related to the COVID-19 pandemic.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related constitutional and legislative requirements.

**Governmental funds.** The focus of the Department's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Department's financing requirements.

### **Capital Asset**

The Department's capital assets for its governmental funds as of June 30, 2021, 2020 and 2019 are \$8,830,180, \$8,798,580, and \$7,808,336 (net of accumulated depreciation for equipment), respectively. These capital assets include land, equipment, and the purchasing of Microsoft Dynamics software starting in fiscal year 2020. See Note 15 to Financials Statements for additional details on capital assets.

### **Economic Factors**

During fiscal year 2021, as the country reopened from COVID restrictions, the trust assets experienced a significant rally in the financial markets. However, the trusts also experienced swings in production and commodity prices caused by the ongoing effects of the COVID pandemic.

**Requests for Information**

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ND Department of Trust Lands, 1707 N 9th St., Bismarck, ND, 58501.



ND Department of Trust Lands  
Statement of Net Position  
June 30, 2021 and 2020

	2021 Governmental Activities	2020 Governmental Activities
<b>Assets:</b>		
Cash	\$551,254,547	\$145,403,990
Investments	6,212,800,429	5,525,705,618
Interest receivable	14,397,445	16,948,628
Accounts receivable	49,786,963	13,790,988
Invested securities lending collateral	278,327,959	209,667,395
Loans		
Farm loans	4,988,533	7,373,088
Energy construction loans	-	923,408
School loans - Coal	29,864,928	39,093,077
Energy impact loans	9,781,118	10,540,579
Capital asset – land	7,738,774	7,740,013
Equipment (net of accumulated depreciation)	1,091,406	1,058,567
Due from other state agencies	76,761,539	4,418,552
Due from state general fund	64,370,000	22,510
<b>Total Assets</b>	<b>7,301,163,641</b>	<b>5,982,686,413</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension outflows	3,577,193	845,960
Deferred other post-employment benefits outflows	51,366	34,800
<b>Total Deferred Outflows of Resources</b>	<b>3,628,559</b>	<b>880,760</b>
<b>Liabilities:</b>		
Accrued payroll	253,212	243,857
Accounts payable	1,260,002	1,706,091
Securities lending collateral	278,327,959	209,667,395
Due to other state agencies	1,715,320	388,476
Claimant liability	16,461,434	16,645,538
Long-term liabilities		
Compensated absences due within one year	11,559	10,652
Compensated absences due in more than one year	204,863	188,791
Pension liability	5,451,961	1,694,395
Other post-employment benefits liability	126,085	108,236
<b>Total Liabilities</b>	<b>303,812,395</b>	<b>230,653,431</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension inflows	1,058,720	1,255,612
Deferred other post-employment benefits inflows	26,308	31,655
<b>Total Deferred Inflows of Resources</b>	<b>1,085,028</b>	<b>1,287,267</b>
<b>Net Position:</b>		
Net investment in capital assets	8,830,180	8,798,580
Restricted		
Nonexpendable	71,010,157	70,750,577
Expendable	6,061,026,839	4,897,656,032
Unrestricted	859,027,601	774,421,286
<b>Total Net Position</b>	<b>\$6,999,894,777</b>	<b>\$5,751,626,475</b>

See Notes to the Financial Statements

ND Department of Trust Lands  
Statement of Activities  
For the Year Ended June 30, 2021

2021				
Functions/Programs of Governmental activities:	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
General government	\$ 2,517,361	\$ -	\$ -	\$ (2,517,361)
Intergovernmental	7,709,625	-	-	(7,709,625)
Education	21,596,993	8,013,262	1,228,947,141	1,215,363,410
<b>Total</b>	<b>\$ 31,823,979</b>	<b>\$ 8,013,262</b>	<b>\$1,228,947,141</b>	<b>\$ 1,205,136,424</b>
<b>Net (expense) revenue</b>				<b>1,205,136,424</b>
<b>General revenues:</b>				
Taxes:				
Coal severance				1,468,023
Oil extraction				222,667,616
Gross production				218,197,798
Contributions to special revenue fund				11,162,710
Unrestricted investment earnings				6,338,605
Net increase (decrease) in fair value of investments				(3,150,562)
Royalties				110,738,895
Bonuses, net of bonus refunds				(851,997)
Rents				255,544
Loan income				594,417
Interest income				80,761
<b>Other revenues:</b>				
Gain on sale of capital asset – land				21,555
<b>Transfers:</b>				
To/from other state agencies				(330,128,487)
Educational institutions				(194,263,000)
<b>Total general revenues, other revenues and transfers</b>				<b>43,131,878</b>
<b>Total change in net position</b>				<b>1,248,268,302</b>
Net position – beginning of year				5,751,626,475
Net position – ending				<b>\$ 6,999,894,777</b>

See Notes to the Financial Statements

ND Department of Trust Lands  
Statement of Activities  
For the Year Ended June 30, 2020

2020				
Functions/Programs of Governmental activities:	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
General government	\$ 3,204,107	\$ -	\$ -	\$ (3,204,107)
Intergovernmental	22,220,963	-	-	(22,220,963)
Education	24,350,910	7,960,688	95,035,515	78,645,293
<b>Total</b>	<b>\$ 49,775,980</b>	<b>\$ 7,960,688</b>	<b>\$ 95,035,515</b>	<b>\$ 53,220,223</b>
<b>Net (expense) revenue</b>				<b>53,220,223</b>
<b>General revenues:</b>				
Taxes:				
Coal severance				1,547,095
Oil extraction				79,269,261
Contributions to special revenue fund				9,515,851
Unrestricted investment earnings				16,429,644
Net increase (decrease) in fair value of investments				2,882,713
Royalties				89,224,480
Bonuses				1,167,696
Rents				245,997
Loan income				616,240
<b>Other revenues:</b>				
Gain on sale of capital asset – land				24,950
<b>Transfers:</b>				
To/from other state agencies				(473,351,212)
Educational institutions				(194,263,000)
<b>Total general revenues, other revenues and transfers</b>				<b>(466,690,304)</b>
<b>Total change in net position</b>				<b>(413,470,082)</b>
Net position – beginning of year				6,165,096,555
Net position – ending				<b>\$ 5,751,626,475</b>

See Notes to the Financial Statements

ND Department of Trust Lands  
Balance Sheet  
June 30, 2021

<b>Assets:</b>	<b>General Fund</b>	<b>Common Schools Trust Fund</b>	<b>Coal Development Fund</b>	<b>Oil and Gas &amp; Energy Impact Funds</b>	<b>Strategic Investment &amp; Improvements Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Cash	\$ 526,462	\$ 97,603,607	\$ 217,977	\$ 1,257,307	\$ 444,518,078	\$ 7,131,116	\$ 551,254,547
Investments	-	5,532,596,786	31,122,725	-	335,071,929	314,008,989	6,212,800,429
Interest receivable	-	12,551,175	66,970	-	951,922	827,378	14,397,445
Accounts receivable	-	27,159,338	-	-	20,458,978	2,168,647	49,786,963
Invested securities lending collateral Loans	-	187,833,903	653,760	-	73,095,304	16,744,992	278,327,959
<i>Farm loans</i>	-	4,594,849	-	-	-	393,684	4,988,533
<i>School loans - Coal</i>	-	-	29,864,928	-	-	-	29,864,928
<i>Energy impact loans</i>	-	-	9,781,118	-	-	-	9,781,118
Due from other state agencies	-	15,467,238	214,559	-	61,079,742	-	76,761,539
Due from state general fund	-	64,370,000	-	-	-	-	64,370,000
<b>Total Assets</b>	<b>\$ 526,462</b>	<b>\$ 5,942,176,896</b>	<b>\$ 71,922,037</b>	<b>\$ 1,257,307</b>	<b>\$ 935,175,953</b>	<b>\$ 341,274,806</b>	<b>\$ 7,292,333,461</b>
<b>Liabilities:</b>							
Accrued payroll	\$ -	\$ 187,925	\$ 105	\$ -	\$ 51,119	\$ 14,063	\$ 253,212
Accounts payable	37,334	1,103,665	310	-	53,901	64,792	1,260,002
Securities lending collateral	-	187,833,903	653,760	-	73,095,304	16,744,992	278,327,959
Due to other state agencies	40,239	13,063	150,191	610	1,510,191	1,026	1,715,320
Claimant liability	-	16,461,434	-	-	-	-	16,461,434
<b>Total Liabilities</b>	<b>77,573</b>	<b>205,599,990</b>	<b>804,366</b>	<b>610</b>	<b>74,710,515</b>	<b>16,824,873</b>	<b>298,017,927</b>
<b>Equity:</b>							
Fund Balance:							
Permanent funds							
<i>Nonspendable</i>	-	-	71,010,157	-	-	-	71,010,157
<i>Committed</i>	-	-	107,514	-	-	-	107,514
Special revenue funds							
<i>Restricted</i>	-	5,736,576,906	-	-	-	324,449,933	6,061,026,839
<i>Committed</i>	-	-	-	1,256,697	641,685,321	-	642,942,019
<i>Assigned</i>	-	-	-	-	218,780,117	-	218,780,117
<i>Unassigned</i>	448,889	-	-	-	-	-	448,889
<b>Total Fund Balance</b>	<b>448,889</b>	<b>5,736,576,906</b>	<b>71,117,671</b>	<b>1,256,697</b>	<b>860,465,438</b>	<b>324,449,933</b>	<b>6,994,315,534</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 526,462</b>	<b>\$ 5,942,176,896</b>	<b>\$ 71,922,037</b>	<b>\$ 1,257,307</b>	<b>\$ 935,175,953</b>	<b>\$ 341,274,806</b>	<b>\$ 7,292,333,461</b>

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position**

Total fund balances - governmental funds	\$6,994,315,534
Capital Asset - Land	7,738,774
Net book value of office equipment	1,091,406
Liability for compensated absences	(216,422)
Net OPEB liability	(126,085)
Deferred OPEB outflows	51,366
Deferred OPEB inflows	(26,308)
Net pension liability	(5,451,961)
Deferred pension outflows	3,577,193
Deferred pension inflows	(1,058,720)
Net position of governmental activities	<u>\$6,999,894,777</u>

See Notes to the Financial Statements

ND Department of Trust Lands  
Balance Sheet  
June 30, 2020

<b>Assets:</b>	<b>General Fund</b>	<b>Common Schools Trust Fund</b>	<b>Coal Development Trust Fund</b>	<b>Oil and Gas &amp; Energy Impact Grant Funds</b>	<b>Strategic Investment &amp; Improvements Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Cash	\$ 413,975	\$ 78,494,048	\$ 180,580	\$ 8,968,120	\$ 49,688,266	\$ 7,659,001	\$ 145,403,990
Investments	-	4,532,870,215	20,778,277	-	712,756,986	259,300,140	5,525,705,618
Interest receivable	-	14,852,388	71,364	-	1,069,941	954,935	16,948,628
Accounts receivable	315	8,054,248	-	-	4,555,794	1,180,631	13,790,988
Invested securities lending collateral	-	172,833,901	698,744	-	26,245,271	9,889,479	209,667,395
Loans							
<i>Farm loans</i>	-	6,791,518	-	-	-	581,570	7,373,088
<i>Energy construction loans</i>	-	923,408	-	-	-	-	923,408
<i>School loans - Coal</i>	-	-	39,093,077	-	-	-	39,093,077
<i>Energy impact loans</i>	-	-	10,540,579	-	-	-	10,540,579
Due from other state agencies	-	4,194,151	224,401	-	-	-	4,418,552
Due from other funds	-	-	22,510	-	-	-	22,510
<b>Total Assets</b>	<b>\$ 414,290</b>	<b>\$ 4,819,013,877</b>	<b>\$ 71,609,532</b>	<b>\$ 8,968,120</b>	<b>\$ 794,316,258</b>	<b>\$ 279,565,756</b>	<b>\$ 5,973,887,833</b>
<b>Liabilities:</b>							
Accrued payroll	\$ -	\$ 185,033	\$ 89	\$ 1,173	\$ 42,349	\$ 15,213	\$ 243,857
Accounts payable	61,057	1,262,040	3,041	-	309,930	70,023	1,706,091
Securities lending collateral	-	172,833,901	698,744	-	26,245,271	9,889,479	209,667,395
Due to other state agencies	31,144	20,691	157,081	625	177,252	1,683	388,476
Claimant liability	-	16,645,538	-	-	-	-	16,645,538
<b>Total Liabilities</b>	<b>\$ 92,201</b>	<b>\$ 190,947,203</b>	<b>\$ 858,955</b>	<b>\$ 1,797</b>	<b>\$ 26,774,802</b>	<b>\$ 9,976,398</b>	<b>\$ 228,651,357</b>
<b>Equity:</b>							
Fund Balance:							
Permanent funds							
<i>Nonspendable</i>	-	-	70,750,577	-	-	-	70,750,577
Special revenue funds							
<i>Restricted</i>	-	4,628,066,674	-	-	-	269,589,358	4,897,656,032
<i>Committed</i>	-	-	-	8,966,322	538,216,407	-	547,182,729
<i>Assigned</i>	-	-	-	-	229,325,049	-	229,325,049
<i>Unassigned</i>	322,089	-	-	-	-	-	322,089
<b>Total Fund Balance</b>	<b>\$ 322,089</b>	<b>\$ 4,628,066,674</b>	<b>\$ 70,750,577</b>	<b>\$ 8,966,322</b>	<b>\$ 767,541,456</b>	<b>\$ 269,589,358</b>	<b>\$ 5,745,236,476</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 414,290</b>	<b>\$ 4,819,013,877</b>	<b>\$ 71,609,532</b>	<b>\$ 8,968,120</b>	<b>\$ 794,316,258</b>	<b>\$ 279,565,756</b>	<b>\$ 5,973,887,833</b>

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**

Total fund balances - governmental funds	\$5,745,236,476
Capital asset - land	7,740,013
Net book value of office equipment	1,058,567
Liability for compensated absences	(199,443)
Net OPEB liability	(108,236)
Deferred OPEB outflows	34,800
Deferred OPEB inflows	(31,655)
Net pension liability	(1,694,395)
Deferred pension outflows	845,960
Deferred pension inflows	(1,255,612)
Net position of governmental activities	<u>\$5,751,626,475</u>

See Notes to the Financial Statements

**ND Department of Trust Lands**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2021**

<b>Revenues:</b>	<b>General Fund</b>	<b>Common Schools Trust Fund</b>	<b>Coal Development Trust Fund</b>	<b>Oil and Gas &amp; Energy Impact Funds</b>	<b>Strategic Investment &amp; Improvements Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Investment income	\$ -	\$ 130,235,307	\$ 347,962	\$ -	\$ 5,792,985	\$ 7,477,107	\$ 143,853,361
Interest income	23	-	-	-	21,532	-	21,555
Loan income	-	-	-	-	-	-	-
<i>Farm loans</i>	-	362,392	-	-	-	30,995	393,387
<i>Energy construction loans</i>	-	25,181	-	-	-	-	25,181
<i>School loans - Coal</i>	-	-	594,417	-	-	-	594,417
Net increase (decrease) in fair value of investments	-	862,501,389	(196,739)	-	(2,921,994)	48,389,141	907,771,797
Securities lending income	-	482,128	1,174	-	131,271	38,223	652,796
Royalties	-	153,825,247	-	-	109,747,506	12,609,558	276,182,311
Bonuses, net of bonus refunds	-	1,103,212	-	-	(854,157)	55,255	304,310
Rental income	-	11,769,950	-	-	67,873	1,256,687	13,094,510
Coal severance tax	-	-	1,468,023	-	-	-	1,468,023
Gross production tax	-	-	-	-	218,197,798	-	218,197,798
Oil extraction tax	-	68,855,764	-	-	153,811,852	-	222,667,616
Unclaimed property collections	-	11,162,710	-	-	-	-	11,162,710
Indirect recovery costs	8,013,262	-	-	-	-	-	8,013,262
<b>Total Revenues</b>	<b>8,013,285</b>	<b>1,240,323,280</b>	<b>2,214,837</b>	<b>-</b>	<b>483,994,666</b>	<b>69,856,966</b>	<b>1,804,403,034</b>
<b>Expenditures:</b>							
Current	-	-	20,127	-	1,644,730	43,014	1,707,871
<i>General government</i>	-	-	20,127	-	1,644,730	43,014	1,707,871
<i>Intergovernmental</i>	-	-	-	7,709,625	-	-	7,709,625
<i>Education</i>	7,886,485	12,887,048	-	-	-	823,460	21,596,993
<b>Total Expenditures</b>	<b>7,886,485</b>	<b>12,887,048</b>	<b>20,127</b>	<b>7,709,625</b>	<b>1,644,730</b>	<b>866,474</b>	<b>31,014,489</b>
Excess of revenue over (under) expenditures	126,800	1,227,436,232	2,194,710	(7,709,625)	482,349,936	68,990,492	1,773,388,545
<b>Other Financing Sources (Uses):</b>							
Transfer to Public Instruction	-	(183,378,000)	-	-	-	-	(183,378,000)
Transfer to Educational Institutions	-	-	-	-	-	(10,885,000)	(10,885,000)
Transfer to Lignite Research Fund	-	-	(1,027,616)	-	-	-	(1,027,616)
Transfer to Agricultural Department	-	-	-	-	(92,071)	(2,200,000)	(2,292,071)
Transfer to Attorney General	-	-	-	-	(422,685)	-	(422,685)
Transfer to Dakota College at Bottineau	-	-	-	-	(2,500,000)	-	(2,500,000)
Transfer to Department of Human Services	-	-	-	-	(1,296,969)	-	(1,296,969)
Transfer to Environmental Quality	-	-	-	-	(1,057,658)	-	(1,057,658)
Transfer to Facilities Management	-	-	-	-	(500,000)	-	(500,000)
Transfer to Industrial Commission	-	-	-	-	(1,219,082)	-	(1,219,082)
Transfer to Lake Region State College	-	-	-	-	(363,000)	-	(363,000)
Transfer to State General Fund	-	-	(800,000)	-	(382,200,000)	-	(383,000,000)
Transfer to Tax Commissioner	-	-	-	-	(13,683)	-	(13,683)
Transfer to Office of Management & Budget	-	-	-	-	(872,680)	-	(872,680)
Transfer to Legislative Council	-	-	-	-	-	(74,918)	(74,918)
Transfer to Supreme Court	-	-	-	-	-	(970,000)	(970,000)
Transfer from Department of Commerce	-	-	-	-	119,262	-	119,262
Transfer from Department of Corrections	-	-	-	-	123,426	-	123,426
Transfer from Environmental Quality	-	-	-	-	126,023	-	126,023
Transfer from Information Technology	-	-	-	-	743,163	-	743,163
Transfer from State General Fund	-	64,370,000	-	-	-	-	64,370,000
Proceeds from sale of capital asset (land)	-	82,000	-	-	-	-	82,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(118,926,000)</b>	<b>(1,827,616)</b>	<b>-</b>	<b>(389,425,954)</b>	<b>(14,129,918)</b>	<b>(524,309,488)</b>
<b>Net Change in Fund Balance</b>	<b>126,800</b>	<b>1,108,510,232</b>	<b>367,094</b>	<b>(7,709,625)</b>	<b>92,923,982</b>	<b>54,860,574</b>	<b>1,249,079,058</b>
Fund Balance - beginning	322,089	4,628,066,674	70,750,577	8,966,322	767,541,456	269,589,358	5,745,236,476
<b>Fund Balance - ending</b>	<b>\$ 448,889</b>	<b>\$ 5,736,576,906</b>	<b>\$ 71,117,671</b>	<b>\$ 1,256,697</b>	<b>\$ 860,465,438</b>	<b>\$ 324,449,932</b>	<b>\$ 6,994,315,534</b>

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**

Net change in fund balance	\$1,249,079,058
Net value of capital asset - land transaction	(1,319)
Net value of capital asset - acquired land	80
Depreciation expense on equipment	(363,697)
Office equipment additions	396,536
Increase in compensated absences liability	(16,979)
Increase in net OPEB liability	(17,822)
Changes in deferred outflows and inflow resources related to net OPEB liability	21,913
Increase in net pension liability	(3,757,566)
Changes in deferred outflows and inflows resources related to net pension liability	2,928,124
Change in net position of governmental activities	<u>\$1,248,268,328</u>

See Notes to the Financial Statements

**ND Department of Trust Lands**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2020**

<b>Revenues:</b>	<b>General Fund</b>	<b>Common Schools Trust Fund</b>	<b>Coal Development Trust Fund</b>	<b>Oil and Gas &amp; Energy Impact Grant Funds</b>	<b>Strategic Investments &amp; Improvements Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Investment income	\$ -	\$ 107,738,882	\$ 374,639	\$ -	\$ 14,939,072	\$ 6,287,035	\$ 129,339,628
Loan income							
<i>Farm loans</i>	-	614,539	-	-	-	52,564	667,103
<i>Energy construction loans</i>	-	46,273	-	-	-	-	46,273
<i>School loans - Coal</i>	-	-	616,240	-	-	-	616,240
Net increase (decrease) in fair value of investments	-	(184,010,553)	72,574	-	2,787,437	(10,217,180)	(191,367,722)
Securities lending income	-	2,574,284	25,259	-	948,732	151,352	3,699,627
Royalties	-	138,156,616	-	-	88,216,919	12,067,479	238,441,014
Bonuses	-	8,411,282	-	-	1,166,894	21,852	9,600,028
Rental income	-	13,254,947	-	-	64,823	1,240,305	14,560,075
Coal severance tax	-	-	1,547,095	-	-	-	1,547,095
Oil extraction tax	-	79,269,261	-	-	-	-	79,269,261
Unclaimed property collections	-	9,515,851	-	-	-	-	9,515,851
Indirect recovery costs	7,960,688	-	-	-	-	-	7,960,688
<b>Total Revenues</b>	<b>7,960,688</b>	<b>175,571,382</b>	<b>2,635,807</b>	<b>-</b>	<b>108,123,877</b>	<b>9,603,407</b>	<b>303,895,161</b>
<b>Expenditures:</b>							
Current							
General government	-	-	38,647	-	4,024,521	42,623	4,105,791
Intergovernmental	-	-	-	22,220,963	-	-	22,220,963
Education	7,710,536	15,667,545	-	-	-	972,829	24,350,910
<b>Total Expenditures</b>	<b>7,710,536</b>	<b>15,667,545</b>	<b>38,647</b>	<b>22,220,963</b>	<b>4,024,521</b>	<b>1,015,452</b>	<b>50,677,664</b>
Excess of revenue over expenditures	250,152	159,903,837	2,597,160	(22,220,963)	104,099,356	8,587,955	253,217,497
<b>Other Financing Sources (Uses):</b>							
Transfer to Public Instruction	-	(183,378,000)	-	-	-	-	(183,378,000)
Transfer to Educational Institutions	-	-	-	-	-	(10,885,000)	(10,885,000)
Transfer to Lignite Research Fund	-	-	(1,082,966)	-	-	-	(1,082,966)
Transfer to State General Fund	-	-	(1,082,478)	-	(382,200,000)	-	(383,282,478)
Transfer to Facilities Management	-	-	-	-	-	(2,270,000)	(2,270,000)
Transfer to Adjutant General	-	-	-	-	(2,502,253)	-	(2,502,253)
Transfer to Aeronautics Commission	-	-	-	-	(20,000,000)	-	(20,000,000)
Transfer to Bank of North Dakota	-	-	-	-	(25,137,707)	-	(25,137,707)
Transfer to Department of Commerce	-	-	-	-	(3,000,000)	-	(3,000,000)
Transfer to Department of Corrections	-	-	-	-	(1,218,000)	-	(1,218,000)
Transfer to Energy Impact Fund	-	-	-	-	(2,000,000)	-	(2,000,000)
Transfer to Department of Human Services	-	-	-	-	(4,300,030)	-	(4,300,030)
Transfer to Industrial Commission	-	-	-	-	(270,000)	-	(270,000)
Transfer to Information Technology	-	-	-	-	(25,150,000)	-	(25,150,000)
Transfer to NDSU Extension	-	-	-	-	(940,465)	-	(940,465)
Transfer to Office of Management and Budget	-	-	-	-	(663,275)	-	(663,275)
Transfer to Park and Recreation	-	-	-	-	(3,755,000)	-	(3,755,000)
Transfer to State Treasurer	-	-	-	-	(35,000)	-	(35,000)
Transfer to Legislative Council	-	-	-	-	-	(54,360)	(54,360)
Transfer from Attorney General	-	-	-	-	6,387	-	6,387
Transfer from Department of Commerce	-	-	-	-	111,895	-	111,895
Transfer from Department of Health	-	-	-	-	67,310	-	67,310
Transfer from Highway Patrol	-	-	-	-	49,403	-	49,403
Transfer Public Service Commission	-	-	-	-	52,818	-	52,818
Transfer from Strategic Investment & Improvement fund	-	-	-	2,000,000	-	-	2,000,000
Transfer from State General Fund	-	-	22,510	-	-	-	22,510
Proceeds from sale of capital asset (land)	-	25,000	-	-	-	-	25,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(183,353,000)</b>	<b>(2,142,934)</b>	<b>2,000,000</b>	<b>(470,883,917)</b>	<b>(13,209,360)</b>	<b>(667,589,212)</b>
<b>Net Change in Fund Balance</b>	<b>250,152</b>	<b>(23,449,163)</b>	<b>454,226</b>	<b>(20,220,963)</b>	<b>(366,784,562)</b>	<b>(4,621,405)</b>	<b>(414,371,715)</b>
Fund balance - beginning	71,937	4,651,515,837	70,296,351	29,187,285	1,134,326,018	274,210,763	6,159,608,191
<b>Fund Balance - ending</b>	<b>\$ 322,089</b>	<b>\$ 4,628,066,674</b>	<b>\$ 70,750,577</b>	<b>\$ 8,966,322</b>	<b>\$ 767,541,456</b>	<b>\$ 269,589,358</b>	<b>\$ 5,745,236,476</b>

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**

Net change in fund balance	(\$414,371,716)
Net value of capital asset - land transaction	(50)
Depreciation expense on equipment	(265,755)
Office equipment additions	1,256,049
Increase in compensated absences liability	(2,334)
Decrease in net OPEB liability	18,647
Changes in deferred outflows and inflow resources related to net OPEB liability	(7,541)
Increase in net pension liability	1,201,508
Changes in deferred outflows and inflows resources related to net pension liability	(1,298,890)
Change in net position of governmental activities	<u><u>(\$413,470,082)</u></u>

See Notes to the Financial Statements

**NORTH DAKOTA DEPARTMENT OF TRUST LANDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
	Indian Cultural Education Trust	Indian Cultural Education Trust
<b><u>Assets</u></b>		
Cash	\$ 2,102	\$ 3,333
Investments	1,436,653	1,215,125
Interest receivable	2,584	3,181
Invested securities lending collateral	48,796	46,379
Total Assets	1,490,138	1,268,019
<b><u>Liabilities</u></b>		
Accounts payable	280	331
Securities lending collateral	48,796	46,379
Total Liabilities	49,076	46,710
<b><u>Net Position</u></b>		
Net position, restricted for education	1,441,059	1,221,309
Total Net Position	\$ 1,441,059	\$ 1,221,309

See Notes to the Financial Statements



**NORTH DAKOTA DEPARTMENT OF TRUST LANDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2021 and 2020

	2021	2020
	Theodore Roosevelt Presidential Library and Museum Endowment	Theodore Roosevelt Presidential Library and Museum Endowment
<b><u>Assets</u></b>		
Cash	\$ 132,929	\$ 133,526
Investments	56,140,784	14,770,119
Interest receivable	1,056	19,393
Invested securities lending collateral	1,903,436	563,017
Total Assets	<u>58,178,205</u>	<u>15,486,055</u>
<b><u>Liabilities</u></b>		
Accounts payable	10,917	4,017
Loan payable	17,500,000	-
Interest payable	317,158	-
Due to other fund	-	315
Securities lending collateral	1,903,436	563,017
Total Liabilities	<u>19,731,510</u>	<u>567,349</u>
<b><u>Net Position</u></b>		
Net position, restricted for library	<u>38,446,695</u>	<u>14,918,706</u>
Total Net Position	<u>\$ 38,446,695</u>	<u>\$ 14,918,706</u>

See Notes to the Financial Statements

**NORTH DAKOTA DEPARTMENT OF TRUST LANDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED June 30, 2021 AND 2020**

	2021 Indian Cultural Education Trust	2020 Indian Cultural Education Trust
<b>Additions</b>		
Contributions:		
Donations	\$ -	\$ -
Total Contributions	-	-
Investment income:		
Net change in fair value of investments	228,427	(48,688)
Interest	34,715	29,208
Less investment expense	2,286	3,040
Net Investment Income	260,855	(22,520)
Securities Lending Activity:		
Securities lending income	125	691
Net Securities Lending Income	125	691
Miscellaneous Income	2,906	3,068
<b>Total Additions</b>	<b>263,886</b>	<b>(18,761)</b>
<b>Deductions</b>		
Payments in accordance with Trust agreement	42,556	42,556
Administrative expenses	1,580	2,639
<b>Total Deductions</b>	<b>44,136</b>	<b>45,195</b>
Change in net position held in Trust for:		
Indian Cultural Education Trust	219,750	(63,956)
Total Change in Net Position	219,750	(63,956)
Net Position – Beginning of Year	1,221,309	1,285,265
Net Position – End of Year	\$ 1,441,059	\$ 1,221,309

See Notes to the Financial Statements



ND Department of Trust Lands  
Statement of Appropriations  
June 30, 2021

	Approved 2019-21 Biennial Appropriation	Final Adjusted Appropriation	2020 Expenditures	2021 Expenditures	Unexpended Appropriation
<b>General Fund Appropriated Expenditures:</b>					
Salaries and Wages	\$ 5,725,379	\$ 5,729,122	\$ 2,504,975	\$ 2,989,665	\$ 234,481
Operating Expenses	2,633,022	2,730,167	750,654	1,067,233	912,280
Capital Assets	-	3,389,529	1,371,416	609,059	1,409,054
Contingencies	100,000	100,000	-	-	100,000
	<u>\$ 8,458,401</u>	<u>\$ 11,948,818</u>	<u>\$ 4,627,045</u>	<u>\$ 4,665,957</u>	<u>\$ 2,655,815</u>

**Continuing Appropriations:**

Investments			\$ 23,071,463	\$ 36,896,722	
Land Management – Grant and Non-Grant			542,853	395,436	
County Services - Roads & Bridges			122,865	133,396	
In Lieu Property Taxes			129,842	133,038	
Strategic Investment and Improvements fund			1,350,154	436,130	
Office Building			183,204	414,991	
Uniform Unclaimed Property			352,315	57,893	
Total *			<u>\$ 25,752,696</u>	<u>\$ 38,467,606</u>	

\*This total represents the Department's expenditures through the State Treasurer's Office using the State's PeopleSoft system apart from investments. Investment manager fees are generally paid through the PTF Cash account at Northern Trust on a quarterly basis, although some managers withhold fees directly from the mutual or commingled fund investments.

See Note 21 to Financial Statements on the Department's continuing appropriation authority of funding.

**Oil and Gas Impact Grant Fund:**

	Approved 2019-21 Biennial Appropriation	Final Adjusted Appropriation	2020 Expenditures	2021 Expenditures	Unexpended Appropriation
Energy Infrastructure and Impact Grants	\$ 2,000,000	\$ 41,041,401	\$19,578,959	\$ 5,294,818	\$ 16,167,624
Energy Infrastructure and Impact Operating	-	158,842	39,491	19,878	99,473
	<u>\$ 2,000,000</u>	<u>\$ 41,200,243</u>	<u>\$19,618,450</u>	<u>\$ 5,314,696</u>	<u>\$ 16,267,097</u>

ND Department of Trust Lands  
Statement of Appropriations  
June 30, 2021

**Strategic Investment and Improvements Fund:**

	Approved 2019-21 Biennial Appropriation	2020 Expenditures	2021 Expenditures	2021-23 Biennial Emergency Clause (67 <sup>th</sup> Legislative Assembly)	Unexpended Appropriation
ND Aeronautics Commission (HB 1006)	\$ 20,000,000	\$ 20,000,000	\$ -	\$ -	\$ -
Energy Infrastructure & Impact Office (HB 1013)	2,000,000	2,000,000	-	-	-
ND Industrial Commission (HB 1014)	270,000	270,000	-	-	-
ND Industrial Commission (HB 1014)	25,137,707	25,137,707	-	-	-
ND Department of Corrections & Rehabilitation (HB 1015)	1,218,000	1,218,000	-	-	-
ND Department of Commerce (HB 1018)	3,000,000	3,000,000	-	-	-
NDSU Extension (HB 1020)	940,465	940,465	-	-	-
ND Information Technology (HB 1021)	4,000,000	4,000,000	-	-	-
ND Information Technology (HB 1021)	1,150,000	1,150,000	-	-	-
ND Department of Environmental Quality (HB 1024)	1,040,000	-	1,040,000	-	-
ND State Radio (HB 1435)	20,000,000	20,000,000	-	-	-
ND State Treasurer (SB 2005)	35,000	35,000	-	-	-
ND Department of Human Services (SB 2012)	11,490,695	4,300,030	1,296,969	-	5,893,696
Office of Management & Budget (SB 2015)	100,000	100,000	-	-	-
Office of Management & Budget (SB 2015)	4,000,000	563,275	1,636,841	-	1,799,884
Office of Management & Budget (SB 2015)	764,400,000	382,200,000	382,200,000	-	-
ND Department of Veterans Affairs – Adjutant General (SB 2016)	600,000	600,000	-	-	-
ND Department of Veterans Affairs – Adjutant General (SB 2016)	1,902,253	1,902,253	-	-	-
ND Park and Recreation (SB 2019)	1,755,000	1,755,000	-	-	-
ND Park and Recreation (SB 2019)	2,000,000	2,000,000	-	-	-
Bank of North Dakota (SB 2296)	50,000,000	-	29,664,702	-	20,335,298
ND University System – Lake Region State College (SB 2003)	-	-	-	363,000	-
ND University System – Dakota College (SB 2003)	-	-	-	2,500,000	-
	<u>\$ 915,039,120</u>	<u>\$ 471,171,730</u>	<u>\$ 415,838,512</u>	<u>\$ 2,863,000</u>	<u>\$ 28,028,878</u>

See Notes to the Financial Statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statements and Reporting Entity**

The North Dakota Department of Trust Lands (Department) is an agency of the State of North Dakota. The Board of University and School Lands (Board) was created under Article IX, Section 3 of the North Dakota State Constitution, and operates through the legislative authority of the N.D.C.C. Title 15, Chapters 47-30.1 and 57-62. The Board is the governing authority of the Department. As a state agency, the Department is considered a department of the State of North Dakota and is included in the State's Comprehensive Annual Financial Report.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, the Department has included all funds and has considered all potential component units for which the Department is financially accountable, and other organizations for which the nature and significance of their relationship with the Department are such that exclusion would cause the Department's financial statements to be misleading or incomplete.

The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the Board. Based upon these criteria, there are no component units to be included within the Department's statements and the Department is a reporting entity within the State of North Dakota as a reporting entity.

**Fund Accounting Structure**

The Department uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate constitutional and legislative compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund balance is classified on a hierarchy that shows, from the highest to the lowest, the level or form of constraints on fund balance and accordingly, the extent to which the Department is bound to honor them: nonspendable, restricted, committed, assigned and unassigned.

The following fund types and funds are used to account for the Department's activities.

General Fund – include operating fund activities financed by the trusts that are legislatively assigned for specified purposes.

The Department maintenance fund is used to pay operating expenses of the department. The Department maintenance fund is the general fund.

Permanent Fund – report resources that are constitutionally committed for distribution purposes as described in Article X of the State Constitution and N.D.C.C. Chapter 57-61.

The Coal Development Trust fund receives a portion of the coal severance tax. The Trust transfers a portion of the coal severance tax to the lignite research fund for lignite research and clean coal projects as enacted by the legislative assembly for future distribution. As described in N.D.C.C. Chapters 15.1-36 and 57-62, the Trust also makes loans to coal development impacted counties, cities and school districts and low interest loans to school districts for new construction. Interest earned on moneys in the Trust is distributed to the State general fund.

Special Revenue Funds - include fund activities financed by specific revenue sources that are constitutionally and legislatively restricted, committed or assigned to expenditures for specified purposes.

The Perpetual Education Trust funds account for all assets and proceeds as described in Section 11 through 19 of the Enabling Act of 1889, Article IX of the State Constitution and N.D.C.C. Chapter 15-01-02. The beneficiaries of the Common Schools Trust fund are publicly funded schools, grades K-12. Other beneficiaries of the Perpetual Educational Trust funds are the North Dakota State University, School for the Blind, School for the Deaf, State Hospital, Valley City State University, Mayville State University, Youth Correctional Center, State School of Science, Veterans Home, and the University of North Dakota. Income from the assets held by the Ellendale Trust are allocated equally among Dickinson State University, Minot State University, Dakota College at Bottineau, School for the Blind, Veterans Home, State Hospital, and State College of Science. The benefits of the original grant to the School of Mines are distributed to the University of North Dakota. The Trusts own assets in the form of rangeland, producing and non-producing mineral interests, investment securities, farm loans and an office building. The Common Schools Trust fund is also used to account for unclaimed property collected under the authority of N.D.C.C. Chapter 47-30.2.

The Strategic Investment and Improvements fund accounts for producing and non-producing mineral interests formerly owned by the Bank of North Dakota (BND) and State Treasurer, and acres located under navigable streams, rivers, and lakes, which are owned by North Dakota as a sovereign state. The Fund receives revenues from mineral bonuses, mineral royalties and a portion of the State's share of gross production and oil extraction taxes once certain thresholds are met. In accordance with NDCC 15-08.1-08, the SIIF may be expended as the legislature provide for one-time expenditures related to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government.

The Energy Infrastructure and Impact Office provides grant assistance to counties, cities, school districts and other political subdivisions impacted by oil or gas development through the oil and gas impact grant fund. The program is funded with a percentage of the oil and gas gross production tax as enacted by the legislative assembly or other legislative funding transfers. In addition, the Energy Infrastructure and Impact Office administers the Energy Impact Fund by providing grants to the Williston Airport when federal funding is committed and available for the new airport construction project.

The Capitol Building Trust fund was created by the Enabling Act for the benefit of "public buildings at the capital..." The Trust receives revenues from mineral bonuses, mineral royalties and surface rental income.

The Department reports the Common Schools Trust fund, Coal Development Trust fund, Department's General fund, Oil and Gas & Energy Impact fund, and Strategic Investment and Improvements Trust fund as major governmental funds.

Private Purpose Trust Fund – accounts for resources of trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

The Indian Cultural Educational Trust "is established for the purpose of generating income to benefit Indian culture." The beneficiary of the Indian Cultural Educational Trust is the Mandan, Hidatsa and Arikara Nation Cultural Education Foundation. The Trust receives revenues from surface rental income.

The Theodore Roosevelt Presidential Library and Museum Endowment fund is created for the purpose of generating income to be used for the operations and maintenance of the library and museum, but only after the Theodore Roosevelt Presidential Library Foundation has raised or secured binding pledges of \$100 million.

### **Basis for Accounting**

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax revenues to be available if they are collected within one year of the end of the fiscal period.

All revenues in the perpetual funds except for taxes and unclaimed property revenue are presented as program revenues.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.



### **Budgetary Policies and Procedures**

The Department operates through a biennial appropriation provided by the State Legislature and other continuing appropriations. The Department prepares a biennial budget which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. Before signing the appropriation bills, the Governor may veto any specific appropriation, subject to legislative override. Changes to the appropriation are limited to Emergency Commission authorization, initiative, or referendum action. Unexpended appropriations lapse at the end of the biennium.

Due to the lack of a formal revenue budget, a Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual statement cannot be prepared as required by GAAP. In its place, a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the modified accrual basis and encumbrance accounting is not used.

### **Cash Deposits and Investments**

Cash includes all funds deposited with the Bank of North Dakota.

Investments are reported at fair value. All investment income, including changes in the fair value, is recognized in the statements of revenues, expenditures, and changes in fund balance.

Cash for all funds is pooled and invested to the extent possible. Income earned from pooled investments is allocated to each of the funds based on the fund's total contribution to the pool.

### **Accounts Receivable**

Accounts receivable represents accrued amounts on royalty revenue and interest on investments not available on June 30, 2021 for funding of current operations. A majority of accrued royalty revenue is expected to be collected within the first 90 days following June 30, 2021. All receivables are considered collectible.

### **Loans**

Loans are stated at their outstanding unpaid principal balance. Interest income on loans is accrued at a specific rate on the unpaid principal balance.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

### **Allowance for Loan Losses**

The Department uses the allowance method in providing for loan losses. Accordingly, the allowance is increased or reduced by the current period's provision of loan losses charged to operations and reduced by net charge-offs.

The adequacy of the allowance for loan losses and the provisions for loan losses charged to operations are based on management's evaluation of several factors, including recent loan loss experience, continuous evaluation of the loan portfolio quality including estimated value of any underlying collateral, current and anticipated economic conditions, and other pertinent factors. Loans are charged to the allowance when management believes the collection of the principal is doubtful. Based on this assessment there was no allowance for loan losses on June 30, 2021 or 2020.

### **Claimant Liability**

Claimant liability represents the value of property escheated to the Department and expected to be repaid to the rightful owners or their heirs. Escheated property can be reclaimed into perpetuity and thus is a liability for the amounts expected to be reclaimed and paid.

### **Long-Term Debt**

The Theodore Roosevelt Presidential Library and Museum fund has issued long-term debt which is reported as a liability in the Statement of Fiduciary Net Position.

### **Capital Assets**

Capital assets includes original grant, pre-1980 acquired properties and cancelled contract lands valued at \$10.00 per acre, and post-1980 acquired properties valued at historical cost or fair value, and equipment valued at historical cost or at estimated historical cost if actual cost is not available. Donated capital assets are valued at their acquisition value on the date of donation.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable governmental activities' columns in the government-wide financial statements in accordance with N.D.C.C. Chapter 54-27-21. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Capital assets in Governmental Funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with equipment, accumulated depreciation, and depreciation expense, are reported in the applicable governmental activities' columns in the government-wide financial statements.

Land is not depreciated. Other capital assets are depreciated using the straight-line method over 3 to 10 years for all furniture and equipment.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Other Post- Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Department has two items reported on the statement of net position as *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB*, which represents actuarial differences within the NDPERS pension plans. See Notes 24 and 25 to financial statements for additional details on Department's Pension Plan and OPEB Plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The Department has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. See Notes 24 and 25 to financial statements for additional details on Department's Pension Plan and OPEB Plan.

### **Compensated Absences Payable**

N.D.C.C. Chapter 54-06-14 allows employees to accrue annual leave at a varying rate between one and two days per month based on years of service. In general, accrued annual leave cannot exceed thirty days at each calendar year end. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is accrued at the rate of one day per month without limitation on the amount that can be accumulated. Employees vest in sick leave at ten years of service at which time the State is liable for ten percent of the employee's accumulated unused sick leave.

Assets of the maintenance fund are used to pay off these liabilities.

### **Accounting Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Indirect Recovery Costs**

N.D.C.C. Chapter 15-03-01.2 created a special fund designated as the state lands maintenance fund (general fund), which is funded by the trust fund assets. All administrative salaries and operating expenses of the Department must be paid from the state lands maintenance fund (general fund). The indirect recovery costs represent the reimbursement of these expenditures.

## **NOTE 2 - ORGANIZATION AND RELATED PARTY TRANSACTIONS**

As stated in Note 1, the Department is an entity of the state of North Dakota and as such, other state agencies of the state and political subdivisions are related parties.

## **NOTE 3 – CASH**

### **Custodial Credit Risk**

State law generally requires that all state funds be deposited in the BND. N.D.C.C. Chapter 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the BND. Also, N.D.C.C. Chapter 6-09-07 states, “[a]ll state funds ... must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provision.

The carrying amount of deposits with the Bank of North Dakota as of June 30, 2021 was \$551,254,547 and the bank balance was \$519,631,648. As of June 30, 2020, the carrying amount of deposits with the Bank of North Dakota was \$145,403,990 and the bank balance was \$135,872,949. These differences result from timing differences of deposits processed by the Bank at year-end. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, deposits held at the BND are guaranteed by the State of North Dakota through N.D.C.C. Chapter 6-09-10.

#### **NOTE 4 – FUND BALANCE CLASSIFICATION**

The following fund balance classifications describe the spending constraints placed on the purpose for which resources can be used:

*Nonspendable:* this classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact as directed by legislation or the state constitution.

The Coal Development Trust fund was established by Article X of the State Constitution. This fund is held in trust and administered by the Board for loans to coal impacted counties, cities, and school districts and for loans to school districts throughout the state. The Coal Development Trust fund balance includes the corpus (or principal) of this fund and the long-term portion of loans receivable, therefore is not in spendable form.

*Restricted:* this classification includes amounts for which constraints have been placed on the use of the resources either (a) imposed by the beneficiary of the assets or (b) imposed by law through constitutional provisions or enabling legislation.

The Common School and other Perpetual Education trust funds were created under the State Constitution to support school and public institutions. All revenue resources are restricted for the purpose of distributions to the beneficiaries.

The Capitol Building fund was created under the State Constitution for the construction and maintenance of public buildings at the capital. The entire balance of the trust is subject to legislative appropriation each biennium.

*Committed:* this classification includes amounts that can be used only for the specific purpose imposed by formal action of the legislative assembly or the Board.

The Coal Development Trust fund was established by Article X of the State Constitution. Any changes to the fund balance commitment would require a referendum and vote of the people of the State of North Dakota. Interest earned on the moneys held in this trust will first replace uncollectable loans made from this trust, and any remaining balance will be transferred to the State general fund.

The Oil and Gas Impact Grant fund holds funds appropriated by the state legislature to assist local political subdivisions in dealing with problems arising from oil and gas development. Any changes to the fund balance commitment would require an appropriation bill action of the legislative assembly.

The Strategic Investment and Improvements fund was established by legislation and consists of mineral acres formerly owned by the BND and State Treasurer, minerals located under navigable streams, rivers, and lakes, which are owned by North Dakota as a sovereign state, and various financial assets. The balance of this fund is subject to appropriation by the legislature. Any changes to the fund balance commitment would require action of the legislative assembly to change the North Dakota century code.

*Assigned:* this classification includes amounts that can be used only for the specific purpose imposed by formal action of the legislative assembly or the Board, but do not meet the criteria to be classified as restricted or committed.

The Strategic Investment and Improvements fund has assigned funds by the Board to indicate that these funds should not be transferred out of this fund until potential title disputes related to riverbed leases have been resolved.

*Unassigned:* the residual classification for the general fund, as well as reflecting negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, the Department's preference is to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, the Department's preference is to use resources in the following order; 1) restricted, 2) committed, 3) assigned, and 4) unassigned.

ND Department of Trust Lands  
Notes to Financial Statements  
June 30, 2021 and 2020

Fiscal Year Ended June 30, 2021

Fund Balances	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Flood Impact Grant Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
<b>Permanent Funds:</b>							
<i>Nonspendable</i>							
Permanent fund principal	\$ -	\$ -	\$71,010,157	\$ -	\$ -	\$ -	\$71,010,157
<i>Committed</i>							
Designated for transfer to State general fund	-	-	107,514	-	-	-	107,514
<b>Special Revenue Funds:</b>							
<i>Restricted</i>							
Distribution to educational beneficiaries	-	5,736,576,906	-	-	-	320,987,447	6,057,564,353
Capitol building maintenance	-	-	-	-	-	3,462,486	3,462,486
<i>Committed</i>							
Grants	-	-	-	1,256,697	-	-	1,256,697
Designated for transfer to(from):							
Agricultural Department	-	-	-	-	92,071	-	92,071
Attorney General Office	-	-	-	-	422,685	-	422,685
Bank of North Dakota	-	-	-	-	29,664,702	-	29,664,702
Dakota College at Bottineau	-	-	-	-	2,500,000	-	2,500,000
Department of Commerce	-	-	-	-	(119,262)	-	(119,262)
ND Department of Corrections	-	-	-	-	(123,426)	-	(123,426)
Department of Human Services	-	-	-	-	1,296,969	-	1,296,969
Department of Environmental Quality	-	-	-	-	931,635	-	931,635
Facility Management (OMB)	-	-	-	-	500,000	-	500,000
Industrial Commission	-	-	-	-	1,219,082	-	1,219,082
Information Technology	-	-	-	-	(743,163)	-	(743,163)
Lake Region State College	-	-	-	-	363,000	-	363,000
Office of Management and Budget	-	-	-	-	383,072,680	-	383,072,680
Office of State Tax Commissioner	-	-	-	-	13,683	-	13,683
Operating Expenses	-	-	-	-	222,594,665	-	222,594,665
<i>Assigned</i>							
Potential mineral title disputes	-	-	-	-	218,780,117	-	218,780,117
<i>Unassigned</i>							
Operating Expenses	448,889	-	-	-	-	-	448,889
Total Fund Balances:	<u>\$448,889</u>	<u>\$5,736,576,906</u>	<u>\$71,117,671</u>	<u>\$1,256,697</u>	<u>\$ 860,465,438</u>	<u>\$324,449,933</u>	<u>\$ 6,994,315,534</u>

ND Department of Trust Lands  
Notes to Financial Statements  
June 30, 2021 and 2020

Fiscal Year Ended June 30, 2020							
Fund Balances	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Flood Impact Grant Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
<b>Permanent Funds:</b>							
<i>Nonspendable</i>							
Permanent fund principal	\$ -	\$ -	\$70,750,577	\$ -	\$ -	\$ -	\$70,750,577
<b>Special Revenue Funds:</b>							
<i>Restricted</i>							
Distribution to educational beneficiaries	-	4,628,066,674	-	-	-	264,053,572	4,892,120,246
Capitol building maintenance	-	-	-	-	-	5,535,786	5,535,786
<i>Committed</i>							
Grants	-	-	-	8,966,322	-	-	8,966,322
Designated for transfer to(from):							
Adjutant General	-	-	-	-	2,502,253	-	2,502,253
Aeronautics Commission	-	-	-	-	20,000,000	-	20,000,000
Bank of North Dakota	-	-	-	-	25,137,707	-	25,137,707
ND Department of Commerce	-	-	-	-	2,888,105	-	2,888,105
ND Department of Corrections	-	-	-	-	1,218,000	-	1,218,000
Energy Impact Fund	-	-	-	-	2,000,000	-	2,000,000
ND Department of Human Services	-	-	-	-	4,300,030	-	4,300,030
ND Industrial Commission	-	-	-	-	270,000	-	270,000
ND Information Technology	-	-	-	-	25,150,000	-	25,150,000
NDSU Extension	-	-	-	-	940,465	-	940,465
ND Office of Management and Budget	-	-	-	-	663,275	-	663,275
ND Park and Recreation	-	-	-	-	3,755,000	-	3,755,000
ND State Treasurer	-	-	-	-	35,000	-	35,000
ND Attorney General	-	-	-	-	(6,387)	-	(6,387)
ND Department of Health	-	-	-	-	(67,310)	-	(67,310)
ND Highway Patrol	-	-	-	-	(49,403)	-	(49,403)
ND Public Service Commission	-	-	-	-	(52,818)	-	(52,818)
Operating Expenses	-	-	-	-	449,532,490	-	449,532,490
<i>Assigned</i>							
Potential mineral title disputes	-	-	-	-	229,325,049	-	229,325,049
<i>Unassigned</i>							
Operating Expenses	322,089	-	-	-	-	-	322,089
Total Fund Balances:	<u>\$322,089</u>	<u>\$4,628,066,674</u>	<u>\$70,750,577</u>	<u>\$8,966,322</u>	<u>\$767,541,456</u>	<u>\$269,589,358</u>	<u>\$ 5,745,236,476</u>

## NOTE 5 – INVESTMENTS

The Board's investment policy is to invest trust assets in a manner that balances the growth of the portfolio with the need to meet constitutionally required distributions. This is accomplished by investing in a widely diversified portfolio.

N.D.C.C. Chapter 15-03-04 requires that the Board apply the prudent investor rule in investing the funds under its control. Application of the prudent investor rule dictates that investments of the Board should be made using the same judgment and care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Board manages its interest rate risk by maintaining a diversified portfolio that contains a wide variety of maturity dates for the debt securities held. The Board has adopted an asset allocation schedule and approves the hiring of all managers within the various asset classes.



ND Department of Trust Lands  
Notes to Financial Statements  
June 30, 2021 and 2020

For fiscal year 2021, a new table was adopted to provide a more detailed visual of the maturities of all fixed income related investments by showing the tiered legal maturities by investment type and amount of exposure. In comparison to the prior table used in fiscal year 2020 where only weighted average maturity was calculated and demonstrated.

The following tables show the investments by investment type, amount and maturity as of June 30, 2021 and 2020. When callable, maturity is calculated with the first call date.

Fiscal Year 2021

<u>Investment Type</u>	<u>Total Fair Value</u>	Less than 1 <u>Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	More than 10 <u>Years</u>	<u>Maturity</u> <u>Undetermined</u>	<u>Reason</u> <u>Undetermined</u>
Asset Backed Securities	156,969,372	472,898	71,013,139	25,602,596	59,880,739	--	
-Bank Loans	5,592,530	--	-	5,592,530	-	-	
Collateralized Bonds	2,099,042	-	-	-	2,099,042	-	
Commercial Mortgage-Backed	29,640,858	-	-	3,570,639	26,070,219	-	
Corporate Bonds	606,843,432	124,704,401	321,174,456	82,599,567	78,365,008	-	
Corporate Convertible Bonds	5,191,037	-	1,697,925	-	3,493,112	-	
Government Agencies	147,226,072	82,369,133	63,567,145	1,289,794	-	-	
Government Bonds	276,294,010	39,144,113	145,547,779	40,363,241	51,238,877	-	
Gov't Mortgage Back Securities	92,434,687	-	1,440,477	8,158,838	82,835,372	-	
Municipal/Provincial Bonds	88,848,552	17,531,536	65,634,106	5,682,910	-	-	
Non-Government Backed CMOs	94,611,600	-	4,750,041	42,761,465	47,100,094	-	
Short Term Bills and Notes	229,699,699	229,699,699	-	-	-	-	
Funds – Other Fixed Income	732,481,080	(127,967,006)	490,243,496	136,190,860	231,584,960	2,428,770	Cash/Currency Forwards Unclaimed Property
Funds – Short Term	23,029,646	22,973,627	-	-	-	56,019	Unclaimed Property
Funds – Corporate Bond	74,232	-	-	-	-	74,232	
Funds – Municipal/Provincial Bonds	12,206	-	-	-	-	12,206	
Funds – Gov't Agencies	3,281	-	-	-	-	3,281	Unclaimed Property
<b>Total</b>	<b>\$2,491,051,336</b>	<b>\$388,928,401</b>	<b>\$1,165,068,564</b>	<b>\$351,812,440</b>	<b>\$582,667,423</b>	<b>\$2,574,508</b>	
Limited Partnerships (LP)	\$283,256,214	\$11,723,329	\$219,945,440	\$21,737,434	\$5,431,607	\$24,418,404	Includes: Preferred Equity, Asset Acquisitions, Equity Upside & Restructuring

Certain investment managers may take short positions in securities, including fixed income securities, which may be indicated by negative balances in the maturity columns above. Such short positions are usually offset by long positions in other maturity columns. Investment managers typically take short positions as a hedge against long positions to reduce interest rate risk, market/sector risk, or credit risk.

Fiscal Year 2020

Investment Type	Maturity Amount	Weighted Average Maturity (Years)
Asset Backed Securities	\$129,797,379	8.68
Collateralized Bond	1,996,014	20.14
Commercial Mortgage-Backed	20,612,778	16.39
Corporate Bonds	362,283,402	5.30
Corporate Convertible Bonds	174,657	5.58
Funds – Government Agencies	26,258	
Funds – Other Fixed Income	3,342	
Funds – Short Term Investment	180,889,882	
Brandywine Fund	179,059,712	13.73
JP Morgan Mortgage Back	120,180,371	3.74
Government Agencies	152,270,033	1.84
Government Bonds	200,715,734	7.86
Government Mortgage-Backed Securities	111,873,753	22.97
Gov't-issued Commercial Mortgage- Backed	7,511,422	8.32
Index Linked Government Bonds	5,011,842	4.37
Municipal/Provincial Bonds	27,476,650	3.67
Non-Government Backed CMOs	38,896,274	20.18
Short Term Bills and Notes	24,400,430	0.08
Funds – Corporate Bond	63,544	
Funds – Municipal/Provincial Bond	11,632	
Total	\$1,563,255,109	
Weighted Average Maturity		7.50

Other investments included in the table above for fiscal year 2020, such as variable rate collateralized mortgage obligations (CMOs), have a high degree of sensitivity to interest rate change. As of June 30, 2020, the Board held \$35,754,853 in variable rate CMOs.

*Custodial Risk*

Custodial risk is the risk, in the event of the failure of the counterparty to a transaction, the Department will not be able to recover the value of the investment that is in the possession of the outside party. The Department has existing policies in place that limit the custodial risk for investments. The Department is not exposed to any custodial risk for its investment portfolio.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Department has existing policies in place that limit the concentration of credit risk for investments. The System's operational guidelines for investments in any corporate entity are stated in each individual manager's specific portfolio guideline.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board maintains a diversified portfolio of debt securities encompassing a wide range of credit ratings, including securities identified as U.S. Government in the tables below, which are U.S. Treasury and Agency debt securities that are either explicitly or implicitly guaranteed by the U.S. government and thus are considered to have no credit risk. Each fixed income securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit, and to what extent within the ranges, the manager may invest. The following tables present the Board's ratings as of June 30, 2021 and 2020, respectively.

**Fiscal Year 2021**

	AAA	AA	A	BBB	BB	B	CCC	Not Rated	US Government	Total
Asset Backed Securities	\$63,015,578	\$9,675,294	\$5,092,907	\$10,826,525	\$ -	\$ -	\$1,541,387	\$66,817,681	\$ -	\$156,969,372
Bank Loans	-	-	-	-	2,002,476	1,048,851	-	2,541,203	-	5,592,530
Collateralized Bond	-	-	-	-	-	-	-	2,099,042	-	2,099,042
Commercial Mortgage-Backed	-	-	-	2,144,756	-	-	-	27,496,102	-	29,640,858
Corporate Bonds	3,947,520	42,824,364	295,789,900	219,567,471	14,893,850	11,426,296	4,234,895	14,159,136	-	606,843,432
Corporate Convertible Bonds	-	-	171,855	500,463	2,145,677	626,131	-	1,746,911	-	5,191,037
Government Agencies	-	125,351,816	2,759,300	835,490	-	-	-	-	18,279,466	147,226,072
Government Bonds	-	636,105	1,092,035	4,696,682	195,928	-	-	4,123,592	265,549,668	276,294,010
Government Mortgage Backed Securities	-	-	-	4,658,670	5,547,444	1,276,560	-	571,030	80,380,983	92,434,687
Municipal/Provincial Bonds	23,535,643	54,162,914	6,614,519	-	-	-	-	4,535,476	-	88,848,552
Non-Government Backed C.M.O.s	6,012,106	6,921,676	14,221,970	334,493	829,698	554,802	459,621	65,277,234	-	94,611,600
Short Term Bills and Notes	-	-	-	-	-	-	-	-	229,699,699	229,699,699
Funds - Other Fixed Income	-	-	-	-	-	-	-	732,481,080	-	732,481,080
Funds - Short Term Investment	23,027,725	-	-	-	-	-	-	1,921	-	23,029,646
Funds - Corporate Bond	-	-	-	-	-	-	-	74,232	-	74,232
Funds - Municipal/Provincial Bond	-	-	-	-	-	-	-	12,206	-	12,206
Funds - Government Agencies	-	-	-	-	-	-	-	-	3,281	3,281
	\$119,538,572	\$239,572,169	\$325,742,486	\$243,564,550	\$25,615,073	\$14,932,640	\$6,235,903	\$921,936,846	\$593,913,097	\$2,491,051,336

ND Department of Trust Lands  
Notes to Financial Statements  
June 30, 2021 and 2020

Fiscal Year 2020

	AAA	AA	A	BBB	BB	B	CCC	Not Rated	US Government	Total
Asset Backed Securities	\$65,717,056	\$5,552,110	\$3,425,475	\$5,166,692	\$551,014	\$ -	\$2,454,147	\$46,930,884	\$ -	\$129,797,379
Collateralized Bond	-	-	-	-	-	-	-	1,996,014	-	1,996,014
Commercial Mortgage-Backed	-	-	-	2,057,014	-	-	-	18,555,763	-	20,612,778
Corporate Bonds	2,795,478	40,030,054	172,899,468	140,890,170	-	-	-	5,668,234	-	362,283,402
Corporate Convertible Bonds	-	-	174,657	-	-	-	-	-	-	174,657
Funds - Government Agencies	-	-	-	-	-	-	-	-	26,258	26,258
Funds - Other Fixed Income	-	-	-	-	-	-	-	299,243,424	-	299,243,424
Funds - Short Term Investment	-	-	-	-	-	-	-	180,889,882	-	180,889,882
Government Agencies	-	130,150,723	2,786,015	1,973,817	-	-	-	-	17,359,478	152,270,033
Government Bonds	-	652,498	-	4,801,075	-	-	-	10,370,633	184,891,528	200,715,734
Government Mortgage Backed Securities	-	946,128	-	1,840,529	-	522,276	-	1,618,024	106,946,797	111,873,753
Gov't-issued Commercial Mortgage-Backed	-	-	-	-	-	-	-	-	7,511,425	7,511,425
Index Linked Government Bond	-	-	-	-	-	-	-	-	5,011,842	5,011,842
Municipal/Provincial Bonds	5,634,320	13,039,911	3,997,409	-	-	-	-	4,805,009	-	27,476,650
Non-Government Backed C.M.O.s	2,156,149	6,382,110	7,759,952	2,173,509	1,025,804	602,633	1,089,100	17,707,016	-	38,896,272
Short Term Bills and Notes	-	-	-	-	-	-	-	-	24,400,430	24,400,430
Funds - Corporate Bond	-	-	-	-	-	-	-	63,544	-	63,544
Funds - Municipal/Provincial Bond	-	-	-	-	-	-	-	11,632	-	11,632
	<u>\$76,303,002</u>	<u>\$196,753,534</u>	<u>\$191,042,974</u>	<u>\$158,902,805</u>	<u>\$1,576,818</u>	<u>\$1,124,909</u>	<u>\$3,543,248</u>	<u>\$587,860,060</u>	<u>\$346,147,758</u>	<u>\$1,563,255,109</u>

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Board treats currency exposure in two different ways, depending on the type of investment. For the Board's international equity portfolio, the currency exposure is not hedged as currency exposure is one of the items that add diversity to the overall portfolio. In the case of foreign bonds, the Board fully hedges the currency exposure as the purpose of this portfolio is to generate more consistent returns. The Board's exposure to foreign currency risk is presented in the following tables:

# ND Department of Trust Lands

## Notes to Financial Statements

June 30, 2021 and 2020

### Fiscal Year 2021

Currency	Debt	Equity	Total
Australian Dollar	\$ 188,854	\$ 60,194,805	\$ 60,383,658
Brazilian Real	4,820,736	10,717,499	15,538,235
British Pound Sterling	5,390,058	125,092,702	130,482,760
Canadian Dollar	-	68,669,589	68,669,589
Chilean Peso	9,561,953	748,717	10,310,670
Chinese Renminbi	119,276	48,624,408	48,743,684
Columbian Peso	4,134,899	215,731	4,350,630
Czech Koruna	-	917,430	917,430
Danish Krone	-	21,149,228	21,149,228
Egyptian Pounds	-	50,760	50,760
European Euro	8,179,499	250,094,039	258,273,539
Greek drachma	-	253,801	253,801
Hong Kong Dollar	-	56,800,234	56,800,234
Hungarian Forint	3,657,795	291,871	3,949,666
Indian Rupee	-	17,574,811	17,574,811
Indonesian Rupiah	228,612	9,822,037	10,050,649
Israel Shekel	-	5,581,718	5,581,718
Japanese Yen	-	200,952,889	200,952,889
Kenyan Shilling	-	1,495,925	1,495,925
Malaysian Ringgit	4,333,692	1,979,648	6,313,340
Mexican Peso	8,667,384	6,491,696	15,159,081
New Zealand Dollar	-	1,897,657	1,897,657
Norwegian Krone	-	8,868,757	8,868,757
Peruvian Nuevo Sol	-	88,830	88,830
Philippines Peso	-	989,824	989,824
Polish Zloty	9,701,109	1,463,613	11,164,723
Qatari Riyal	-	342,631	342,631
Russian Rubles	4,234,296	1,167,484	5,401,780
Saudi Arabian Riyal	-	3,350,173	3,350,173
Singapore Dollar	-	10,698,626	10,698,626
South African Rand	417,466	7,320,146	7,737,612
South Korean Won	-	24,089,725	24,089,725
Swedish Krona	-	37,842,413	37,842,413
Swiss Franc	-	68,261,271	68,261,271
Taiwan dollar	-	34,081,502	34,081,502
Thai Baht	974,087	3,459,153	4,433,240
Turkish Lira	-	571,052	571,052
UAE dirham	-	482,222	482,222
	<u>\$ 64,609,718</u>	<u>\$ 1,092,694,613</u>	<u>\$ 1,157,304,332</u>

# ND Department of Trust Lands

## Notes to Financial Statements

June 30, 2021 and 2020

### Fiscal Year 2020

Currency	Debt	Equity	Total
Australian Dollar	\$ 519,273	\$ 47,517,339	\$ 48,036,612
Brazilian Real	6,356,620	8,678,408	15,035,028
British Pound Sterling	19,338,162	99,282,468	118,620,631
Canadian Dollar	1,899,947	54,135,434	56,035,381
Chilean Peso	8,666,490	790,503	9,456,993
Chinese Renminbi	-	5,611,669	5,611,669
Columbian Peso	8,021,875	219,055	8,240,930
Czech Koruna	7,108,671	716,127	7,824,798
Danish Krone	-	15,234,430	15,234,430
Egyptian Pounds	-	66,669	66,669
European Euro	21,155,526	205,500,425	226,655,950
Hong Kong Dollar	-	69,057,269	69,057,269
Hungarian Forint	7,126,577	266,676	7,393,252
Indian Rupee	-	13,013,378	13,013,378
Indonesian Rupiah	393,931	7,866,681	8,260,612
Israel Shekel	-	4,452,899	4,452,899
Japanese Yen	-	184,979,114	184,979,114
Kenyan Shilling	-	1,212,578	1,212,578
Malaysian Ringgit	8,666,490	2,276,267	10,942,757
Mexican Peso	20,269,559	4,136,812	24,406,371
New Zealand Dollar	1,665,255	2,109,285	3,774,540
Norwegian Krone	128,064	6,610,348	6,738,412
Peruvian Nuevo Sol	-	9,524	9,524
Philippines Peso	-	971,461	971,461
Polish Zloty	9,740,848	942,889	10,683,737
Qatari Riyal	-	85,717	85,717
Russian Rubles	2,256,152	1,171,468	3,427,620
Saudi Arabian Riyal	-	885,744	885,744
Singapore Dollar	-	9,210,493	9,210,493
South African Rand	411,837	5,754,967	6,166,804
South Korean Won	9,078,327	16,708,398	25,786,726
Swedish Krona	-	28,078,714	28,078,714
Swiss Franc	-	60,634,123	60,634,123
Taiwan dollar	-	24,637,988	24,637,988
Thai Baht	-	3,312,610	3,312,610
Turkish Lira	-	790,503	790,503
UAE dirham	-	57,145	57,145
	<u>\$ 132,803,604</u>	<u>\$ 886,985,578</u>	<u>\$1,019,789,182</u>

**Derivative Securities**

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the Board allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the Statement of Net Position. At June 30, 2021 and 2020, the Board had one type of derivative security: currency forwards.

**Currency Forwards**

Currency forwards represent forward exchange contracts that are obtained to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase or sell a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Position with loss of \$714,178 for fiscal year 2021 and a gain of \$424,327 fiscal year 2020. At June 30, 2021 and 2020, the Board’s investment portfolio included the currency forwards balances shown below.

Currency	Cost	Purchases	Sales	Fair Value	
				June 30, 2021	June 30, 2020
European Euro	(16,273,219)	539,640	(16,690,163)	(\$16,150,523)	\$ -
Great Britain pound sterling	(24,365,876)	-	(24,149,734)	(24,149,735)	-
United States Dollar	40,639,096	41,193,940	(554,844)	40,639,096	-
Total forwards subject to currency risk				\$ 338,839	\$ -

**NOTE 6 – SECURITIES LENDING**

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions* establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as both an asset and a liability. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. In all cases the borrower provides more collateral than the value of securities lent. Therefore, there is no credit risk related to security lending transactions. Non-U.S. securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of North Dakota Board of University & School Lands loans was approximately 148 days as of June 30, 2021 and 76 days as of June 30, 2020.

Cash open collateral is invested in a short-term investment pool, the NDLAN Custom fund, which had an interest sensitivity of 37 days as of this statement date.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

Securities lending collateral is invested in investment pools and is not exposed to custodial credit risk.

The following represents the Board's balances related to securities lending transactions at June 30, 2021 and 2020.

Fiscal Year 2021

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non-Cash Collateral	Non-Cash Collateral
US Agencies	44,520,144	45,343,835	-	-
US Corporate Fixed	61,873,620	63,375,035	2,012,194	2,064,173
US Equities	43,454,774	44,663,347	11,018,014	11,288,812
US Government Fixed	124,454,200	126,897,974	9,524,736	9,728,706
	\$ 274,302,738	\$280,280,191	\$ 22,554,944	\$ 23,081,691
Market Value of Securities on Loan against Cash Collateral				\$ 274,302,738
Market Value of Securities on Loan against Non-Cash Collateral				22,554,944
Total Market Value of Securities on Loan				\$ 296,857,682



Fiscal Year 2020

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non-Cash Collateral	Non-Cash Collateral
GLOBAL Equities	\$ -	\$ -	\$ 107,123	\$ 116,300
US Agencies	11,342,896	11,576,050	5,828,587	5,953,908
US Corporate Fixed	22,322,732	22,725,631	-	-
US Equities	23,761,035	24,186,237	2,225,058	2,242,021
US Government Fixed	148,640,158	151,788,871	18,143,293	18,497,865
	<u>\$ 206,066,821</u>	<u>\$ 210,276,789</u>	<u>\$ 26,304,061</u>	<u>\$ 26,810,094</u>

Market Value of Securities on Loan against Cash Collateral	\$ 206,066,821
Market Value of Securities on Loan against Non-Cash Collateral	<u>26,304,061</u>
Total Market Value of Securities on Loan	<u><u>\$ 232,730,882</u></u>

**NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following investments are reported at fair value, which represents stated market prices. Actual gains and losses realized by the Department will be determined at the time of the sale and will be based on market conditions on that date.

*Fair Value Hierarchy*

In accordance with GASB Statement No. 72, assets and liabilities are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

*Determination of Fair Value*

In accordance with GASB Statement No. 72, fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Department's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy.

The equity, fixed income and other investment assets classified as Level 1 of the fair value hierarchy are either individual securities, mutual funds or ETFs that are valued using prices quoted in active markets for those securities or funds. The short-term bills and notes, equity, fixed income and other investment assets classified as Level 2 of the fair value hierarchy are primarily debt instruments and funds whose pricing is determined by pricing vendors using quoted prices for similar assets in active markets. Level two assets also include some low traded equities in the unclaimed property account, as well as currencies and forward foreign currency exchange contracts held in the portfolio that are used to hedge certain portions of the fixed income portfolio.

Level 3 assets are primarily common stock and commercial mortgage-backed fixed income securities. Level 3 assets with non-readily available market prices are based on a cash flow analysis with true-up adjustments provided by Northern Trust.

Assets classified as being measured by NAV include certain investments in four different equity common trust funds that have either daily or monthly liquidity, investments in three bond funds which have daily liquidity; and investments in five different open ended real estate funds/partnerships that are priced quarterly by the general partner and have redemption notice requirements of 90 days; and five private debts limited partnership fund that has a 5-year lock up period after the expiration of the commitment period; and one private equity investment. Items classified as being valued at other than FV include cash held in money markets accounts at Northern Trust as well as adjustments to cash for pending sales and purchases.

ND Department of Trust Lands  
Notes to Financial Statements  
June 30, 2021 and 2020

*Assets and Liabilities Recorded at Fair Value on a Recurring Basis*

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2021.

	Fair Value at 6/30/21	Fair Value Measures Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments, at fair value				
Short Term Securities				
Short Term Bills and Notes	\$ 245,348,866	\$ 15,649,167	\$ 229,699,699	\$ -
Total Short-Term Securities	<u>245,348,866</u>	<u>15,649,167</u>	<u>229,699,699</u>	<u>-</u>
Equity Investments				
Common Stock	257,223,092	257,222,095	553	444
Equity Funds/ETFs	250,594,974	2,074,571	248,502,403	-
Convertible Equity	637,145	637,145	-	-
Preferred Stock	46,414	46,414	-	-
Total Equity Investments	<u>508,501,625</u>	<u>259,980,225</u>	<u>248,520,956</u>	<u>444</u>
Fixed Income Investments				
Asset Backed Securities	108,442,777	-	107,344,863	1,097,914
Bond Funds/ETFs	122,739,437	93,999	122,645,438	-
Collateralized Mortgage	94,611,600	-	92,259,594	2,352,006
Commercial Mortgage Backed	31,000,437	-	27,293,501	3,706,936
Corporate Bonds	612,037,468	-	612,034,468	-
Government Agencies	69,976,302	-	69,976,302	-
Government Bonds	365,142,562	-	365,142,562	-
Government Mortgage Backed	169,684,457	-	169,684,457	-
Collateralized Debt	49,266,058	-	48,080,158	1,185,900
Bank Loans	5,592,530	-	5,592,530	-
Total Fixed Income Investments	<u>1,628,490,628</u>	<u>93,999</u>	<u>1,620,053,873</u>	<u>8,342,756</u>
Other Investment Assets				
Commodity ETF	435	435	-	-
Currency	1,191,532	1,191,532	-	-
FX Contracts	306,531	306,531	-	-
Global Tactical Asset Allocation MF	878,935,754	-	878,935,754	-
Master Limited Partnership	1,085,673	1,085,672	-	1
REITs	12,543,304	12,543,304	-	-
Rights/Warrants	236	236	-	-
Miscellaneous	175	-	-	175
Total Other Investment Assets	<u>894,063,640</u>	<u>15,127,710</u>	<u>878,935,754</u>	<u>176</u>
Total Investments at Fair Value	<u>\$3,276,404,759</u>	<u>\$290,851,101</u>	<u>\$2,977,210,282</u>	<u>\$ 8,343,376</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$1,778,806,900	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	136,806,566	-	Daily	< 5 days
Real Estate Funds	781,207,960	-	Quarterly	90 days
Private Debt Fund	283,256,214	296,000,000	NA	NA
Private Equity	11,229,716	249,000,000	NA	NA
Total Investments measured at NAV	<u>\$2,991,307,356</u>	<u>\$ 545,000,000</u>		
Investments at other than fair Value				
Cash and adjustments to Cash	\$ 1,656,019			
Total Investment at other than FV	<u>\$ 1,656,019</u>			
Value Indeterminable/Worthless/Delisted	7,761			
Total Investments	<u>\$6,269,375,895</u>			

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2020.

	Fair Value at 6/30/20	Fair Value Measures Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments, at fair value				
Short Term Securities				
Short Term Bills and Notes	\$ 24,407,603	\$ 24,407,603	\$ -	\$ -
Total Short-Term Securities	<u>24,407,603</u>	<u>24,407,603</u>	<u>-</u>	<u>-</u>
Equity Investments				
Common Stock	158,669,035	158,497,328	171,133	574
Equity Funds/ETFs	243,059,985	243,059,985	-	-
Preferred Stock	83,059	83,059	-	-
Total Equity Investments	<u>401,812,079</u>	<u>401,640,372</u>	<u>171,133</u>	<u>574</u>
Fixed Income Investments				
Asset Backed Securities	112,808,708	-	112,808,708	-
Bond Funds/ETFs	488,043,922	488,043,922	-	-
Collateralized Mortgage	38,896,274	-	38,896,274	-
Commercial Mortgage Backed	28,124,203	-	28,124,203	-
Corporate Bonds	362,458,059	-	362,458,059	-
Government Agencies	55,299,663	-	55,299,663	-
Government Bonds	228,192,383	-	228,192,383	-
Government Mortgage Backed	208,844,123	-	208,844,123	-
Index linked Government Bonds	5,011,842	-	5,011,842	-
Collateralized Debt	18,984,686	-	18,984,686	-
Total Fixed Income Investments	<u>1,546,663,863</u>	<u>488,043,922</u>	<u>1,058,619,941</u>	<u>-</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

Other Investment Assets				
Currency	6,109,341	6,109,341	-	-
Global Tactical Asset Allocation MF	453,359,745	453,359,745	-	-
Master Limited Partnership	45,372,621	45,372,621	-	-
REITs	6,551,426	6,551,426	-	-
Rights/Warrants	28	28	-	-
Total Other Investment Assets	<u>511,393,161</u>	<u>511,393,161</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value	<u>\$2,484,276,706</u>	<u>\$1,425,485,058</u>	<u>\$1,058,791,074</u>	<u>\$ 574</u>
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$1,430,364,056	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	179,059,712	-	Daily	< 5 days
Real Estate Funds	723,838,754	-	Quarterly	90 days
Private Debt Fund	152,350,463	-	NA	NA
Total Investments measured at NAV	<u>\$2,485,612,985</u>	<u>\$ -</u>		
Investments at other than fair Value				
Cash and adjustments to Cash	<u>\$ 571,092,074</u>			
Total Investment at other than FV	<u>\$ 571,092,074</u>			
Total Investments	<u>\$5,540,981,765</u>			

In addition, the Department holds unclaimed mutual funds and other securities for owners. Actual gains and losses realized will be determined at the time of the sale and will be based on market conditions at that date. As of June 30, 2021, and 2020 the Board held \$693,041 and \$339,686, respectively in unclaimed mutual funds.

The Common Schools Trust Fund owns the building occupied by the Department. For the period ending June 30, 2021 and 2020, the book value of the building was \$438,988 and \$498,575, respectively. The book value of the building is included in the investments line of the balance sheet.

**NOTE 8 – INVESTMENT EXPENSES**

	<u>2021</u>	<u>2020</u>
Investment managers' fees:		
Large cap equity	\$67,603	\$58,756
Mid cap equity	31,171	25,856
Small cap equity	964,582	717,285
International equity	1,302,910	990,747
Emerging markets equity	1,785,458	1,569,100
Core fixed income	1,132,812	1,771,827
Non-core fixed income	8,973,275	2,516,912
Loan pools	30,791	46,986
Core real estate	3,604,149	3,460,122
Non-core real estate	7,786,380	3,028,315
Inflation protected	560,811	2,275,177
Global tactical	7,119,337	6,020,335
Private equity	54,803	-
Credit opportunities	2,646,227	-
Transition account	143,895	-
Total investment managers' fees	<u>36,204,204</u>	<u>22,481,418</u>
Custody fees	101,235	118,792
Investment consultant fees:		
General consultant fees	162,233	157,633
Specialty consultant fees	31,606	15,355
Miscellaneous expenses	397,444	298,265
Total investment expenses	<u>\$36,896,722</u>	<u>\$23,071,463</u>

## Reconciliation of investment expenses to financial statements

	2021	2020
Investment expenses as reflected in the financial statements	\$ 9,389,494	\$10,450,272
Plus, investment management fees included in investment income		
Large cap equity	5,814	4,897
Small cap equity	(217)	(315)
International equity	7,839	10,795
Emerging markets equity	1,785,458	1,569,100
Core fixed income	304,964	420,654
Non-core fixed income	7,793,859	1,426,167
Loan pools	30,791	46,986
Core real estate	(2,059)	(214,940)
Non-core real estate	7,786,380	3,028,315
Global tactical	7,119,337	6,289,932
Private equity	25,182	-
Credit opportunities	2,646,227	-
Specialty consultant fees	3,653	-
General consultant fees	-	39,600
Investment expenses per schedule	<u>\$36,896,722</u>	<u>\$23,071,463</u>
	2021	2020
BND loan pool management expenses:		
Expenses as reflected in the financial statements	\$29,594	\$44,469
Plus expenses as reflected in interest income	1,197	2,516
Total loan pool expenses	<u>\$30,791</u>	<u>\$46,985</u>

**NOTE 9 – FARM LOAN POOL AND FARM REAL ESTATE**

The Board is authorized to invest in first mortgage farm loans, as governed by N.D.C.C. Chapter 15-03. All purchased loans are credited to the pool and the investments, repayments, interest, and income are credited to the various trusts in proportion to their participation. The pool is administered by the BND in accordance with standard banking practices, including executing all instruments on behalf of the Board and handling foreclosures.

As of June 30, 2021, the non-current and current portions of the loans were \$4,447,996 and \$540,537, respectively. As of June 30, 2020, the non-current and current portions of the loans were \$6,594,734 and \$778,354, respectively.

As of June 30, 2021, and 2020, the pool had a net position of \$6,731,563 and \$9,367,768, respectively. For the same period, the pool earned net income of \$363,794 and \$622,633.

**NOTE 10 – ENERGY CONSTRUCTION LOAN PROGRAM**

The Board approved participation in an energy construction loan program with the Bank of North Dakota (BND) for the purpose of new construction loans in areas of North Dakota impacted by oil development. The primary focus of the loan program is for multi-family housing and commercial loans. The Board will participate up to 50% of a first mortgage at market rates; loans are to be amortized over 20 years or less. The Board authorized the Commissioner to allocate up to \$20,000,000 to this program. The Common School Trust fund is the only trust participating in this program.

The loan program meets the “exclusive benefit” rule, whereby any investment decision made must be for the sole benefit of the Common School Trust fund. The loan program is administered by the BND who charges an annual fee of one-quarter percent on all outstanding loans.

In January 2021, the Board was notified by the BND one of two loans were in default. The BND proposed to buyout all outstanding principal and interest owed to the Common School Trust fund from the Energy Construction Loan Program in the amount of \$937,997. The Board accepted the proposal, and the buyout was finalized in March 2021 and the loan program account was closed.

As of June 30, 2020, the non-current and current portions of the loans were \$892,811 and \$30,597, respectively.

As of June 30, 2020, the program had a net position of \$941,672. The program earned net income of \$25,154 and \$46,273 during the years ended June 30, 2021 and 2020.

**NOTE 11 - COAL WARRANTS**

The Board is authorized to make loans to coal development impacted counties, cities, and school districts from the Coal Development Trust fund, as governed by N.D.C.C. Chapter 57-62. A warrant is executed by the governing body as evidence of the loan. The loans bear interest at 3, 3.2 or 3.75 percent annually, depending on the loan date. The coal warrants are payable only from the borrowing entities share of coal severance tax payments and do not constitute a general obligation of the entity. No losses are anticipated on the warrants and an allowance has not been provided.

As of June 30, 2021, the non-current and current portions of the loans were \$8,998,483 and \$782,635, respectively. The same amounts as of June 30, 2020, were \$9,784,389 and \$756,190, respectively.

**NOTE 12 - SCHOOL CONSTRUCTION LOAN PROGRAM**

The school construction loan program, funded by the Coal Development Trust Fund, is governed by N.D.C.C. Chapter 15.1-36-02, authorizing the Board to fund low-interest school construction loans; of which the outstanding principal balance of loans made from this fund may not exceed sixty million dollars.



A proposed construction project must be submitted and approved by the superintendent of public instruction. The application may be submitted before or after authorization of a bond issue in accordance with N.D.C.C. Chapter 21-03. The superintendent determines the loan amount, the term of the loan, and the interest rate to be paid. To be eligible for a loan, the school district must have an existing indebtedness equal to at least fifteen percent of the school district's taxable valuation. The interest rate discount on a loan must be at least one percent but cannot exceed four percent of the interest rate charged on comparable tax-exempt bond rates.

The BND processes and services all regular school construction loans. The BND receives payments of principal and interest from the school districts and remits these payments to the Department for deposit in the Coal Development Trust fund.

In 2013, the legislature changed the program to allow certain school districts in oil producing areas to use a portion of the gross production tax due to the district under N.D.C.C. Chapter 57-51 to repay school loans. For gross production tax backed school loans, the amount of the loan does not count as debt for the borrowing entity and repayment of the loan will be accomplished by the State Treasurer capturing a school district's gross production tax payments each month and remitting those funds to appropriate trust fund until such time that year's scheduled loan payment has been captured. As of June 30, 2021, there are two (2) gross production tax backed school construction loans processed with Coal Development Trust funding.

As of June 30, 2021, the non-current and current portions of loans from the Coal Development Trust Fund were \$27,332,836 and \$2,532,092, respectively. The same amounts as of June 30, 2020, were \$36,026,854 and \$3,066,223, respectively.

#### **NOTE 13 – FUEL PRODUCTION FACILITY LOAN GUARANTEE PROGRAM**

The Guarantee Loan Program is administered by the BND and governed by N.D.C.C. Chapter 6-09.7. Under this program, the BND shall establish and maintain a guarantee reserve fund in a special account at the BND not to exceed \$50 million of the Strategic Investment and Improvements fund to maintain one hundred percent of the guarantee reserve fund balance. Moneys in the guarantee reserve fund are available to reimburse lenders for guaranteed loans in default. The amount of the reserves for all guaranteed loans must be determined by a formula that will assure, as determined by the BND, an adequate amount of reserve. As of June 30, 2021, the balance in the reserve fund at the BND is \$29,686,234. As of June 30, 2020, there were no loans made from the loan guarantee program.

**NOTE 14 - OFFICE LEASE COMMITMENT**

The Board's administrative agent, the Office of Commissioner of University and School Lands (Department) rents office space owned by the Common Schools Trust Fund. The Department's commitment to rent its office space from the Common Schools Trust is continuous, with periodic adjustments made in accordance with acceptable accounting practices and market conditions.

For the period ending June 30, 2021 and 2020, rent of \$70,702 and \$72,156, respectively, was paid by the non-Common Schools Trusts funds.

**NOTE 15 - CAPITAL ASSETS**

Governmental Activities:	Balance 7/1/20	Additions	Retirements	Balance 6/30/21
Land	\$7,740,013	\$80	\$1,319	\$7,738,774
Equipment	1,339,761	396,536	-	1,736,297
Less accumulated depreciation:				
Equipment	(281,194)	(363,697)	-	(644,891)
Net capital assets	\$8,798,580	\$32,919	\$1,319	\$8,830,180

Governmental Activities:	Balance 7/1/19	Additions	Retirements	Balance 6/30/20
Land	\$7,740,063	\$ -	\$50	\$7,740,013
Equipment	83,712	1,256,049	-	1,339,761
Less accumulated depreciation:				
Equipment	(15,439)	(265,755)	-	(281,194)
Net capital assets	\$7,808,336	\$990,294	\$50	\$8,798,580

Under the provisions of the Enabling Act, land was granted to the State for the support of the common schools and other institutions. Under Constitutional authority, no grant land may be sold for less than ten dollars an acre which is the value per acre used for statement of net position purposes. During fiscal year 2021, no acres were acquired, and 113.68 acres were sold. In fiscal year 2020, no acres were acquired, and 5.02 acres were sold.

All lands held by the Department are considered capital assets, except lands acquired through foreclosure that the Board intends to sell. Land is not depreciable according to GASB 34.

A total of \$363,697 and \$265,755 in equipment depreciation for fiscal years ending June 30, 2021 and 2020, respectfully, was charged to the education fund.

**NOTE 16 - DUE FROM (TO) OTHERS**

As stated in Note 1 of these financial statements, the Department is a state agency of North Dakota, as such, the other state agencies of the State and political subdivision are related parties.

The following is detail of amounts due from and to other state agencies as of June 30, 2021 and 2020. The *due from other state agencies* represents revenues earned during the year ended June 30, 2021 that were not received as of June 30, 2021 and 2020. The *due to other state agencies* represents services rendered to the Department during the years ended June 30, 2021 and 2020 that were not paid as of June 30, 2021 and 2020.

Fund	2021		2020	
	Due from other state agencies	Due to other state agencies	Due from other state agencies	Due to other state agencies
<b>General fund:</b>				
Attorney General	\$ -	\$ 9,084	\$ -	\$ 2,922
Dept. of Transportation	-	3,082	-	4,431
Information Technology Department	-	27,802	-	20,594
Central Services	-	-	-	2,150
Office of Management and Budget	-	271	-	1,046
	-	40,239	-	31,143
<b>Common School Trust fund:</b>				
State Treasurer	15,467,238	-	4,194,151	-
Attorney General Office	-	-	-	315
Bank of North Dakota	-	12,005	-	19,669
Information Technology Department	-	791	-	584
Office of Management and Budget	64,370,000	267	-	123
	79,837,238	13,063	4,194,151	20,691
<b>Perpetual funds:</b>				
Bank of North Dakota	-	1,026	-	1,683
	-	1,026	-	1,683
<b>Strategic Investment &amp; Improvements fund:</b>				
State Treasurer	59,967,868	-	-	-
Department of Environmental Quality	126,023	-	-	-
Department of Commerce	119,262	-	-	2,746
Department of Corrections	123,426	-	-	-
Information Technology Department	743,163	1,705	-	1,705
Attorney General	-	190,852	-	-
Industrial Commission	-	817,634	-	-
Office of Management & Budget	-	-	-	172,802
OMB – Facility Management	-	500,000	-	-
	61,079,742	1,510,191	-	177,252

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

**Coal Development Trust fund:**

State Treasurer	214,559		224,401	157,081
	<u>214,559</u>	<u>150,191</u>	<u>224,401</u>	<u>157,081</u>

**Oil and Gas Impact fund**

Information Technology Department	-	607	-	620
Office of Management and Budget	-	3	-	5
		<u>610</u>		<u>625</u>

**Total Due From/Due To**

<u>\$ 141,131,539</u>	<u>\$ 1,715,320</u>	<u>\$ 4,418,552</u>	<u>\$ 388,476</u>
-----------------------	---------------------	---------------------	-------------------

**NOTE 17 – PERPETUAL FUND DISTRIBUTION POLICY**

According to Section 2 of Article IX of the North Dakota State Constitution, biennial distributions from the perpetual trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. The average value of trust assets is determined by using the ending net value of each trusts’ financial assets for the fiscal year that ends one year before the beginning of the biennium and the assets’ ending value for the four preceding fiscal years. Equal amounts must be distributed during each year of the biennium.

**NOTE 18 – TRANSFERS FROM (TO) OTHER AGENCIES**

The following detail represents amounts transferred to beneficiaries and other state agencies as of June 30, 2021 and 2020.

Fund	2021		2020	
	Transfers from other agencies	Transfers to other agencies	Transfers from other agencies	Transfers to other agencies
<b>Perpetual Funds:</b>				
Ellendale	\$ -	\$ 847,000	\$ -	\$ 847,000
Industrial School	-	932,000	-	932,000
Mayville State University	-	334,000	-	334,000
ND State University	-	2,958,000	-	2,958,000
School of Mines	-	873,000	-	873,000
School of Science	-	747,000	-	747,000
School of the Blind	-	440,000	-	440,000
School of the Deaf	-	949,000	-	949,000
State Hospital	-	664,000	-	664,000
University of ND	-	1,379,000	-	1,379,000
Valley City State University	-	517,000	-	517,000
Veterans Home	-	245,000	-	245,000
	<u>-</u>	<u>10,885,000</u>	<u>-</u>	<u>10,885,000</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

**Commons School Trust Fund**

Department of Public Instruction	-	183,378,000	-	183,378,000
State General Fund	64,370,000	-	-	-
	<u>64,370,000</u>	<u>183,378,000</u>	<u>-</u>	<u>183,378,000</u>

**Strategic Investment and Improvements :**

General Fund of North Dakota	-	382,200,000	-	382,200,000
Adjutant General	-	-	-	2,502,253
Aeronautics Commission	-	-	-	20,000,000
Attorney General	-	422,685	6,387	-
Bank of North Dakota	-	-	-	25,137,707
Dakota College of Bottineau	-	2,500,000	-	-
Department of Agriculture	-	92,071	-	-
Department of Commerce	119,262	-	111,895	3,000,000
Department of Corrections	123,426	-	-	1,218,000
Department of Health	-	-	67,310	-
Department of Human Services	-	1,296,969	-	4,300,030
Energy Impact Fund	-	-	-	2,000,000
Environmental Quality	126,023	1,057,658	-	-
Highway Patrol	-	-	49,403	-
Industrial Commission	-	1,219,082	-	270,000
Information Technology	743,163	-	-	25,150,000
Lake Region State College	-	363,000	-	-
NDSU Extension	-	-	-	940,465
Office of Management & Budget (OMB)	-	872,680	-	663,275
OMB – Facility Management	-	500,000	-	-
Park and Recreation	-	-	-	3,755,000
Public Service Commission	-	-	52,818	-
State Treasurer	-	-	-	35,000
Tax Commissioner	-	13,683	-	-
	<u>1,111,874</u>	<u>390,537,828</u>	<u>287,813</u>	<u>471,171,730</u>

**Oil & Gas Impact Grant Fund**

Strategic Investments & Improvement Fund	-	-	2,000,000	-
	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>

**Coal Development Trust:**

General Fund of North Dakota	-	800,000	-	1,802,478
Lignite Research Fund	-	1,027,616	-	1,082,966
	<u>-</u>	<u>1,827,616</u>	<u>-</u>	<u>2,165,444</u>

**Capitol Building Trust:**

Facilities Management	-	2,200,000	-	2,270,000
ND Supreme Court	-	970,000	-	-
Legislative Council	-	74,918	-	54,360
	<u>-</u>	<u>3,244,918</u>	<u>-</u>	<u>2,324,360</u>

Total Transfers	<u>\$ 65,481,874</u>	<u>\$ 589,873,362</u>	<u>\$ 2,287,812</u>	<u>\$ 669,924,534</u>
-----------------	----------------------	-----------------------	---------------------	-----------------------

**NOTE 19 – ASSIGNED FUND BALANCE**

On August 26, 2021 the Board of University and School Lands classified \$218,780,117 of the Strategic Investment and Improvements fund as an assigned fund balance for fiscal year 2021 financial statement purposes. On July 29, 2020, the Board of University and School Lands classified \$229,325,049 of the Strategic Investment and Improvements fund as an assigned fund balance for fiscal year 2020 financial statement purposes. These commitment were made by the Board to indicate that these funds should not be transferred out of this fund until potential title disputes related to certain riverbed leases have been resolved.

**NOTE 20 – LITIGATION**

The Board of University and School Lands (Board) is currently involved in litigation relating to mineral ownership, royalty payments, and unclaimed property payments. The following is a list of pending lawsuits:

*William S. Wilkinson, et al. v. Board of University and School Lands, Brigham Oil & Gas, LLP, and EOG Resources, Inc.*

On January 10, 2012, the Wilkinson family filed a suit in state court asserting that they own shore zone minerals in about 200 acres west of Williston. In July 2014, Plaintiffs filed an Amended Complaint and added claims of unconstitutional takings, conversion, constructive trust and unjust enrichment, civil conspiracy, and deprivation of rights under 42 U.S.C. § 1983. The plaintiffs allege that the Board should be issuing leases on the west side of the Highway 85 Bridge pursuant to the Phase II delineation study which determined the location of the historic Missouri River channel, prior to the Garrison Dam project. The district court granted a summary judgment motion brought by the State and found in the State's favor determining that the minerals under the property in question are owned by the State of North Dakota and dismissing the remaining counts in the complaint. Plaintiffs and two of the defendants appealed the decision to the North Dakota Supreme Court and the Supreme Court remanded the case to district court. The district court issued an order dated December 4, 2017, staying these proceedings until such time as final review findings under N.D.C.C. § 61-33.1-03 are adopted by the North Dakota Industrial Commission. The Court issued its Order on December 12, 2018, denying the Motion for Continued Stay. Plaintiffs filed a Motion for Summary Judgment and the defendants responded. A hearing was held on July 30, 2019. The Order Granting Plaintiffs' Motion for Summary Judgment was entered on September 6, 2019. The Judgment and Notice of Entry of Judgment were filed with the District Court on September 16, 2019. The Board, State Engineer, and Statoil Oil & Gas LP f/k/a Brigham Oil & Gas, LLP, appealed to the North Dakota Supreme Court. The North Dakota Supreme Court issued its Opinion of the Court on August 27, 2020. Trial was held in July 2021 on the issue of damages and attorneys' fees. Post-trial briefing is ongoing.

*Whitetail Wave LLC v. XTO Energy, Inc., Board of University and School Lands, and the State of North Dakota*

This case is also challenging the State's determination of the ordinary high watermark, but the tract is located on the east side of the Highway 85 Bridge where the Department has currently leased only the historic channel of the Missouri River. Plaintiffs are requesting that title to the minerals be quieted and have alleged claims of unconstitutional takings, trespass, slander of title and constructive trust/unjust enrichment against the State. The Complaint also makes several claims against XTO individually. The district court issued an order dated August 21, 2017, staying these proceedings until such time as final review findings under N.D.C.C. § 61-33.1-03 are adopted by the North Dakota Industrial Commission. A continued stay was affirmed on November 27, 2018. Stay has been lifted and summary judgment motions are due in October 2021 with a trial being scheduled in December 2021.

*Whiting Oil and Gas Corporation v. Arlen A. Dean, et. al.*

Whiting filed an interpleader for the lands underlying a spacing unit located near the Montana border for which the Yellowstone River runs through. Whiting is requesting the Court determine the property interests for the spacing unit so that Whiting can correctly distribute the proceeds from the well located in the unit. The court trial (no jury) scheduled for August 6 - 10, 2018, was postponed to April 22 - 26, 2019. The initial scheduling order was amended for the State to conduct field work that could not be completed in the winter. Due to property flooding from high flows on the Yellowstone River, the State has been unable to conduct field work. At an August 16, 2018 status conference, the court suspended any interim deadlines and set a scheduling conference for January 2019 to set a new trial date. An Amended Notice of Court Trial was filed, reflecting the April 20 - 24, 2020, trial date. On July 9, 2019, the State Engineer brought an action to Quiet Title to the property involved in this case. The State Defendants filed an Amended Answer in September 2019. On February 5, 2020, Defendants Murex Petroleum Corporation and Northern Oil and Gas, Inc., filed a Notice of Motion, Motion and Brief in Support of Motion to Consolidate this matter with Case No. 27-2019-CV-00312, State of North Dakota ex rel North Dakota State Engineer v. Leland (Quiet Title action referenced above) and other parties responded to the motion. An Order Granting Motion to Consolidate Case 27-2016-CV-00040 into 27-2019-CV-00312 was signed on March 10, 2020. On April 8, 2020, the Court entered the Order Granting State Engineer's Partial Motion to Dismiss. Also, on April 8, 2020, Whiting filed a Suggestion of Bankruptcy for Whiting Petroleum Corporation and Certain of its Affiliates and Notice of Automatic Stay of Proceedings. Stay was lifted and is scheduled for trial in September 2022.

*Continental Resources, Inc. v. North Dakota Board of University and School Lands, United States*

This is an interpleader action filed by Continental Resources, Inc. for certain lands underlying Continental operated wells located in McKenzie, Mountrail, and Williams Counties which are being claimed by both the State of North Dakota and the United States. Continental is requesting the Court determine the property interests for the lands so that Continental can correctly distribute stay lifted - proceeds from the wells. The United States filed a motion to dismiss. The Board and Continental filed oppositions to the motion and the parties are awaiting a decision on the motion from the court. An Amended Complaint was filed by Plaintiffs and Defendants filed their Answers to the Amended Complaint. A Status Conference is set for October 11, 2019. However, this was continued to January 13, 2020. A status conference was held on April 7, 2020, and a briefing schedule set. The United States and the Board filed separate Motions for Partial Summary Judgment on May 7, 2020, with their responses filed June 5, 2020. Court issued mandate against State in August 2021.

*North Dakota Office of the State Engineer and North Dakota Board of University & School Lands v. Bureau of Land Management (Office of Hearings and Appeals, Board of Land Appeals)*

In 2014, the Bureau of Land Management (BLM) resurveyed land along the Missouri River to locate the boundary between public domain land owned by the United States and the riverbed owned by the State of North Dakota. In identifying the boundary, the BLM applied federal law rather than state law. The BLM uses these surveys as the basis for leasing minerals. In certain areas, the new surveys overlap with minerals currently leased by the Board. The Board and State Engineer challenged the BLM's resurvey, but the BLM's Montana Office rejected the challenged. The Board and State Engineer then appealed that decision to the Office of Hearings and Appeals, Board of Land Appeals (IBLA). The Board and State Engineer, and BLM have both filed briefs with the IBLA regarding their respective positions and are awaiting a decision from the IBLA. On June 24, 2019, the BLM submitted its Request to Take Judicial Notice of North Dakota Law. On March 25, 2020, the Opinion by Administrative Judge Haugrud was issued by the United States Department of Interior, Office of Hearings and Appeals, Interior Board of Land Appeals (Interior Board) denying the state's appeal. Case is stayed pending further order of the Court. Parties will file a joint status report proposing further proceedings in this case within 21 days of an order addressing the parties pending motions in Continental Resources, Inc.

*Continental Resources, Inc. v. North Dakota Board of University & School Lands and North Dakota Department of Trust Lands*

Continental is seeking a Declaratory Judgment that it is currently paying royalties properly under the Board's lease. Specifically, Continental is asking the Court to order that Continental is allowed to deduct certain costs from royalty payments and that it does not owe the Defendants any additional royalty payments based on previous deductions. A Complaint and Answer with Counterclaims have been filed. Continental filed an Answer to Counterclaims. The parties both completed discovery. The parties filed a Joint Motion for Stay, requesting the Court stay all proceedings pending the North Dakota Supreme Court's resolution of the petition for rehearing in the Newfield lawsuit and the Court granted this request.



*Newfield Exploration Company, Newfield Production Company, and Newfield RMI LLC v. State of North Dakota, ex rel. the North Dakota Board of University and School Lands and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands*

Plaintiff is seeking a Declaratory Judgment that it is currently paying gas royalties properly under the Board's lease. Specifically, Plaintiff is asking the Court to order that gas royalty payments made by the Plaintiff be based on the gross amount received by the Plaintiff from an unaffiliated third-party purchaser, not upon the gross amount paid to a third party by a downstream purchaser, and that Plaintiff does not owe the Defendants any additional gas royalty payments based on previous payments. A Complaint and Answer with Counterclaims have been filed. Newfield filed an Answer to Counterclaims. A Scheduling conference was held July 27, 2018, and a trial was scheduled for September 10 and 11, 2019, at the McKenzie County Courthouse. Newfield filed a Motion for Summary Judgment and supporting documents on August 13, 2018. Defendants' filed their response and Cross Motion for Summary Judgment on September 12, 2018. A hearing on the Motion for Summary Judgment was held in January 2019 and the Judgment was entered March 1, 2019. The Defendant appealed to the North Dakota Supreme Court. On July 11, 2019, the Supreme Court entered its Judgment reversing the Judgment of the McKenzie County District Court. On July 25, 2019, Newfield filed Appellee's Petition for Rehearing and Amicus Curiae Briefs were filed by Western Energy Alliance and the North Dakota Petroleum Council. The North Dakota Supreme Court requested Defendants file a Response to the Petition for Rehearing and the two Amicus Curiae Briefs which was filed on September 4, 2019. A Corrected Opinion was filed by the North Dakota Supreme Court on September 9, 2019, changing the page number of a citation. On September 12, 2019, the North Dakota Supreme Court entered an order denying Newfield's Petition for Rehearing. On September 20, 2019, the opinion and mandate of the Supreme Court was filed with McKenzie County District Court. A Telephonic Status Conference was held October 8, 2019, before the District Court. On October 9, 2019, the District Court issued an Order Setting Briefing Schedule which ordered "the parties to file a brief regarding how they suggest the case proceed after the Supreme Court's decision." The parties filed briefs with the District Court on November 6, 2019. Telephonic Status Conference was scheduled for March 17, 2020, before the District Court. On May 14, 2020, the Court scheduled a five-day Court Trial to start on October 4, 2021, McKenzie County Courthouse. On July 28, 2020, a Stipulated Scheduling Order was entered, setting dates for various deadlines.

*XTO Energy, Inc., and XTO Holdings, LLC v. North Dakota Board of University and School Lands and the United States of America*

In April 2019, XTO Energy, Inc. and XTO Holdings, LLC (XTO), brought an interpleader action against the Board and the United States regarding certain lands underlying XTO operated wells located in McKenzie and Williams Counties. This case addresses overlapping ownership claims by the State and the United States of minerals underlying the Missouri River. XTO is requesting the Court determine the property interests for the disputed lands so that XTO can correctly distribute the proceeds from the affected wells. The Board and the United States filed Answers on August 1, 2019. On April 7, 2020, the Court issued an Order Staying Proceedings pending resolution of the Continental Interpleader litigation, Continental Resources, Inc., v. North Dakota Board of University and School Lands, docket number #1:17-cv-14.

*Mandan, Hidatsa, and Arikara Nation v. United States Department of the Interior; David L. Bernhardt, in his official capacity as Secretary of the United States Department of Interior; and Daniel H. Jorjani, in his official capacity as Solicitor of the United States Department of the Interior*

On July 16, 2020, the Mandan, Hidatsa, and Arikara Nation (Tribe) filed a Complaint against the United States Department of the Interior (DOI); David Bernhardt, Secretary of DOI; and Daniel Jorjani, DOI Solicitor. Along with its Complaint, the Tribe filed a motion for preliminary injunction asking that the Court to immediately order DOI to refrain from doing anything to implement the Jorjani Opinion until the Court has decided the merits of the Tribe's claims regarding that Opinion. A scheduling conference was held by telephone on July 23, 2020, with a follow up on July 29. The parties agreed the pending motion for preliminary injunction can be considered Plaintiff's motion for partial summary judgment on count one and resolved with defendant's cross motion for partial summary judgment as to that count. The merits of count one will be consolidated with any hearing on the motion for preliminary injunction. The Court set certain filing deadlines. The State of North Dakota filed an Expedited Motion to Intervene, and that request was granted. The United States filed its opposition to Plaintiff's Motion for Preliminary Injunction and Cross-Motion for Partial Summary Judgment on September 1, 2020. The State of North Dakota filed its Intervenor-Defendant's Cross-Motion for Partial Summary Judgment and Opposition to Plaintiff's Motion for Preliminary Injunction on September 8, 2020. The Tribe filed a Motion to Complete Administrative Record on September 8, 2020. On August 16, 2021, a Minute Order was entered continuing the stay and that the parties shall file a joint status report within 14 days of the issuance of a new M-Opinion or the conclusion of the Solicitor's Office review without a new M-Opinion, or on November 16, 2021, if nothing has been filed by that date.

*Marvin Nelson, Michael Coachman & Paul Sorum v. The Board of University and School Lands of the State of North Dakota and the State of North Dakota*

The Board was named as a defendant in the above reference case which was served on July 26, 2021. Plaintiffs have filed a Summons for Petition or Quiet Title, Petition for Quiet Title, and a Memorandum in Support of Petition for Quiet Title. Plaintiffs are seeking to quiet title to the property described as: That area of the bed of Lake Sakakawea known as Lake Jesse (Jesse Lake) delineated by the US Army Corps of Engineers Shoreline Survey used in acquiring land for the creation of Lake Sakakawea in Section 30 of Township 153 North Range 98 West and in Sections 23,24,25,26 in Township 153 North Range 99 West (approximately 488.68 acres). On August 5, 2021, Paul Sorum emailed a Request for Setting for Petition for Quiet Title and Memorandum in Support of Quiet Title requesting the Court schedule a one-hour hearing on Petitioners' Petition for Quiet Title and Petitioners' Memorandum in Support of Petition for Quiet Title. On August 16, 2021, Defendants filed a Motion to Dismiss. Hearing is scheduled for October 2021

The State's estimated loss contingency on the above litigation cases cannot be made at this time.

**NOTE 21 – CONTINUING APPROPRIATIONS**

The following information discloses the Department's continuing appropriation authority.

NDCC 15-03-16 Investments. To pay costs related to investments controlled by the Board, including investment management fees, trustee fees, consulting fees, custodial fees, and the cost of capitalized building repairs and renovations.

NDCC 15-04-23 County Services. This statute requires the Board to pay a fee to counties in which the state retains original grant lands for roads and bridges.

NDCC 15-04-24 Grant Land. To pay expenses for trust lands controlled by the Board, including appraisal fees, survey costs, surface lease refunds, weed and insect control costs, clean-up costs, capital improvement rent credits, and expenses necessary to manage, preserve, and enhance the value of the trust asset.

NDCC 15-05-19 Mineral Leases. To pay expenses for minerals controlled by the Board, including appraisal fees, consulting fees, refunds, and expenses necessary to manage, preserve, and enhance the value of the trust asset.

NDCC 15-06-22 Grant Land. This statute allows the Board to pay expenses relating to the sale of original grant land including appraisal fees.

NDCC 15-07-22 Non-Grant Land. To pay expenses for trust lands controlled by the Board, including appraisal fees, survey costs, clean-up or demolition costs, weed and insect control costs, rural fire district reimbursements for fire protection, and expenses necessary to manage, preserve, and enhance the value of the trust asset.

NDCC 15-08-04 Land Surveys. To pay all expenses to ascertain the true boundaries of any tract of land, or to describe or dispose of the same in suitable and convenient lots.

NDCC 15-68-06 Indian Cultural Education Trust. To pay expenses for lands donated under this chapter including survey costs, surface lease refunds, weed and insect control, cleanup costs, capital improvement rent credits, in lieu of tax payments, or expenses necessary to manage, preserve, and enhance the value of the trust asset.

NDCC 57-02.3-07 In Lieu Property Taxes. This statute requires the Board to pay counties in which State property is located in lieu of property taxes.

NDCC 47-30.2-46 Uniform Unclaimed Property Act. To pay all expense deductions under this section.

**NOTE 22 – CLAIMANT LIABILITY**

Claimant liability represents the value of property escheated to the Department and expected to be reclaimed by the rightful owner or their heirs. The claimant liability increases with collections of escheated property and decreases when property is reclaimed and paid to the rightful owner or their heirs. Unclaimed property is accreted into net position of the Common School Trust fund based on estimate of historical claims in the previous ten years. The following is a detail of the changes in claimant liability for the years ended June 30, 2021 and 2020.

Claimant Liability – July 1, 2019	\$ 16,551,604
<b>June 30, 2020</b>	
Collections subject to liability	15,111,069
Less claims paid	5,308,927
Decrease accreted into net position	9,708,208
Claimant Liability – June 30, 2020	<u>\$ 16,645,538</u>
 <b>June 30, 2021</b>	
Collections subject to liability	17,913,264
Less claims paid	6,794,785
Decrease accreted into net position	11,302,583
Claimant Liability – June 30, 2021	<u>\$ 16,461,434</u>

**NOTE 23 – LONG TERM LIABILITIES**

***Compensated Absences Payable***

The Department employees can earn annual leave at a varying rate based on years of service. The amount of annual leave earned ranges from one to two days per month and accrued annual leave cannot exceed 30 days as of April 30<sup>th</sup> of each year. The Department employees earn sick leave at the rate of one working day per month of employment without limitation on the amount that can be accumulated. At 10 years of continuous service, the State is liable for 10 percent of the employee’s accumulated unused sick leave.

	Balance <u>7/1/20</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Amounts Due Thereafter	Balance <u>6/30/21</u>
Governmental Activities-						
Other long-term liabilities:						
Compensated absences	\$199,443	\$142,042	\$125,062	\$11,559	\$204,863	\$216,422

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

	Balance <u>7/1/19</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Amounts Due <u>Thereafter</u>	Balance <u>6/30/20</u>
Governmental Activities- Other long-term liabilities:						
Compensated absences	\$197,109	\$115,645	\$113,311	\$10,652	\$188,792	\$199,443

The reported liabilities for compensated absences were \$216,422 and \$199,443 at June 30, 2021 and 2020. This balance includes the employer's share of FICA taxes.

**Long-Term Debt**

The following is a summary of the long-term debt from the Bank of North Dakota to the Theodore Roosevelt Presidential Library and Museum Endowment fund for the year ending June 30, 2021.

	Balance <u>7/1/20</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Balance <u>6/30/21</u>
Fiduciary Activities - Liabilities					
Loan payable	\$ -	\$ 35,000,000	\$ 17,500,000	\$ 17,500,000	\$ 17,500,000

In accordance with Senate Bill No. 2001 enacted by the 2019 Legislature, the Theodore Roosevelt Presidential Library and Museum Endowment fund incurred a \$35,000,000 loan in November 2020. The loan is unsecured with an interest rate of 1.50% over 30-day LIBOR rate index, adjusted on the first day of each month with a floor rate of 1.75%. The original term of the loan was to be paid over six years as follows:

- One-third principal plus accrued interest to be paid at the end of Year 2;
- One-third principal plus accrued interest to be paid at the end of Year 4;
- Remaining principal plus accrued interest to be paid at the end of Year 6.

The 2021 Legislature authorized transfers from the State General Fund to the Bank of North Dakota. In accordance with House Bill No. 1025, the Theodore Roosevelt Presidential Library and Museum Endowment fund received a donation of \$17,500,000 which was used to pay down the principal balance of the loan in June 2021. In accordance with House Bill No. 1015, the Theodore Roosevelt Presidential Library and Museum Endowment fund received a donation of \$17,500,000 which was used to pay down remaining principal balance of the loan on September 17, 2021. The two \$17,500,000 donations were paid directly from the General Fund to the Bank of North Dakota.

**NOTE 24 – PENSION PLAN**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to N.D.C.C. Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death, and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the chairman of the legislative management.

#### *Pension Benefits*

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

#### *Death and Disability Benefits*

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equals to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member must become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

#### *Refunds of Member Account Balance*

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

#### *Member and Employer Contributions*

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25, and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

#### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

On June 30, 2021 and 2020, the Department reported a liability of \$5,451,961 and \$1,694,395, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on the Department's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. On June 30, 2020 the Department's proportion was 0.173297 percent which was an increase of 0.028733 percent from its proportion measured as of June 30, 2019.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

For the year ended June 30, 2021, the Department recognized pension expense of \$965,928. On June 30, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 21,217	\$ (276,256)
Changes in assumptions	2,922,595	(483,177)
Net difference between projected and actual earnings on pension plan investment	175,962	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	308,857	(299,287)
Employer contributions subsequent to the measurement date	148,562	-
TOTAL	<u>\$ 3,577,193</u>	<u>\$ (1,058,720)</u>

The \$148,562 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Amount of Pension Expense</u>
2022	\$ 695,155
2023	578,242
2024	490,547
2025	605,967
Thereafter	-



For the year ended June 30, 2020, the Department recognized pension expense of \$232,240. At June 30, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 1,004	\$ (307,500)
Changes in assumptions	633,151	(543,615)
Net difference between projected and actual earnings on pension plan investment	29,520	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,037	(404,497)
Employer contributions subsequent to the measurement date	124,248	-
TOTAL	\$ 845,960	\$ (1,255,612)

The \$124,248 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Amount of Pension Expense</u>
2021	\$ (19,914)
2022	(60,000)
2023	(161,061)
2024	(229,921)
2025	(63,004)
Thereafter	-

Actuarial assumptions.

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increase	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members, and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Fiscal Year Ended June 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
Global Real Assets	19%	5.01%

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	12.00%
	1	9.50%
	2	7.25%
	Age:	
	Under 30	7.25%
	30 - 39	6.50%
	40 - 49	6.25%
	50 - 59	5.75%
	60+	5.00%

\*Age-based salary increase rates apply for employees with three or more years of service.

Investment rate of return:	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members, and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Fiscal Year Ended June 30, 2020

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23	2.11%
Global Real Assets	19%	5.41%

Discount rate.

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments, during the period in which the fiduciary net position is projected to be sufficient to pay benefits; and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date, to the extent that the contributions for use with the long-term expected rate of return are not met.

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate for the year ending June 30, 2021:

	1% Decrease in Discount Rate <u>(3.64%)</u>	Current Discount Rate <u>(4.64%)</u>	1% Increase in Discount Rate <u>(5.64%)</u>
Employer's proportionate share of the net pension liability	\$7,073,510	\$5,451,961	\$4,125,139

For the fiscal year ending June 30, 2020, the following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease in Discount Rate <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase in Discount Rate <u>(8.50%)</u>
Employer's proportionate share of the net pension liability	\$2,429,397	\$1,694,395	\$1,076,864

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

**NOTE 25 – DEFINED BENEFIT OPEB PLAN**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan, and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

Responsibility for administration of the NDPERS define benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees, and two members of the legislative assembly appointed by the chairman of the chairman of the legislative management.

*OPEB Benefits*

The employer contribution for the PERS, the HPRS, and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

On June 30, 2021 and 2020, the Department reported a liability of \$126,085 and \$126,883, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Department's proportion of the net OPEB liability was based on the Department's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Department's proportion was 0.149888 percent, which was an increase of 0.015130 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Department recognized OPEB expense of \$14,894. At June 30, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 2,800	\$ (3,023)
Changes in assumptions	16,906	-
Net difference between projected and actual earnings on OPEB plan investment	4,336	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,691	(23,285)
Employer contributions subsequent to the measurement date	20,633	-
TOTAL	\$ 51,366	\$ (26,308)

The \$20,633 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30</u>	<u>Pension Expense Amount</u>
2022	\$ 809
2023	1,930
2024	1,724
2025	468
2026	(227)
Thereafter	(279)

For the year ended June 30, 2020, the Department recognized OPEB expense of \$9,701. At June 30, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Resources</u>	
	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$ 2,671	\$ (3,381)
Changes in assumptions	12,900	-
Net difference between projected and actual earnings on OPEB plan investment	121	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(28,274)
Employer contributions subsequent to the measurement date	19,108	-
TOTAL	\$ 34,800	\$ (31,655)

The \$19,108 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30</u>	<u>Pension Expense Amount</u>
2021	\$ (3,026)
2022	(3,026)
2023	(2,018)
2024	(2,203)
2025	(3,331)
Thereafter	(2,359)

Actuarial assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members, and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disable Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None



For active members, inactive members, and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount rate.

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on these assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Employer's proportionate share of the net OPEB liability	\$ 165,364	\$ 126,085	\$ 92,870

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's proportionate share of the net OPEB liability	\$ 138,149	\$ 108,236	\$ 82,630

**NOTE 26 - RISK MANAGEMENT**

The Department is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department participates in the following funds or pools:

The Risk Management Fund (RMF) provides liability coverage for the State of North Dakota, its agencies, and employees. The State Tort Claims Act, NDCC 32-12.2, governs the administration of the RMF and claims against the state and state employees for personal injury, death, or property damage caused by the state or a state employee acting within the scope of the employee's employment. All state agencies participate in the RMF and their fund contribution is determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

The Department also participates in the North Dakota Fire and Tornado Fund. The Department pays an annual premium to Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The State Bonding Fund currently provides the Department with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

North Dakota Workforce Safety and Insurance is an enterprise fund of the State of North Dakota. Workforce Safety is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

ND Department of Trust Lands  
 Combined Balance Sheet – Nonmajor Government Funds  
 June 30, 2021

Assets:	Special Revenue Funds													Special Revenue Funds		Total
	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capitol Building	Non-major Governmental Funds	
Cash	\$ 1,863,353	\$ 312,181	\$ 253,865	\$ 136,671	\$ 732,839	\$ 209,027	\$ 397,481	\$ 1,063,886	\$ 450,131	\$ 627,841	\$ 55,922	\$ 674,030	\$ 6,777,227	\$ 353,889	\$ 7,131,116	
Investments	83,051,382	14,894,428	24,043,313	16,112,705	26,751,269	14,695,094	9,632,351	28,613,833	21,359,070	25,680,563	5,932,013	40,259,160	311,025,181	2,983,808	314,008,989	
Interest receivable	206,777	35,983	60,012	61,163	45,538	40,280	27,541	76,131	60,712	65,921	28,940	96,811	805,809	21,569	827,378	
Accounts receivable	523,201	72,396	62,657	23,654	183,731	24,248	134,733	629,206	91,375	133,757	6,015	174,788	2,059,761	108,886	2,168,647	
Invested securities lending collateral	2,822,701	506,185	817,177	548,334	908,505	499,570	327,495	972,671	726,192	872,885	202,081	1,368,193	10,571,989	6,173,003	16,744,992	
Loans																
Farm loans	99,239	19,156	27,201	27,870	17,862	22,609	16,273	38,512	28,360	28,620	22,444	45,538	393,684	-	393,684	
<b>Total Assets</b>	<b>\$ 88,566,653</b>	<b>\$ 15,840,329</b>	<b>\$ 25,264,225</b>	<b>\$ 16,910,397</b>	<b>\$ 28,639,744</b>	<b>\$ 15,490,828</b>	<b>\$ 10,535,874</b>	<b>\$ 31,394,239</b>	<b>\$ 22,715,840</b>	<b>\$ 27,409,587</b>	<b>\$ 6,247,415</b>	<b>\$ 42,618,520</b>	<b>\$ 331,633,651</b>	<b>\$ 9,641,155</b>	<b>\$ 341,274,806</b>	
<b>Liabilities:</b>																
Accrued payroll	\$ 3,211	\$ 619	\$ 798	\$ 381	\$ 1,158	\$ 628	\$ 604	\$ 1,404	\$ 878	\$ 998	\$ 263	\$ 1,610	\$ 12,552	\$ 1,512	\$ 14,063	
Accounts payable	16,189	2,903	4,688	3,145	5,211	2,865	1,879	5,578	4,166	5,007	1,159	7,847	60,637	4,154	64,792	
Securities lending collateral	2,822,701	506,185	817,177	548,334	908,505	499,570	327,495	972,671	726,192	872,885	202,081	1,368,193	10,571,989	6,173,003	16,744,992	
Due to other state agencies	258	50	71	72	46	59	42	100	74	75	59	120	1,026	-	1,026	
<b>Total Liabilities</b>	<b>2,842,359</b>	<b>509,757</b>	<b>822,734</b>	<b>551,932</b>	<b>914,920</b>	<b>503,122</b>	<b>330,020</b>	<b>979,753</b>	<b>731,310</b>	<b>878,965</b>	<b>203,562</b>	<b>1,377,770</b>	<b>10,646,204</b>	<b>6,178,669</b>	<b>16,824,873</b>	
<b>Equity:</b>																
Fund Balance:																
Special revenue funds																
Restricted	85,724,294	15,330,572	24,441,491	16,358,465	27,724,824	14,987,706	10,205,854	30,414,486	21,984,530	26,530,622	6,043,853	41,240,750	320,987,447	3,462,486	324,449,933	
<b>Total Fund Balance</b>	<b>85,724,294</b>	<b>15,330,572</b>	<b>24,441,491</b>	<b>16,358,465</b>	<b>27,724,824</b>	<b>14,987,706</b>	<b>10,205,854</b>	<b>30,414,486</b>	<b>21,984,530</b>	<b>26,530,622</b>	<b>6,043,853</b>	<b>41,240,750</b>	<b>320,987,447</b>	<b>3,462,486</b>	<b>324,449,933</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 88,566,653</b>	<b>\$ 15,840,329</b>	<b>\$ 25,264,225</b>	<b>\$ 16,910,397</b>	<b>\$ 28,639,744</b>	<b>\$ 15,490,828</b>	<b>\$ 10,535,874</b>	<b>\$ 31,394,239</b>	<b>\$ 22,715,840</b>	<b>\$ 27,409,587</b>	<b>\$ 6,247,415</b>	<b>\$ 42,618,520</b>	<b>\$ 331,633,651</b>	<b>\$ 9,641,155</b>	<b>\$ 341,274,806</b>	

ND Department of Trust Lands  
 Combined Balance Sheet – Nonmajor Government Funds  
 June 30, 2020

	Special Revenue Funds													Special Revenue Funds	Total
	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capitol Building	Non-major Governmental Funds
<b>Assets:</b>															
Cash	\$ 1,414,045	\$ 368,243	\$ 330,406	\$ 180,570	\$ 1,263,160	\$ 242,191	\$ 322,582	\$ 781,127	\$ 953,536	\$ 516,351	\$ 143,019	\$ 860,343	\$ 7,375,573	\$ 283,428	\$ 7,659,001
Investments	68,532,547	12,130,066	20,124,431	13,609,509	21,113,740	12,211,952	7,697,853	22,739,747	17,058,186	20,961,719	4,927,169	33,029,578	254,136,497	5,163,643	259,300,140
Interest receivable	241,796	42,074	70,214	68,131	54,930	46,547	31,225	86,709	68,777	76,481	31,596	113,710	932,190	22,745	954,935
Accounts receivable	168,515	26,643	21,742	10,328	95,251	10,912	25,828	555,341	59,414	73,595	1,528	63,025	1,112,122	68,509	1,180,631
Invested securities lending collateral	2,615,290	462,826	768,001	519,886	805,350	466,015	293,767	867,862	651,183	800,072	188,127	1,260,412	9,698,791	190,688	9,889,479
Loans															
Loans - Farm	146,601	28,299	40,182	41,171	26,387	33,399	24,040	56,893	41,895	42,278	33,155	67,270	581,570	-	581,570
<b>Total Assets</b>	<b>\$ 73,118,794</b>	<b>\$ 13,058,151</b>	<b>\$ 21,354,976</b>	<b>\$ 14,429,595</b>	<b>\$ 23,358,818</b>	<b>\$ 13,011,016</b>	<b>\$ 8,395,295</b>	<b>\$ 25,087,679</b>	<b>\$ 18,832,991</b>	<b>\$ 22,470,496</b>	<b>\$ 5,324,594</b>	<b>\$ 35,394,338</b>	<b>\$ 273,836,743</b>	<b>\$ 5,729,013</b>	<b>\$ 279,565,756</b>
<b>Liabilities:</b>															
Accrued payroll	\$ 3,344	\$ 670	\$ 813	\$ 381	\$ 1,372	\$ 618	\$ 544	\$ 1,302	\$ 1,055	\$ 987	\$ 337	\$ 2,081	\$ 13,504	\$ 1,709	\$ 15,213
Accounts payable	18,658	3,302	5,479	3,709	5,746	3,325	2,096	6,191	4,645	5,708	1,342	8,992	69,193	830	70,023
Securities lending collateral	2,615,290	462,826	768,001	519,886	805,350	466,015	293,767	867,862	651,183	800,072	188,127	1,260,412	9,698,791	190,688	9,889,479
Due to other state agencies	424	82	116	119	76	97	69	165	121	122	96	196	1,683	-	1,683
<b>Total Liabilities</b>	<b>2,637,716</b>	<b>466,880</b>	<b>774,409</b>	<b>524,095</b>	<b>812,544</b>	<b>470,055</b>	<b>296,476</b>	<b>875,520</b>	<b>657,004</b>	<b>806,889</b>	<b>189,902</b>	<b>1,271,681</b>	<b>9,783,171</b>	<b>193,227</b>	<b>9,976,398</b>
<b>Equity:</b>															
Fund Balance:															
Special revenue funds															
Restricted	70,481,078	12,591,271	20,580,567	13,905,500	22,546,274	12,540,961	8,098,819	24,212,159	18,175,987	21,663,607	5,134,692	34,122,657	264,053,572	5,535,786	269,589,358
<b>Total Fund Balance</b>	<b>70,481,078</b>	<b>12,591,271</b>	<b>20,580,567</b>	<b>13,905,500</b>	<b>22,546,274</b>	<b>12,540,961</b>	<b>8,098,819</b>	<b>24,212,159</b>	<b>18,175,987</b>	<b>21,663,607</b>	<b>5,134,692</b>	<b>34,122,657</b>	<b>264,053,572</b>	<b>5,535,786</b>	<b>269,589,358</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 73,118,794</b>	<b>\$ 13,058,151</b>	<b>\$ 21,354,976</b>	<b>\$ 14,429,595</b>	<b>\$ 23,358,818</b>	<b>\$ 13,011,016</b>	<b>\$ 8,395,295</b>	<b>\$ 25,087,679</b>	<b>\$ 18,832,991</b>	<b>\$ 22,470,496</b>	<b>\$ 5,324,594</b>	<b>\$ 35,394,338</b>	<b>\$ 273,836,743</b>	<b>\$ 5,729,013</b>	<b>\$ 279,565,756</b>

ND Department of Trust Lands  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balance – Nonmajor Government Funds  
 For the Year Ended June 30, 2021

Revenues:	Special Revenue Funds													Special Revenue Funds		Total Non-major Govern- mental Funds
	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capitol Building		
Investment income	\$ 1,991,774	\$ 353,825	\$ 579,582	\$ 391,069	\$ 627,101	\$ 352,830	\$ 228,248	\$ 672,914	\$ 502,826	\$ 617,348	\$ 143,449	\$ 962,014	\$ 7,422,980	\$ 54,127	\$ 7,477,107	
Loan income																
Farm loans	7,814	1,508	2,142	2,194	1,406	1,780	1,281	3,032	2,233	2,253	1,767	3,585	30,995	-	30,995	
Change in fair value of investments	13,018,118	2,314,358	3,801,094	2,564,710	4,063,148	2,313,690	1,477,686	4,371,609	3,275,212	3,997,496	935,564	6,288,258	48,420,943	(31,802)	48,389,141	
Securities lending income	7,245	1,299	2,098	1,407	2,332	1,282	841	2,497	1,864	2,241	519	3,512	27,137	11,086	38,223	
Royalties	3,123,342	488,245	382,177	151,320	1,323,516	259,165	703,916	2,079,732	754,097	1,124,074	48,798	1,179,787	11,618,169	991,389	12,609,558	
Bonuses	5,600	4,280	16,840	560	1,360	560	6,560	14,455	-	2,320	-	560	53,095	2,160	55,255	
Rental income	266,531	56,183	83,203	40,502	76,368	75,340	53,097	71,605	74,732	58,672	41,779	171,004	1,069,016	187,671	1,256,687	
<b>Total Revenues</b>	<b>18,420,424</b>	<b>3,219,698</b>	<b>4,867,136</b>	<b>3,151,762</b>	<b>6,095,231</b>	<b>3,004,647</b>	<b>2,471,629</b>	<b>7,215,844</b>	<b>4,610,964</b>	<b>5,804,404</b>	<b>1,171,876</b>	<b>8,608,720</b>	<b>68,642,335</b>	<b>1,214,631</b>	<b>69,856,966</b>	
<b>Expenditures:</b>																
Current																
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	43,014	43,014	
Education	219,208	40,397	57,212	34,797	69,681	40,902	30,594	81,517	55,421	64,389	17,715	111,627	823,460	-	823,460	
<b>Total Expenditures</b>	<b>219,208</b>	<b>40,397</b>	<b>57,212</b>	<b>34,797</b>	<b>69,681</b>	<b>40,902</b>	<b>30,594</b>	<b>81,517</b>	<b>55,421</b>	<b>64,389</b>	<b>17,715</b>	<b>111,627</b>	<b>823,460</b>	<b>43,014</b>	<b>866,474</b>	
Excess of revenue over expenditures	18,201,216	3,179,301	4,809,924	3,116,965	6,025,550	2,963,745	2,441,035	7,134,327	4,555,543	5,740,015	1,154,161	8,497,093	67,818,875	1,171,617	68,990,492	
<b>Other Financing Uses:</b>																
Transfer to Educational Institutions	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	-	(10,885,000)	
Transfer to Facilities Management	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,200,000)	(2,200,000)	
Transfer to Supreme Court	-	-	-	-	-	-	-	-	-	-	-	-	-	(970,000)	(970,000)	
Transfer to Legislative Council	-	-	-	-	-	-	-	-	-	-	-	-	-	(74,918)	(74,918)	
<b>Total Other Financing Uses</b>	<b>(2,958,000)</b>	<b>(440,000)</b>	<b>(949,000)</b>	<b>(664,000)</b>	<b>(847,000)</b>	<b>(517,000)</b>	<b>(334,000)</b>	<b>(932,000)</b>	<b>(747,000)</b>	<b>(873,000)</b>	<b>(245,000)</b>	<b>(1,379,000)</b>	<b>(10,885,000)</b>	<b>(3,244,918)</b>	<b>(14,129,918)</b>	
<b>Increase (decrease) in net position</b>	<b>15,243,216</b>	<b>2,739,301</b>	<b>3,860,924</b>	<b>2,452,965</b>	<b>5,178,550</b>	<b>2,446,745</b>	<b>2,107,035</b>	<b>6,202,327</b>	<b>3,808,543</b>	<b>4,867,015</b>	<b>909,161</b>	<b>7,118,093</b>	<b>56,933,875</b>	<b>(2,073,301)</b>	<b>54,860,575</b>	
Net position - beginning	70,481,078	12,591,271	20,580,567	13,905,500	22,546,274	12,540,961	8,098,819	24,212,159	18,175,987	21,663,607	5,134,692	34,122,657	264,053,572	5,535,786	269,589,358	
<b>Net position - ending</b>	<b>\$ 85,724,294</b>	<b>\$ 15,330,572</b>	<b>\$ 24,441,491</b>	<b>\$ 16,358,465</b>	<b>\$ 27,724,824</b>	<b>\$ 14,987,706</b>	<b>\$ 10,205,854</b>	<b>\$ 30,414,486</b>	<b>\$ 21,984,530</b>	<b>\$ 26,530,622</b>	<b>\$ 6,043,853</b>	<b>\$ 41,240,750</b>	<b>\$ 320,987,447</b>	<b>\$ 3,462,486</b>	<b>\$ 324,449,933</b>	

ND Department of Trust Lands  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balance – Nonmajor Government Funds  
 For the Year Ended June 30, 2020

Revenues:	Special Revenue Funds													Special Revenue Funds	Total
	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capitol Building	Non-major Governmental Funds
Investment income	\$ 1,659,100	\$ 293,033	\$ 488,425	\$ 332,203	\$ 512,734	\$ 296,303	\$ 186,241	\$ 550,545	\$ 414,697	\$ 504,339	\$ 121,250	\$ 793,116	\$ 6,151,986	\$ 135,049	\$ 6,287,035
Loan income															
Farm	13,250	2,558	3,632	3,721	2,385	3,019	2,173	5,142	3,786	3,821	2,997	6,080	52,564	-	52,564
Change in fair value of investments	(2,753,693)	(492,695)	(805,006)	(540,158)	(857,719)	(488,355)	(312,619)	(912,329)	(689,681)	(851,820)	(193,883)	(1,341,924)	(10,239,882)	22,702	(10,217,180)
Securities lending income	38,954	6,894	11,439	7,743	11,995	6,941	4,376	12,926	9,699	11,917	2,802	18,773	144,459	6,893	151,352
Royalties	2,414,991	526,453	567,328	160,984	1,887,666	276,198	441,728	845,465	1,234,735	1,002,419	49,177	1,652,774	11,059,918	1,007,561	12,067,479
Bonuses	10,760	-	3,698	5,659	(587)	93	408	619	80	-	-	320	21,050	802	21,852
Rental income	263,050	60,271	79,148	38,254	71,839	74,753	52,937	72,195	77,894	60,845	47,140	160,824	1,059,150	181,155	1,240,305
Total Revenues	1,646,412	396,514	348,664	8,406	1,628,313	168,952	375,244	574,563	1,051,210	731,521	29,483	1,289,963	8,249,245	1,354,162	9,603,407
<b>Expenditures:</b>															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	42,623	42,623
Education	252,791	47,725	70,441	42,384	87,104	47,704	35,673	82,355	74,276	78,895	20,780	132,701	972,829	-	972,829
Total Expenditures	252,791	47,725	70,441	42,384	87,104	47,704	35,673	82,355	74,276	78,895	20,780	132,701	972,829	42,623	1,015,452
Excess of revenue over expenditures	1,393,621	348,789	278,223	(33,978)	1,541,209	121,248	339,571	492,208	976,934	652,626	8,703	1,157,262	7,276,416	1,311,539	8,587,955
<b>Other Financing Uses:</b>															
Transfer to Educational Institutions	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	-	(10,885,000)
Transfer to Facilities Management	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,270,000)	(2,270,000)
Transfer to Legislative Council	-	-	-	-	-	-	-	-	-	-	-	-	-	(54,360)	(54,360)
Total Other Financing Uses	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	(2,324,360)	(13,209,360)
Increase (decrease) in net position	(1,564,379)	(91,211)	(670,777)	(697,978)	694,209	(395,752)	5,571	(439,792)	229,934	(220,374)	(236,297)	(221,738)	(3,608,584)	(1,012,821)	(4,621,405)
Net position - beginning as restated	72,045,457	12,682,482	21,251,344	14,603,478	21,852,065	12,936,713	8,093,248	24,651,951	17,946,053	21,883,981	5,370,989	34,344,395	267,662,156	6,548,607	274,210,763
Net position - ending	\$ 70,481,078	\$ 12,591,271	\$ 20,580,567	\$ 13,905,500	\$ 22,546,274	\$ 12,540,961	\$ 8,098,819	\$ 24,212,159	\$ 18,175,987	\$ 21,663,607	\$ 5,134,692	\$ 34,122,657	\$ 264,053,572	\$ 5,535,786	\$ 269,589,358

ND Department of Trust Lands  
 Schedule of Net Pension Contributions  
 Last Ten Fiscal Years\*  
 June 30, 2021

Fiscal Year Ending	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Trust Land's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
June 30						
2015	PERS	\$ 118,962	\$ (120,360)	\$ (1,398)	\$ 1,566,160	7.60%
2016	PERS	\$ 141,442	\$ (127,027)	\$ 14,415	\$ 1,953,665	7.25%
2017	PERS	\$ 145,736	\$ (147,738)	\$ (2,002)	\$ 2,046,857	7.12%
2018	PERS	\$ 133,932	\$ (133,932)	\$ -	\$ 1,881,070	7.12%
2019	PERS	\$ 128,815	\$ (128,815)	\$ -	\$ 1,809,201	7.12%
2020	PERS	\$ 109,479	\$ (139,425)	\$ (29,946)	\$ 1,503,712	9.27%
2021	PERS	\$ 135,363	\$ 112,173	\$ 23,190	\$ 1,911,670	5.87%

\*Complete data for this schedule is not available prior to 2015.



ND Department of Trust Lands  
 Schedule of Employer's Net Pension Liability  
 Last Ten Fiscal Years\*  
 June 30, 2021

For the Fiscal Year Ended June 30	Trust Land's Proportion of the Net Pension Liability (Asset)	Trust Land's Proportionate Share of the Net Pension Liability (Asset) (a)	Trust Land's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015 PERS	0.176238%	\$ 1,118,320	\$ 1,484,586	75.33%	77.70%
2016 PERS	0.175799%	\$ 1,195,403	\$ 1,566,160	76.33%	77.15%
2017 PERS	0.193861%	\$ 1,889,364	\$ 1,953,665	96.71%	70.46%
2018 PERS	0.199582%	\$ 3,207,938	\$ 2,037,416	157.45%	61.98%
2019 PERS	0.171598%	\$ 2,895,903	\$ 1,762,859	164.27%	62.80%
2020 PERS	0.144564%	\$ 1,694,395	\$ 1,503,712	112.68%	71.66%
2021 PERS	0.173297%	\$ 5,451,961	\$ 1,911,670	285.19%	48.91%

\*Complete data for this schedule is not available prior to 2015.

Notes to the Required Supplementary Information:

*Changes to benefit terms*

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

*Changes to assumptions*

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

ND Department of Trust Lands  
 Schedule of Net OPEB Contribution  
 Last Ten Fiscal Years\*  
 June 30, 2021

For the Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered– Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
June 30					
2018	\$ 21,444	\$ (21,444)	\$ -	\$ 1,881,070	1.14%
2019	\$ 20,625	\$ (20,625)	\$ -	\$ 1,809,201	1.14%
2020	\$ 20,677	\$ (19,745)	\$ 932	\$ 1,762,859	1.12%
2021	\$ 20,073	\$ 17,433	\$ 2,640	\$ 1,708,677	1.02%

\*Complete data for this schedule is not available prior to 2018.

ND Department of Trust Lands  
 Schedule of Employer's Share of Net OPEB Liability  
 Last Ten Fiscal Years\*  
 June 30, 2021

For the Fiscal Year Ended	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset) (a)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30					
2018	0.188329%	\$ 148,970	\$ 2,037,416	7.31%	59.78%
2019	0.161107%	\$ 126,883	\$ 1,762,859	7.20%	61.89%
2020	0.134758%	\$ 108,236	\$ 1,503,712	7.20%	63.30%
2021	0.149889%	\$ 126,085	\$ 1,708,677	7.38%	63.38%

Notes to the Required Supplementary Information:

*Changes to benefit terms*

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

*Changes to assumptions*

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

\*Complete data for this schedule is not available prior to 2018.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

State Land Board and the  
Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Dakota Department of Trust Lands (the Department), a department of the State of North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 1, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be a material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **North Dakota Department of Trust Lands' Response to Findings**

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Ede Sully LLP".

Bismarck, North Dakota  
November 1, 2021

**2021-001**      **Material Audit Adjustments**  
**Material Weakness**

Criteria: Proper internal controls include controls that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition: During the course of our engagement, we proposed material audit adjustments to the Department's recorded account balances in the areas of interest receivable and interest income and accounts payable and expenditures.

Cause: Management's reconciliation controls failed to ensure that interest receivable and accounts payable were appropriately reconciled on June 30, 2021.

Effect: The need for these adjustments indicates a risk that the Department's interim financial information may not be materially correct, which may affect management decisions made during the year.

Recommendation: We recommend the Department review internal controls to ensure the controls in place will prevent, or detect and correct, misstatements on a timely basis.

Views of Responsible Officials: Management agrees with the finding. The Department implemented a new accounting system this fiscal year, with implementation of new software processes and procedures change. Some of these changes are not fully known until the process has been performed at least once. The minor adjustment found by the auditors is immaterial when compared to the \$7 billion in assets managed by the Department. After going through the process of creating its first financial statement with the new accounting software, Management will review its internal processes to ensure transactions are properly accounted for and reflected on its balance sheet.

**2021-002      Material Audit Adjustments to the Theodore Roosevelt Presidential Library and Museum  
Endowment Fund  
Material Weakness**

Criteria: Proper internal controls include controls that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition: During the course of our engagement, we proposed material audit adjustments to the Department's recorded account balances in the areas of long-term debt, donation revenue, interest payable, and interest expense in the Theodore Roosevelt Presidential Library and Museum Endowment fund.

Cause: Management failed to obtain necessary communication and understanding from the State of North Dakota to ensure Senate Bill and House Bill legislative intent was properly reflected in the Theodore Roosevelt Presidential Library and Museum Endowment fund.

Effect: The need for these adjustments indicates a risk that the Department's interim financial information may not be materially correct, which may affect management decisions made during the year.

Recommendation: We recommend the Department review communication processes and controls to ensure that Senate Bill and House Bill legislative intent is appropriately reflected in the financial statements.

Views of Responsible Officials: The Department manages the investment of funds for the Theodore Roosevelt Presidential Library and Museum Endowment Fund (Fund). The Fund received cash to invest from a loan entered into between the Bank of North Dakota and the Governor's office. Neither the Fund nor the Department were required to repay the loan, as such the loan was not recorded on the Departments books. The loan has subsequently been repaid by general fund, neither the Department nor the Fund ultimately repaid any portion of the loan. The loan has been repaid pursuant to House Bill 1015 (FY 2022) and 1025 (FY 2021). Management will review its communication process and controls to ensure legislative intent is followed and is appropriately reflected in the financial statements.



**North Dakota Department of Trust Lands  
Auditor's Specific Comments Requested by the North Dakota Legislative Audit and  
Fiscal Review Committee  
Year Ended June 30, 2021**

State Land Board and the  
Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

1. What type of opinion was issued on the financial statements?

Unmodified

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes

3. Was internal control adequate and functioning effectively?

As discussed in the Schedule of Findings and Responses, there were two internal control deficiencies identified as a result of the financial statement audit.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No

5. Has action been taken on findings and recommendations included in prior year audit reports?

There were no prior year findings or recommendations.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management response.

No



Audit Committee Communications:

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

None

2. Identify any significant accounting estimates and the process used by management to determine those estimates.

Management’s estimate of the fair value of investments is based on quoted market prices, estimates of fair value from investment managers, cash flow analysis, and yield currently available on comparable securities. We evaluated the key factors and assumptions used to develop the fair value estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the unclaimed property liability is based on the historical average payout percentage per subsequent year to determine the current year liability. The historical average is based on a ten-year rolling average percentage of the total unclaimed property amounts collected during a specific fiscal year paid out in subsequent fiscal years. We evaluated the key factors and assumptions and checked the clerical accuracy of the calculation used to determine the liability and determined that it is reasonable in relation to the financial statements taken as a whole.

3. Identify any significant audit adjustments.

The following material misstatements were identified as a result of the audit procedures performed which were brought to the attention of, and corrected by management:

<u>Governmental Funds Corrected Misstatements</u>	<u>Debit</u>	<u>Credit</u>
<i>General Fund</i>		
Expenditures	\$ 77,573	
Accounts payable		\$ 77,573
<i>To adjust general fund accounts payable to actual.</i>		
 <i>Coal Development Trust Fund</i>		
Interest income	450,000	
Interest receivable		450,000
<i>To adjust coal development trust fund interest receivable to actual.</i>		
 <u>Fiduciary Fund Corrected Misstatement</u>	<u>Debit</u>	<u>Credit</u>
<i>Theodore Roosevelt Presidential Library and Museum Endowment</i>		
Donation revenue	\$ 17,500,000	
Interest expense	317,158	
Loan payable		\$ 17,500,000
Interest payable		317,158
<i>To properly reflect legislative action from Senate Bill 2001 (2019) and House Bill 1025 (2021).</i>		

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to financial accounting, reporting, or auditing matter that could be significant to the financial statements.

None

5. Identify any significant difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accountants about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

The State Lands Information Management System (SLIMS) is a database application that supports the Department's business process over management of state lands, mineral and surface leases, royalties, investments, grants management, and general ledger accounting. There were no exceptions identified that were directly related to this application.

This report is intended solely for the information and use of the State Land Board, Legislative Assembly, and management of the Department and is not intended to be and should not be used by anyone other than these specified parties.



Bismarck, North Dakota  
November 1, 2021

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

November 29, 2021

---

**RE: 2019-2021 Biennial Report**  
(No Action Requested)

In accordance with N.D.C.C. Section 54-06-04, the biennial report submitted by agencies is “covering operations for the two preceding fiscal years.” The Department of Trust Lands (Department) developed a biennial report that is informative, a historical record and an excellent reference source covering the periods from July 1, 2019, to June 30, 2021.

The Department has submitted a printed copy of the report to the Governor and Secretary of State’s Office. Additionally, an electronic version has been uploaded to the Department’s [website](#).

# DEPARTMENT OF TRUST LANDS

BIENNIAL REPORT 2019-2021



NORTH  
**Dakota** | Trust Lands  
Be Legendary.



# TABLE OF CONTENTS

INTRODUCTORY LETTER .....	<b>3</b>
MISSION, VISION AND HISTORY .....	<b>4</b>
INVESTMENT MANAGEMENT .....	<b>6</b>
SURFACE MANAGEMENT .....	<b>8</b>
MINERALS MANAGEMENT .....	<b>11</b>
ENERGY INFRASTRUCTURE AND IMPACT OFFICE .....	<b>12</b>
UNCLAIMED PROPERTY .....	<b>14</b>
FINANCIAL REPORTS .....	<b>15</b>
REVENUE COMPLIANCE .....	<b>16</b>

# DEPARTMENT OF TRUST LANDS 2019-2021 BIENNIAL REPORT

## DEAR GOVERNOR BURGUM AND SECRETARY JAEGER:

State trust lands are an important, little known, and often misunderstood category of public land ownership in the West. Congress granted these lands to states upon their entrance into the Union to provide support for essential public institutions, primarily public education, and K-12 schools. Although many of the original trust land grants have passed into private ownership, only 23 states continue to hold and manage trust lands.

In North Dakota, these 706,600 acres constitute a significant part of the western landscape and provide the region with open space and important ecological, recreational, and scenic value. State trusts lands have been managed exclusively to harvest natural resources through mining, grazing, and agriculture, to provide funding for the trust beneficiaries.

State trust lands are collectively a significant component of the landscape of North Dakota and are vital to maintaining the quality of life our citizens have grown to appreciate. To ensure that those trust lands are conserved we must find solutions that fit within the trust mandate.

Naturally, the various stakeholders—community members, educators, developers, ranchers, farmers, hunters, outdoor enthusiasts, and conservationists, to name a few—have a range of expectations for the uses of these lands. However, state trust lands, as their name implies, are held “in trust” and guided by a fiduciary duty to be managed, leased, and/or sold for a diverse range of uses to generate income for the designated beneficiaries.

This past biennium the state has endured both extreme flooding and drought which has brought forth significant challenges for our industry partners. Additionally, as a result of the world pandemic, COVID-19, the State endured unprecedented loss of human life and survived economic and social disruption that directly impacted the Department of Trust Lands’ (Department) ability to generate revenue for the trusts.

However, the Department was able to recover most of the investment losses and industry partners have begun extracting natural resources to pre-pandemic levels. The ability of the Department and our stakeholders to recover so quickly is a testament to the State’s fortitude and strength. Additionally, it is a testament to the Board of University and School Lands (Board) and Department’s pledge of sound management of the affairs of the Board.

The Department and I are proud to have been a part of this heritage of trusteeship.

Sincerely,

**JODI SMITH, COMMISSIONER**



## — MISSION —

The mission of the Board of University and School Lands is to prudently and professionally manage assets of the permanent trusts in order to preserve the purchasing power of the funds, maintain stable distributions to fund beneficiaries, and manage all other assets and programs entrusted to the Board in accordance with the North Dakota Constitution and applicable state law.

## — VISION —

The Department of Trust Lands is known nationally for superior management of its assets and programs.

# HISTORY

The history of school trust lands is one of extraordinary vision on the part of this nation's founding fathers. The idea was simple: generate income from land to supplement public school funding. The original thirteen states had sovereign authority over all lands within their borders. This land provided a tax base for the support of education and other governmental functions. In contrast, the federal government owned vast areas or territories that later became states. This land was immune from taxation. As a result, states created from these public lands would not have been on an "equal footing" with the original thirteen states. Congress, therefore, made land grants to the newly admitted states to equalize their tax base status with that of the original thirteen.

To ensure that land would be available for the school land grants to the new states, Congress established a practice of reserving certain sections in every township within the territories for the support of the schools. Thus, the first enactment for the sale of the public lands in the "western territory," the Land Ordinance of 1785, provided for setting apart section 16 of every township for the maintenance of the public schools. For example, when Ohio was admitted into the Union by the Enabling Act of April 30, 1802, it was granted section 16 in every township for the use of schools.

This basic pattern was followed for subsequent states, although the specific terms of the school land reservations and grants have differed over time. For virtually every state, the school land grants are found in the state's admission or enabling act. The grants have varied in terms of the number of sections granted per township, in the wording of the purpose of the grant (e.g., "for the use of schools," "for the support of common schools"), and in the extent of explicit restrictions placed upon the state.

In 1889, Congress passed the Enabling Act "to provide for the division of Dakota [Territory] into two states, and to enable the people of North Dakota, South Dakota, Montana, and Washington to form constitutions and state governments, and to be admitted into the union on an equal footing with the original states, and to make donations of public lands to such states." Act of February 22, 1889, Ch. 180, 25 Statutes at Large 676. Section 10 of this Act granted sections 16 and 36 in every township to the new states "for the support of common schools." In cases where portions of sections 16 and 36 had been sold prior to statehood, indemnity or

"in lieu" selections were allowed. In North Dakota, this grant of land totaled nearly 2.6 million acres. The Enabling Act provided further land grants to the State of North Dakota for the support of colleges, universities, the state capitol, and other public institutions. Revenues are generated through the prudent management of trust assets, which assets include approximately 706,600 surface acres and nearly 2.6 million mineral acres. Article IX, Section 2 of the North Dakota Constitution provides that the "net proceeds of all fines for violation of state laws and all other sums which may be added by law, must be faithfully used and applied each year for the benefit of the common schools of the state and no part of the fund must ever be diverted, even temporarily, from this purpose or used for any purpose other than the maintenance of common schools as provided by law."

To Thomas Jefferson (Jefferson) education for all the children of the United States was the key to creating a strong democracy. Jefferson's idea was to look for a way to fund education by using the land to generate funding. With approval of the Enabling Act in 1889, Congress granted North Dakota the ability to become a state. The Board is part of that Act, making it an agency that predates statehood.

The Enabling Act, the North Dakota Constitution, and statutes passed over the last 130 years, have defined the role of the Board and its beneficiaries.

The Department serves as the administrative agency of the Board and the Commissioner of University and School Lands (Commissioner). Along with being responsible for the management and stewardship of educational trusts, the Department oversees mineral acres and other assets utilized for the benefit of public schools and other institutions in North Dakota. The Department operates the state's Unclaimed Property Division and the Energy Infrastructure and Impact Office (EIIO).



# INVESTMENTS

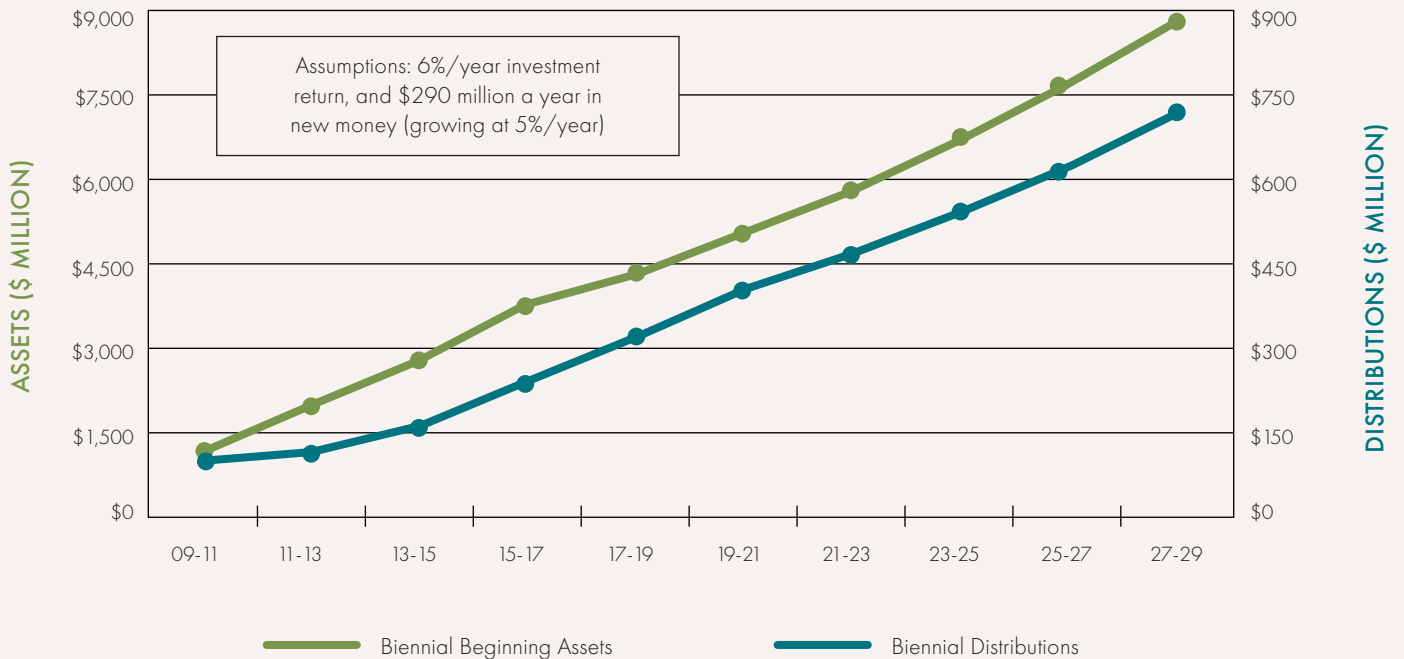
The overarching goal of the Investments Division is to invest every dollar earned from the trust lands and maximize the return. The Investments Division fulfills Jefferson’s vision by managing and growing revenue for North Dakota schools, opening the door for a future of well-educated, successful citizens. We aim to carry the torch of fiduciary responsibility forward to create a brighter future and more equitable presence for North Dakota’s public education programs.

To that end, we ground our decision-making in objective research and sound portfolio theory. We value long-term growth over short-term gains, impartial analysis over conventional wisdom, and will always conduct investment decisions with undivided loyalty to the trusts for which we serve.

Revenue and investments were volatile over the course of the past biennium due to the COVID-19 pandemic. However, due to the distribution policy outlined in Article IX, Section 2 of North Dakota Constitution, the trusts’ beneficiaries will feel minimal impact from the market drop at the end of the biennium.

In 2019-2021 biennium, Common Schools Trust Fund (CSTF) distributions by the trusts totaled \$388,500,000 paying 13.9% of the per student public education funding in North Dakota.

**13 PERMANENT TRUST FUNDS  
ASSET AND DISTRIBUTION TRENDS**



The Board manages other funds for the State and other beneficiaries. Two funds are private purpose trust funds: the Indian Cultural Education Trust and the Theodore Roosevelt Presidential Library and Museum Endowment Fund. The remaining funds of the Department are governmental funds.

## **INDIAN CULTURAL EDUCATION TRUST**

The Indian Cultural Education Trust was created in 2003 to generate income to benefit Indian culture (N.D.C.C. ch. 15-68). Present assets are managed for the benefit of the Mandan, Hidatsa, and Arikara Nation Cultural Education Foundation. This trust's assets are managed, and distributions determined, in the same manner as the permanent trust funds.

## **THEODORE ROOSEVELT LIBRARY AND MUSEUM ENDOWMENT FUND**

The Theodore Roosevelt Presidential Library and Museum Endowment Fund (TR Fund) was created under N.D.C.C. § 54-07-12 to generate income to be used for the operation and maintenance of the library and museum, after the Theodore Roosevelt Presidential Library Foundation has raised or secured binding pledges of \$100 million. The TR Fund is managed through an agreement between the Office of the North Dakota Governor and the Board. In May of 2019 the first deposit, totaling \$15 million, was made to the Board for the TR Fund.

## **CAPITOL BUILDING FUND**

The Capitol Building Fund was established by N.D.C.C. § 48-10-02 pursuant to Article IX of the North Dakota Constitution. Section 12 of the Enabling Act authorized the land grant for "public buildings at the capital of said states . . . ." N.D.C.C. § 48-10-02 defines the fund, outlines its purposes, and assigns management of the land and the fund's investment to the Board. Unlike the permanent trust funds created under Article IX, this fund is fully expendable and is subject to legislative appropriation each biennium.

## **STRATEGIC INVESTMENT AND IMPROVEMENTS FUND**

The Strategic Investment and Improvements Fund (SIIF) is financed by the revenues earned from sovereign mineral acres, including those formerly owned by the Bank of North Dakota (BND) and State Treasurer and minerals located under navigable rivers and lakes (N.D.C.C. ch. 15-08.1, § 61-33-07). The SIIF also receives a portion of the oil and gas production and extraction taxes (N.D.C.C. § 57-51.1-07.5). This fund may be appropriated by the legislature for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government (N.D.C.C. § 15-08.1-08).

## **COAL DEVELOPMENT TRUST FUND**

The Coal Development Trust Fund was established by N.D.C.C. ch. 57-62, pursuant to Article X, § 21 of the North Dakota Constitution. The Fund receives 30 percent of the coal severance tax. This fund is held in trust and is administered by the Board for loans to coal impacted counties, cities, and school districts as provided by N.D.C.C. § 57-62-03, and for loans to school districts pursuant to N.D.C.C. ch. 15.1-36. Any balance not loaned is invested according to Board policies. The income earned by this fund is transferred to the State General Fund each year.

# SURFACE MANAGEMENT

The Surface Management Division manages more than 706,000 surface acres owned by the various trust funds under the Board's control. The major source of income from these trust lands comes from agricultural leases (grassland, crop and hay land uses), with significant revenue generated from rights-of-way, surface damage agreements, and construction aggregate mining. The objective of surface management is to obtain a "fair market" return from the trust lands while maintaining or improving the condition and value of the land.

## SURFACE ACRES BY COUNTY

As of June 30, 2021

COUNTY	ACRES	COUNTY	ACRES	COUNTY	ACRES
Adams	17,097.52	Golden Valley	28,983.55	Ramsey	2,056.50
Barnes	2,803.32	Grant	33,519.57	Ransom	1,120.00
Benson	12,005.78	Griggs	1,741.24	Renville	1,910.12
Billings	30,922.04	Hettinger	9,892.50	Richland	400
Bottineau	3,271.94	Kidder	28,643.79	Rolette	6,226.08
Bowman	29,310.48	LaMoure	1,435.72	Sargent	1,128.17
Burke	16,116.21	Logan	9,410.68	Sheridan	25,826.44
Burleigh	27,904.28	McHenry	22,720.56	Sioux	23,411.56
Cass	40	McIntosh	6,209.87	Slope	23,605.98
Cavalier	556.47	McKenzie	64,586.70	Stark	6,150.13
Dickey	3,981.51	McLean	20,890.99	Stutsman	15,627.81
Divide	20,778.96	Mercer	15,113.05	Towner	8,076.00
Dunn	25,673.31	Morton	18,101.82	Walsh	160
Eddy	10,292.81	Mountrail	32,445.59	Ward	10,798.98
Emmons	13,533.97	Nelson	2,694.45	Wells	5,251.89
Foster	3,111.51	Oliver	7,588.41	Williams	38,382.45
Grand Forks	1,274.77	Pierce	13,664.93	Total	706,480.00

## SURFACE ACRES BY TRUST FUND

As of June 30, 2021

TRUST FUND	ACRES
Common Schools	631,628.78
School for the Blind	3,481.69
Capitol Building	10,034.45
School for the Deaf	4,830.44
Ellendale State College	4,919.00

## SURFACE ACRES BY TRUST FUND (CONT.)

**As of June 30, 2021**

State Hospital	2,206.11
ND Youth Correctional Center	3,584.42
School of Mines <sup>1</sup>	3,330.38
North Dakota State University	15,120.23
Veterans Home	2,753.69
U.N.D.	8,897.98
Valley City State University	640
ND State College of Science	3,712.94
Mayville State University	640
Valley City/Mayville <sup>2</sup>	6,825.89
Farm Loan Pool <sup>3</sup>	3,714.00
Indian Cultural Education	160

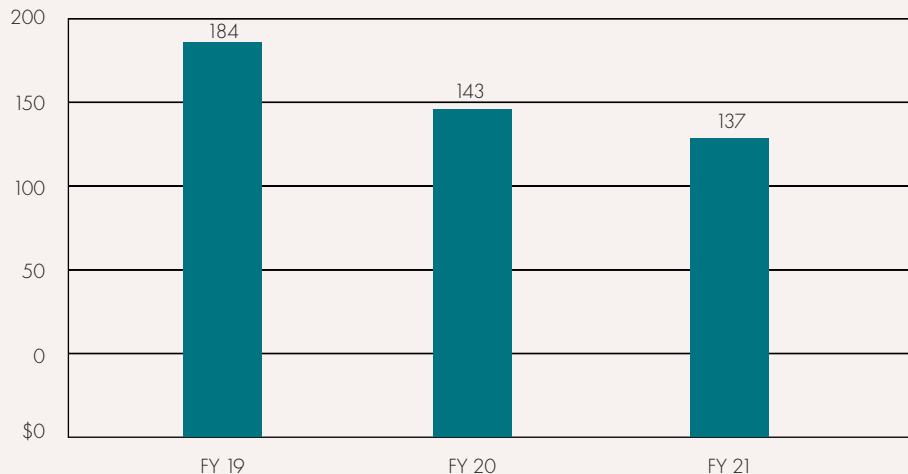
**TOTAL** **706,480.00**

1	The benefits of the original grant to the School of Mines are distributed to the University of North Dakota.
2	Receipts from acreage held jointly by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.
3	Receipts from this acreage are allocated to the permanent trusts that have an interest in the Board's Farm Loan Pool.

During the 2019-2021 biennium the Department acquired 50.2 acres through rights-of-way and abandoned railroad reversion and conveyed 179.1 acres through public purpose sales and abandoned railroad disclaimer.

The table below illustrates the surface acres by county managed by the Department.

### RIGHTS-OF-WAY & SURFACE DAMAGE AGREEMENTS ISSUED



There were 280 rights-of-way issued during the 2019-2021 biennium generating consideration payments of over \$8.59 million dollars for the trusts. There was one (1) Wind Energy Easement Agreement entered into this past biennium, bringing the number of Wind Energy Easement Agreements to four (4). There are currently 14 turbines on Trust Lands having the capability of generating 33.7-megawatts of power when fully operational. There were four (4) Saltwater Disposal Facility Easement extensions and one (1) assignment granted this past biennium, bringing the total number of active Saltwater Disposal Facility Easement Agreements under management to 17.

The trust lands have been leased by generations of North Dakotans for agricultural purposes. The land is leased in a series of auctions held each fall and spring. All auctions are open to the public and each lease goes to the highest bidder with the minimum bid set by the Commissioner based upon the Board's Fair Market Value Minimum Rent Policy. The Department manages over 3,000 active surface land leases. Leasing interest continues to be high with over 99 percent of the tracts offered successfully leased. The Department generated \$18.6 million in rental income this biennium through the surface lease program, an increase of \$1.2 million over the prior biennium.

The surface acres managed by the Department are inspected by trained field inspectors at least once during the five-year lease period to help with early detection of noxious and invasive weed species and to monitor land integrity. Reclamation inspections assist in determining whether a right-of-way having surface disturbance is meeting agreement vegetation standards, providing for noxious and invasive weed control, and experiencing erosion. The surface inspection program generates approximately 1,500 tract inspections on an annual basis. These inspections are generally fall integrity, reclamation, livestock grazing, noxious weed, unleased tract, and posting inspections.

Professional staff work day-to-day on land management projects that result in land improvement on trust lands. These projects include:

- Oil well pad, saltwater disposal sites, pipeline and road siting, and reclamation
- Developing water wells, pipelines, dams, and dugouts for livestock water and wildlife enhancement
- Grazing management plans for improving range condition and productivity
- Cooperative trash site clean-up and abandoned water well sealing
- Gravel and scoria mine site reclamation
- Noxious weed chemical and biological control
- Coal mine reclamation
- Monitoring flood impacted tracts



# MINERALS MANAGEMENT

The Minerals Management Division oversees nearly 2.6 million mineral acres held in trust by the Board. The Division's responsibilities include mineral ownership research and analysis; the administration of oil and gas, coal, potash, and other mineral leasing; the evaluation of well participation for royalty collection; and mineral ownership, leasehold, and well participation data management.

Oil and gas leasing generates significant revenue contributions to the trusts and funds, with the main source of mineral income being lease bonus payments and royalties. During the 2019-2021 biennium, the Minerals Management Division offered 1,187 oil and gas leases, generating \$11.2 million in bonuses. As of the end of the biennium, 711,247 net mineral acres are under 8,135 leases, and as of June 30, 2021, the Department manages an interest in over 46 percent of the 16,825 producing oil and gas wells in North Dakota.

During the biennium, the Department completed a Mineral Estate Valuation for the first time. The intention of this report is to establish an opinion of value using fair market determinations in conjunction with directives provided by the Board's Minerals Valuation Policy adopted on June 25, 2020. In consideration of all relevant information, the value of all the minerals under the Board's management as of December 31, 2019, is \$1,449,002,408.

Under North Dakota law, the Board is vested with the authority to manage state-owned minerals, including the oil, gas, and related hydrocarbons, within the beds of the State's navigable waters. The Sixty-Fifth Legislative Assembly's adoption of Senate Bill 2134 (SB 2134), codified as N.D.C.C. ch. 61-33.1, sought to establish state ownership of minerals below the ordinary high water mark of the historical Missouri riverbed channel (Historical OHWM) inundated by Pick-Sloan Missouri basin project dams. Senate Bill 2211 of the Sixty-Sixth Legislative Assembly amended N.D.C.C. ch. 61-33.1 relating to the ownership of mineral rights of land subject to inundation by Pick-Sloan Missouri basin project dams.

Under N.D.C.C. § 61-33.1-03(8), the Board contracted with Kadmas, Lee & Jackson, Inc. (KLJ) "to analyze the final review findings and determine the acreage on a quarter-quarter basis or government lot basis above and below the [Historical OHWM] as delineated by the final review findings of the industrial commission." KLJ provided the Department with a Final Report for Acreage Determination along the Ordinary High Water Mark as adopted by the North Dakota Industrial Commission Order No. 29129. On June 25, 2020, the Board formally adopted the majority of the survey conducted by KLJ. On November 24, 2020, the Board formally adopted T152N R93W Section 11 Lot 2 and Section 10 Lot 6. On behalf of the Board, the Department has set in motion the refunding of royalty proceeds that fall within the six-month time frame outlined in N.D.C.C § 61-33.1-04(1). Implementation and release of royalty proceeds is under way as acreage determinations have been calculated on "oil and gas mineral tracts lying entirely above the [Historical OHWM] on both the corps survey and the state phase two survey . . . absent a showing of other defects affecting mineral title." N.D.C.C § 61-33.1-04(1)(a).

# ENERGY INFRASTRUCTURE AND IMPACT OFFICE

It is important to acknowledge and reflect upon the significant work the legislature has done over the past forty years in dedicating funding to projects throughout the state through the EIO.

In 1977, the legislature authorized the Coal Development Impact Office resulting in the Energy Infrastructure and Development Office being managed by the Board. In 1989, the Oil and Gas Impact Program was established and managed within the Energy Infrastructure and Development Office. In 2011, the Energy Development Impact Office underwent a name change to the EIO. Over the past 40 years, EIO has reviewed thousands of grant applications and dispersed over \$626 million in funding.

- \* **From July 1, 1981 to June 30, 2001** \$40,340,965.00 was awarded to help Townships, Counties, K-12 Schools, Emergency Medical Services (EMS) and Fire Districts to assist in projects related directly to oil and gas development.
- \* **From July 1, 2001 to June 30, 2011** \$28,712,000 was awarded to help repair roads and for fire and ambulance districts to purchase necessary gear, trainings, new buildings, and equipment.
- \* **During the 2011- 2013 biennium** \$135 million was awarded, with \$35 million appropriated during a special session for counties emerging as oil and gas producing areas. During the special session, EIO was also tasked with the implementation of a \$30 million Flood Impacted Program to assist political subdivisions with 2011 flood challenges.
- \* **During the 2013 - 2015 biennium** \$240 million was awarded to airports, higher education institutions, first responders, infrastructure projects, and hub cities.
- \* **During the 2015- 2017 biennium** \$140 million was appropriated; however, a sharp drop in gross production tax collections resulted in severely reduced revenues from the gross production tax. The reduced revenues limited the Board's ability to proceed with awarding grants appropriated by the Legislature.

Additional funding was authorized by the Legislature for social entities that do not adhere to N.D.C.C. ch. 57-62 which only authorizes EIO to fund taxing districts. This authorization allowed EIO to award grants to: domestic violence sexual assault organizations, local district health units, providers that serve individuals with developmental disabilities located in oil producing counties, critical access hospitals, nursing homes, basic care facilities, and providers of home health services and hospice programs

- \* **During the 2017- 2019 biennium** the legislature appropriated \$40 million to the oil and gas impact fund to the Williston and Dickinson Airports in Senate Bill 2013. The Board awarded 13 grants, for a total of \$3,145,558, to political subdivisions with contingency funding.

\* **During the 2019 - 2021 biennium** the Legislature appropriated \$2 million. One grant round was held during the biennium. The grant round objective was to offset costs incurred for an emergency or unanticipated incident where the damage was directly related to or impacted by current oil and gas development. The Board awarded 14 grants, for a total of \$2,400,000.00 to political subdivisions with contingency funding. This grant round included \$400,000 that was available in the fund due to canceled grants from previous biennia from political subdivisions where the project came in under budget. The chart below reflects the awards from the 2019-2021 biennium.

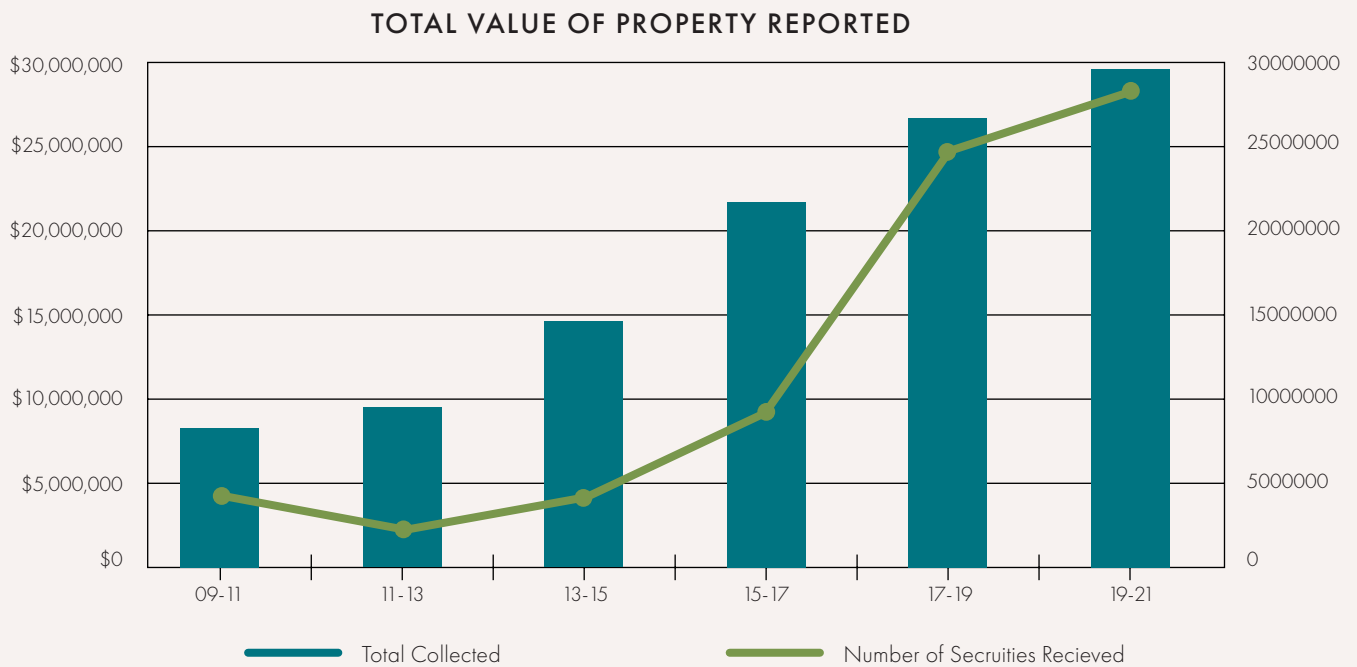
APPLICANT	COUNTY	GRANT NUMBER	SHORT DESCRIPTION	PROJECT TOTAL	AMOUNT REQUESTED	AMOUNT AWARDED
Noonan Fire Department	Divide	G200001	Purchase A Used 1000 Gallon Pumper Apparatus	\$35,000	\$28,000	\$28,000
Zap Rural Fire Protection District	Mercer	G200002	Extrication Equipment	\$36,900	\$36,900	\$33,210
Gladstone Consolidated Fire District	Stark	G200003	New Pumper Fire Truck	\$375,000	\$375,000	\$187,500
Tolley Fire Department	Renville	G200004	50 X 50 Building Addition	\$555,000	\$555,000	\$355,172
Billings Co. Rural Fire Protection Dist.	Billings	G200005	Fairfield Rescue Truck	\$244,529	\$184,529	\$184,529
Billings County	Billings	G200006	Ambulance Replacement	\$573,761	\$264,943	\$120,000
City of Belfield	Stark	G200007	Ambulance Replacement	\$255,000	\$100,000	\$100,000
Bowman County Rural Ambulance District	Bowman	G200008	4- Wheel Drive Ambulance	\$210,000	\$50,000	\$50,000
Columbus Rural Fire District	Burke	G200009	Acquisition Of Vehicle Chassis	\$162,489	\$141,589	\$141,589
City of New England	Hettinger	G210001	2020 North Side Growth Area Street & Sewer Improvements	\$1,442,000	\$1,000,000	\$348,650
Williston Township	Williams	G210002	52nd Street Landslide	\$1,450,000	\$350,000	\$350,000
Mountrail County	Mountrail	G210003	36th St Nw- Cement Stabilization and Graveling	\$82,700	\$82,700	\$41,350
Williston	Williams	G210004	Asb Innovation Academy	\$14,092,183	\$500,000	\$250,000
City of Stanley	Mountrail	G210005	Wastewater Treatment Facility Improvements and Upgrades to Pumps at Main Lift Station	\$1,675,000	\$837,500	\$210,000
<b>TOTAL:</b>						<b>\$2,400,000</b>



# UNCLAIMED PROPERTY

The Unclaimed Property Division administers and enforces the Uniform Unclaimed Property Act (currently N.D.C.C. ch. 47-30.2) which has been in effect since 1975. The program’s objectives are to reunite lost and abandoned property with its rightful owner and to safeguard this property from being used for personal gain by non-owners. The property is maintained to the credit of the CSTF with revenue earned on the investment of properties benefiting school funding.

The 2019-2021 biennium saw a total of 19,284 properties paid, resulting in \$12,908,440.75 returned to owners. Abandoned property reported to the Department totaled \$29,444,443.59 from the receipting of 6,787 holder reports and 63 safe boxes.



During the 67th Legislative Assembly, the Revised Uniform Unclaimed Property Act (RUUPA) was passed under Senate Bill 2048, codified as N.D.C.C. ch. 47-30.2.

In today’s high-tech world, time is money. RUUPA permits use of electronic notices, reduces the need for paper checks and mail transactions, and clarifies definitions that delayed and complicated the transfer of property.

Adoption of N.D.C.C. ch. 47-30.2 brings Unclaimed Property Division business transactions into the 21st Century. It identifies types of property not available in 1985, such as virtual currency, payroll cards and health savings accounts.

The new law specifies dormancy periods for many types of property and places a high priority on information security. It clarifies the process of securing properties from businesses and returning them to the rightful owners. It also conforms with the 2016 Revised Uniform Unclaimed Property Act, a movement toward national standardization and simplification of state property custody decisions.

The passage of Senate Bill 2048 was a three-year project which will significantly impact Unclaimed Property law, as the law had not been completely updated since 1985.

# FINANCIAL REPORTS

Eide Bailly completed its review of the Department’s financial statements for the fiscal year ending June 30, 2021. The draft report identified two audit finding recommendations. The full report can be found on the Department’s website.

While the Department saw an increase in work, the Board saw a reduction in funding, resulting in a decrease in FTEs from 31 to 28 in the 2019-2021 biennium while managing \$6 billion in assets, more than 706,600 surface acres, and over 2.6 million mineral acres.

On July 1, 2020, the Department implemented a new Financial Management and Accounting system powered by Microsoft Dynamics 365. This is the first time since the early 1980s the accounting software has been updated.

BOARD OF UNIVERSITY AND SCHOOL LANDS		
COMPARATIVE FINANCIAL POSITION (UNAUDITED)		
Schedule of Net Assets		
ASSETS BY TRUST	JUNE 30, 2021	JUNE 30, 2019
Common Schools	\$5,736,576,907	\$4,651,515,838
North Dakota State University	85,724,293	72,045,457
School for the Blind	15,330,573	12,682,481
School for the Deaf	24,441,491	21,251,342
State Hospital	16,358,466	14,603,478
Ellendale*	27,724,824	21,852,063
Valley City State University	14,987,706	12,936,711
Mayville State University	10,205,855	8,093,248
Youth Correctional Center	30,414,485	24,651,950
State College of Science	21,984,530	17,946,053
School of Mines**	26,530,622	21,883,980
Veterans Home	6,043,852	5,370,988
University of North Dakota	41,240,750	34,344,393
Capitol Building	3,462,488	6,548,608
Strategic Investment and Improvements	860,465,439	1,134,326,018
Coal Development	71,117,670	70,296,353
Indian Cultural Education Trust	1,441,059	1,285,256
Theodore Roosevelt Presidential Library	38,446,695	15,050,748
<b>TOTAL</b>	<b>\$7,032,497,705</b>	<b>\$6,146,684,965</b>

## ASSETS BY TYPE

	JUNE 30, 2021	JUNE 30, 2019
Cash	\$549,605,811	\$128,131,969
Receivable	43,729,070	50,537,931
Investments ***	6,253,609,271	5,808,514,418
Office Building (Net of Depreciation)	307,163	428,010
Farm Loans	4,988,534	9,229,151
Energy Construction Loans		979,447
Energy Development Impact Loans	9,781,118	11,269,205
School Construction Lons (Coal)	29,864,928	41,707,151
Due to/from Other Trusts and Agencies	159,925,996	98,115,243
Accounts Payable	(19,314,186)	(2,227,560)
<b>TOTAL</b>	<b>\$7,032,497,705</b>	<b>\$6,146,684,965</b>

**\* Ellendale Trust - The following entiries are equal beneficiaries of the Ellendale Trust**

*Dickinson State University | Minot State University | Dakota College at Bottienau | School for the Blind | Veterans Home State Hospital | State College of Science - Wahpeton*

**\*\* School of Mines**

*Benefits of the original grant to the School of Mines are distributed to the University of North Dakota.*

**\*\*\* Investments**

*Includes available cash for loans, investments, abandoned stock and claimant liability.*

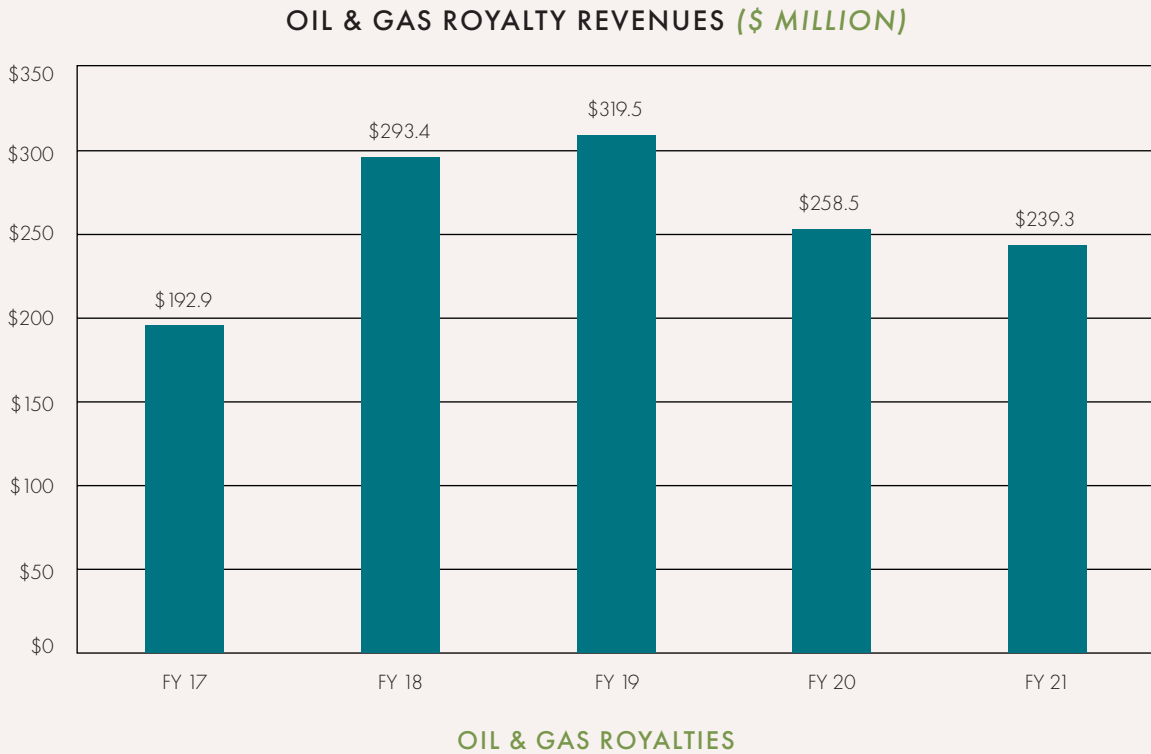
## REVENUE COMPLIANCE

The Department's Revenue Compliance Division is responsible for developing and implementing procedures to assure the timely and accurate accounting of all royalties, bonuses, rentals, and other revenues received. A significant amount of time is dedicated to evaluating the accounting and collection of oil and gas royalties.

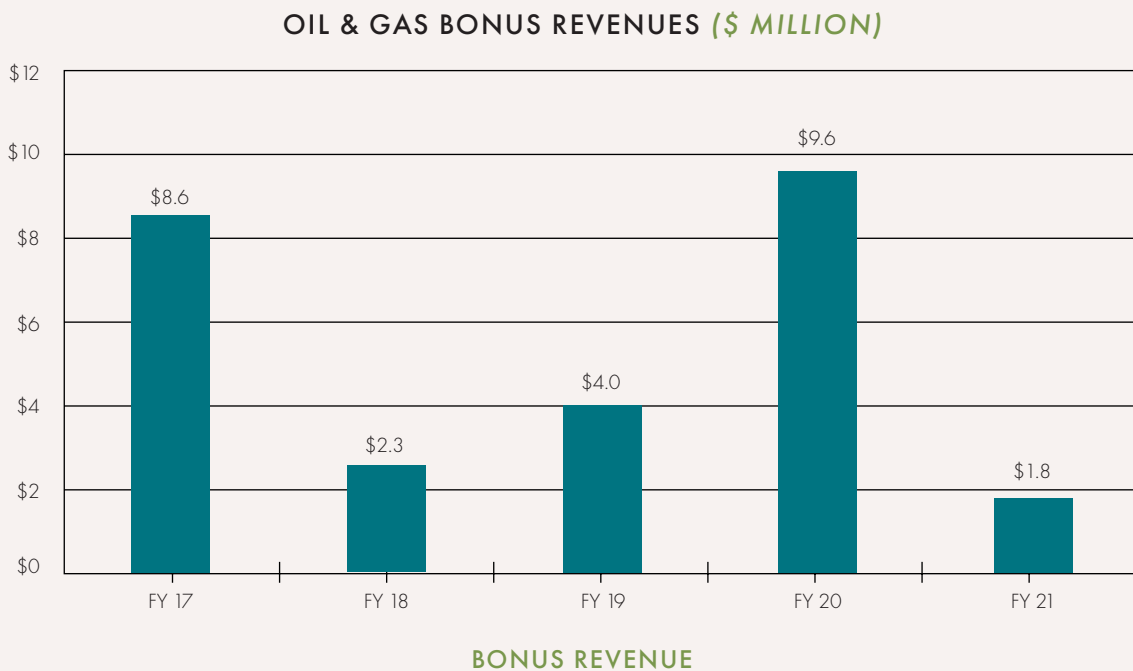
While the Department has a long-standing history of auditing, dating back to 1922, the Board began a concerted effort of auditing oil and gas royalties in the 1980s. Audits performed in the 1980s were primarily related to oil and gas royalties owed under leases issued prior to 1979, which have different terms than leases issued after 1979. These audits resulted in the Board collecting additional royalties dating back to as early as the 1950s. Through the decades, the Board has persistently worked with industry partners to collect payment or establish escrow accounts for royalties from the production of minerals, in accordance with the North Dakota Century Code, the Board's lease, rules, and policies.

Between 2006 and 2011, the Board saw a 240% increase in the number of producing wells, which tripled the number of royalty records that needed to be processed. A formal Revenue Compliance Division was created in March 2011 upon legislative approval of the hiring of necessary staff.

The Department collected oil and gas royalties of approximately \$258.4 million in FY 2020 and \$239.3 million in FY 2021.



Bonus revenue received totaled \$9.6 million in FY 2020 and \$1.75 million in FY 2021 as most of the favorable oil and gas production areas were already under lease.



## COLLECTIONS

Royalty data is reviewed for discrepancies in volume, ownership, valuation, and lease terms. Reported volume data is compared with the North Dakota Industrial Commission’s data to identify variances. Additionally, division orders and submitted royalty reports are reviewed to identify potential issues. These efforts have brought additional revenue to the trusts that may not have otherwise been collected. The enhanced efforts have resulted in additional royalty collections over the prior four fiscal years. The table below details the results of these efforts.

ADDITIONAL ROYALTY COLLECTIONS				
	FY 18	FY 19	FY 20	FY 21
Additional Royalties Collected	\$ 81,436	\$ 490,829	\$ 1,930,109	\$ 329,614
Repaid Taxes and Deductions Taken in Error	\$797,882	\$0	\$787,357	\$893,408
Penalties & Interest Collected	\$293,365	\$564,617	\$666,622	\$756,131
<b>TOTAL COLLECTIONS</b>	<b>\$1,172,683</b>	<b>\$1,055,446</b>	<b>\$3,384,088</b>	<b>\$1,925,153</b>

House Bill 1080 was introduced and was originally drafted to address concerns with the Board’s penalties and interest for late royalty payments.

In its final version, House Bill 1080 replaces the current minimum annual interest rate of prime interest plus 4% (now at 7.25%) and maximum annual interest rate of 18% on unpaid royalties with a flat 0.75%/month rate, to a maximum of 9% interest per year. The Commissioner may waive all or a portion of the interest for good cause.





NORTH  
**Dakota** | Trust Lands  
Be Legendary.

## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

---

**RE: North Dakota Trust Lands Completion Act**  
(No Action Requested)

On November 26, 2019, the Board of University and School Lands (Board) approved the Commissioner to identify potential tracts for coal acreage exchange with the Federal Government.

The Department of Trust Lands (Department) worked to draft a Federal bill that would allow the Board to relinquish land and minerals and select in lieu thereof equal value Federal land and minerals within North Dakota.

The 67<sup>th</sup> Legislative Assembly unanimously passed Senate Concurrent Resolution 4013, a concurrent resolution urging Congress to pass the North Dakota Trust Lands Completion Act.

On November 4, 2021, the North Dakota Trust Lands Completion Act (S.3200) “[t]o authorize the relinquishment and in lieu selection of land and minerals in the State of North Dakota, to restore land and minerals to Indian Tribes within the State of North Dakota, to conserve the Little Missouri National Grasslands, and for other purposes” was introduced to the Senate Energy and Natural Resources Committee

In 1889, Congress passed the Enabling Act “to provide for the division of Dakota [Territory] into two states, and to enable the people of North Dakota, South Dakota, Montana, and Washington to form constitutions and state governments, and to be admitted into the union on an equal footing with the original states, and to make donations of public lands to such states.” Act of February 22, 1889, Ch. 180, 25 Statutes at Large 676.

Section 10 of the Enabling Act granted sections 16 and 36 in every township to the new states “for the support of common schools.” In cases where portions of sections 16 and 36 had been sold prior to statehood, indemnity or “in lieu” selections were allowed. In North Dakota, this grant of land totaled more than 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the State of North Dakota for the support of colleges, universities, the state capitol, and other public institutions. These additional grants totaled approximately 668,000 acres; thus, the total of Enabling Act land grants was nearly 3.2 million acres.

Prior to the enactment of the North Dakota Enabling Act, the United States, through treaties and Executive orders, including the Treaty between the United States of America and the Sisseton and Wahpeton Bands of Dakota or Sioux Indians, made and concluded at Fort Laramie April 29, 1868, and the Executive order of April 12, 1870, established several reservations of land for multiple Indian Tribes located in the State of North Dakota. Title to various mineral interests underlying the reservations were granted to the State of North Dakota at statehood; 31,583 surface acres and 192,610 gross mineral acres reside within the boundaries of the reservations.

Established in 1960, the Little Missouri National Grasslands occupy more than 1,033,271 acres of land in western North Dakota and encompass approximately 108,840 surface acres and 149,073 mineral acres of State Land grant parcels fragmented within its boundaries.

S.3200 will authorize the State of North Dakota to relinquish land grant parcels located within the reservations and the Little Missouri National Grasslands and to select other Federal land or

minerals in lieu of not receiving full access to and use of the original land grant parcels the State of North Dakota attained at statehood. Further, S.3200 will accomplish the following:

- Provide to the Indian Tribes control of land and minerals within the reservations;
- Land or minerals relinquished within a reservation would be held in trust by the Secretary of the Interior on behalf of the Tribe within each reservation; and
- Provide for greater conservation and preservation of the Little Missouri National Grasslands.

Congress, through the enactment of this bill, would authorize the State of North Dakota to:

- Relinquish the land and minerals located within the reservations and the Little Missouri National Grasslands; and
- Select, in lieu of the relinquished land, other Federal land and minerals in the State of North Dakota of equal value.

The land conveyed under S.3200 would be subject to all applicable Federal, State, and Tribal law. The legislation requires consultation with North Dakota's Tribes and all transactions are subject to valid existing rights and are intended to only impact state trust lands and minerals and unappropriated federal land and minerals. It is not the intent for these transactions to impact any treaty lands or any possible unceded territory lands.

S.3200 will essentially allow for the Board to address land management issues as they relate to difficult to manage tracts, minimize the number of tracts that are difficult for the public to access, maximize the opportunity for trust land minerals to be mined, and potentially consolidate tracts to allow for more efficient management of the surface. The land within the boundaries of the reservations and the Little Missouri National Grasslands may have been granted to North Dakota through the Enabling Act, acquired from the Board's farm loan pool pursuant to N.D.C.C. § 15-03-04.1 through foreclosure or deed in lieu of foreclosure, or is property defined as "nongrant" and "other than original grant lands" in N.D.C.C. § 15-07-01.

Attachment: S.3200



117TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To authorize the relinquishment and in lieu selection of land and minerals in the State of North Dakota, to restore land and minerals to Indian Tribes within the State of North Dakota, to conserve the Little Missouri National Grasslands, and for other purposes.

---

IN THE SENATE OF THE UNITED STATES

---

Mr. HOEVEN (for himself and Mr. CRAMER) introduced the following bill; which was read twice and referred to the Committee on

---

---

**A BILL**

To authorize the relinquishment and in lieu selection of land and minerals in the State of North Dakota, to restore land and minerals to Indian Tribes within the State of North Dakota, to conserve the Little Missouri National Grasslands, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “North Dakota Trust  
5 Lands Completion Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

1           (1) in 1889, Congress enacted the North Da-  
2           kota Enabling Act “to provide for the division of  
3           Dakota into two States and to enable the people of  
4           North Dakota, South Dakota, Montana, and Wash-  
5           ington to form constitutions and State governments  
6           and to be admitted into the Union on an equal foot-  
7           ing with the original States, and to make donations  
8           of public lands to such States”;

9           (2) section 10 of the North Dakota Enabling  
10          Act (25 Stat. 679, chapter 180)—

11           (A) with certain exceptions, granted sec-  
12          tions 16 and 36 in every township to the new  
13          States of North Dakota, South Dakota, Mon-  
14          tana, and Washington “for the support of com-  
15          mon schools”; and

16           (B) in cases where portions of sections 16  
17          and 36 had been reserved, granted, or sold  
18          prior to those States attaining statehood, au-  
19          thorized indemnity or “in lieu” selections;

20          (3) the State of North Dakota was granted  
21          land and minerals totaling more than 2,500,000  
22          acres under the North Dakota Enabling Act;

23          (4) the North Dakota Enabling Act provided  
24          further land grants to the State of North Dakota for

1 the support of colleges, universities, the State cap-  
2 itol, and other public institutions;

3 (5) prior to the enactment of the North Dakota  
4 Enabling Act, the United States, through treaties  
5 and Executive orders, including the Treaty between  
6 the United States of America and the Mandan,  
7 Hidatsa, Arikara, and other Tribal Nations, made  
8 and concluded at Fort Laramie September 17, 1851  
9 (11 Stat. 749), the Treaty between the United  
10 States of America and the Sisseton and Wahpeton  
11 Bands of Dakota or Sioux Indians, made and con-  
12 cluded at Washington February 19, 1867 (15 Stat.  
13 505), the Treaty between the United States of  
14 America and different Tribes of Sioux Indians, made  
15 and concluded at Fort Laramie April 29, 1868 (15  
16 Stat. 635), and the Executive order of April 12,  
17 1870, established several reservations of land for  
18 multiple Indian Tribes located in the State of North  
19 Dakota;

20 (6) established in 1960, the Little Missouri Na-  
21 tional Grasslands—

22 (A) occupies more than 1,028,000 acres of  
23 land in western North Dakota; and

1 (B) encompasses approximately 108,840  
2 surface acres and 149,073 mineral acres of  
3 State land grant parcels within its boundaries;  
4 (7) authorizing the State to relinquish the State  
5 land grant parcels located within the reservations  
6 and the Grasslands and to select other Federal land  
7 or minerals in lieu of the relinquished State land  
8 grant parcels will—

9 (A) fulfill the promise of land and minerals  
10 to the State;

11 (B) provide to Indian Tribes greater Tribal  
12 sovereignty and control of land and minerals  
13 within the reservations; and

14 (C) provide for greater conservation and  
15 preservation of the Grasslands; and

16 (8) Congress should authorize the State—

17 (A) to relinquish the land and minerals lo-  
18 cated within the reservations and the Grass-  
19 lands; and

20 (B) to select in lieu of the relinquished  
21 land other Federal land or minerals in the  
22 State of North Dakota of equal value.

23 **SEC. 3. DEFINITIONS.**

24 In this Act:

1           (1) FEDERAL LAND.—The term “Federal land”  
2 means public land and minerals located within the  
3 State of North Dakota, including public land that is  
4 mineral in character.

5           (2) GRASSLANDS.—The term “Grasslands”  
6 means the Little Missouri National Grasslands lo-  
7 cated within the State of North Dakota.

8           (3) NORTH DAKOTA ENABLING ACT.—The term  
9 “North Dakota Enabling Act” means the Act of  
10 February 22, 1889 (25 Stat. 676, chapter 180).

11           (4) PUBLIC LAND.—The term “public land”  
12 has the meaning given the term “public lands” in  
13 section 103 of the Federal Land Policy and Manage-  
14 ment Act of 1976 (43 U.S.C. 1702).

15           (5) RESERVATION.—The term “reservation”  
16 means any Indian reservation located wholly or par-  
17 tially within the State of North Dakota and recog-  
18 nized under United States treaty, Executive order,  
19 or Act of Congress.

20           (6) SECRETARY.—The term “Secretary” means  
21 the Secretary of the Interior.

22           (7) STATE.—The term “State” means the State  
23 of North Dakota, acting through the North Dakota  
24 Board of University and School Lands and its agent,  
25 the Department of Trust Lands.

## 6

1 (8) STATE LAND GRANT PARCEL.—The term

2 “State land grant parcel” means—

3 (A) a parcel of land granted to the State  
4 of North Dakota by Congress—

5 (i) on statehood; or

6 (ii) through a grant pursuant to the  
7 North Dakota Enabling Act;

8 (B) a section of land numbered 16 or 36  
9 granted to the State of North Dakota by Con-  
10 gress for school purposes;

11 (C) a parcel of land selected by the State  
12 of North Dakota as indemnity for any section  
13 of land numbered 16 or 36; and

14 (D) a parcel of land other than a parcel of  
15 land described in subparagraph (A), (B), or (C)  
16 obtained by the State after statehood.

17 (9) UNAPPROPRIATED FEDERAL LAND.—

18 (A) IN GENERAL.—The term “unappropri-  
19 ated Federal land” means Federal land under  
20 the management and control of the Bureau of  
21 Land Management and located within the State  
22 of North Dakota.

23 (B) EXCLUSIONS.—The term “unappropri-  
24 ated Federal land” does not include—

1 (i) surface interests acquired by the  
2 Bureau of Land Management;

3 (ii) any area of critical environmental  
4 concern established pursuant to section  
5 202(c)(3) of the Federal Land Policy and  
6 Management Act of 1976 (43 U.S.C.  
7 1712(c)(3)); or

8 (iii) land that is—

9 (I) withdrawn from public entry;

10 (II) located within a unit of the  
11 National Park System;

12 (III) located within any reserva-  
13 tion;

14 (IV) located within—

15 (aa) T. 147 N., R. 95 W.;

16 (bb) T. 148 N., R. 95 W.;

17 (cc) T. 148 N., R. 96 W.; or

18 (dd) T. 149 N., R. 95 W.;

19 (V) located within a United  
20 States military reservation; or

21 (VI) designated by Congress or  
22 the President for conservation pur-  
23 poses.

24 **SEC. 4. RELINQUISHMENT AND SELECTION; CONVEYANCE.**

25 (a) **RELINQUISHMENT AND SELECTION.—**

1           (1) IN GENERAL.—If the State elects to relin-  
2           quish all right, title, and interest of the State in and  
3           to a State land grant parcel located wholly or par-  
4           tially within the boundaries of any reservation or the  
5           Grasslands, the Secretary shall authorize the State  
6           to select in accordance with this Act 1 or more par-  
7           cels of unappropriated Federal land of substantially  
8           equivalent value within the State of North Dakota.

9           (2) APPROVAL.—Not later than 90 days after  
10          the date on which the State makes a selection under  
11          paragraph (1), the Secretary shall approve or reject,  
12          in whole or in part, the selection.

13         (b) CONVEYANCE.—

14           (1) CONVEYANCE BY SECRETARY.—

15           (A) IN GENERAL.—Not later than 60 days  
16           after the date on which Secretary approves a  
17           State selection of unappropriated Federal land  
18           under subsection (a)(2), the Secretary shall ini-  
19           tiate the actions necessary to convey to the  
20           State the unappropriated Federal land.

21           (B) REQUIREMENTS.—Conveyance of Fed-  
22           eral land by the Secretary under this Act—

23           (i) shall be by clear list, patent, or  
24           deed acceptable to the State; and



1 (ii) shall not be considered a sale, ex-  
2 change, or conveyance under section 203,  
3 205, 206, or 209 of the Federal Land Pol-  
4 icy and Management Act of 1976 (43  
5 U.S.C. 1713, 1715, 1716, 1719).

6 (2) RELINQUISHMENT AND CONVEYANCE BY  
7 STATE.—

8 (A) IN GENERAL.—As consideration for  
9 the conveyance of Federal land under para-  
10 graph (1), on the date on which the Federal  
11 land is conveyed to the State, the State—

12 (i) shall concurrently relinquish and  
13 convey to the Secretary all right, title, and  
14 interest of the State in and to the State  
15 land grant parcel identified for relinquish-  
16 ment under subsection (a)(1); or

17 (ii) in the case of a State land grant  
18 parcel identified for relinquishment under  
19 subsection (a)(1) that is a located wholly  
20 or partially within the boundaries of the  
21 Grasslands, shall relinquish and convey to  
22 the Secretary of Agriculture all right, title,  
23 and interest of the State in and to the  
24 State land grant parcel.

1 (B) CLEAR TITLE.—The State shall convey  
2 to the Secretary clear title to all parcels relin-  
3 quished under subparagraph (A).

4 (C) LIMITATION.—Relinquishment and  
5 conveyance by the State of a State land grant  
6 parcel under this Act shall not be considered an  
7 exchange or acquisition for purposes of section  
8 205 or 206 of the Federal Land Policy and  
9 Management Act of 1976 (43 U.S.C. 1715,  
10 1716).

11 (c) SUCCESSION TO RIGHTS AND OBLIGATIONS.—  
12 Each party to which land is conveyed under this Act shall  
13 succeed to the rights and obligations of the conveying  
14 party with respect to any lease, right-of-way, permit, or  
15 other valid existing right to which the land is subject.

16 (d) MANAGEMENT AFTER RELINQUISHMENT.—

17 (1) GRASSLANDS.—All State land grant parcels  
18 relinquished by the State and conveyed to the Sec-  
19 retary of Agriculture under this Act and located  
20 within the Grasslands shall become part of, and be  
21 managed as part of, the Grasslands.

22 (2) RESERVATION.—If a State land grant par-  
23 cel relinquished by the State and conveyed to the  
24 Secretary under this Act is located wholly or par-  
25 tially within the boundaries of any reservation, on

1 request of the applicable Indian Tribe, the portion of  
2 the State land grant parcel located within the  
3 boundaries of the reservation shall be—

4 (A) taken into trust by the Secretary on  
5 behalf of, and for the benefit of, the Indian  
6 Tribe on the date of the conveyance; and

7 (B) considered to be a part of the reserva-  
8 tion of the Indian Tribe.

9 (3) CONSULTATION REQUIRED.—Prior to the  
10 conveyance of a State land grant parcel located  
11 wholly or partially within the boundaries of any res-  
12 ervation, the State and the Secretary shall consult  
13 with the Indian Tribe the land of which is subject  
14 to conveyance in accordance with Executive Order  
15 13175 (25 U.S.C. 5301 note; relating to consulta-  
16 tion and coordination with Indian tribal govern-  
17 ments).

18 (e) SPECIAL RULES FOR MINERAL LAND.—

19 (1) DEFINITION OF UNAPPROPRIATED FEDERAL  
20 LAND SUBJECT TO A LEASE OR PERMIT.—In this  
21 subsection, the term “unappropriated Federal land  
22 subject to a lease or permit” means unappropriated  
23 Federal land subject to a mineral lease or permit  
24 that is—

1 (A) issued under the Mineral Leasing Act  
2 (30 U.S.C. 181 et seq.); and

3 (B) in a producing or producible status  
4 during the 10-year period following the date of  
5 enactment of this Act.

6 (2) SELECTION OF MINERAL LAND.—The State  
7 may select, and the Secretary may convey, unappro-  
8 priated Federal land that is mineral in character  
9 under subsection (b) on the condition that, except as  
10 provided in paragraph (3)(A), if the selected land is  
11 unappropriated Federal land subject to a lease or  
12 permit—

13 (A) the Secretary shall reserve an over-  
14 riding interest in the portion of the mineral es-  
15 tate that is comprised of minerals subject to  
16 leasing under the Mineral Leasing Act (30  
17 U.S.C. 181 et seq.); and

18 (B) such a selection shall not include any  
19 portion of the mineral lease or permit.

20 (3) CONVEYANCE OF MINERAL ESTATE.—

21 (A) IN GENERAL.—If the State selects un-  
22 appropriated Federal land subject to a lease or  
23 permit under paragraph (2), on the option of  
24 the State—

1 (i) the Secretary may convey with the  
2 surface interest in the land the interest in  
3 the mineral estate that is comprised of  
4 minerals subject to leasing under the Min-  
5 eral Leasing Act (30 U.S.C. 181 et seq.);  
6 and

7 (ii) all Federal mining claims over the  
8 land shall be converted to State leases in  
9 accordance with this paragraph.

10 (B) MINING CLAIMS.—To facilitate the  
11 conversion of Federal mining claims to State  
12 leases under subparagraph (A), a Federal min-  
13 ing claimant may file with the Secretary a vol-  
14 untary relinquishment of the Federal mining  
15 claim conditioned on—

16 (i) conveyance of the land to the  
17 State; and

18 (ii) the conversion of the Federal min-  
19 ing claim to a State lease.

20 (C) OBLIGATIONS UNDER FEDERAL  
21 LAW.—Until the date on which the land is con-  
22 veyed to the State under subparagraph (A), a  
23 Federal mining claimant shall be subject to any  
24 obligations relating to the land under Federal  
25 law.

1           (D) NO RELINQUISHMENT.—If the land  
2           previously encumbered by the relinquished Fed-  
3           eral mining claim is not conveyed to the State  
4           under subparagraph (A), the relinquishment of  
5           land under subparagraph (B) shall have no ef-  
6           fect.

7           (E) RIGHTS-OF-WAY; OTHER INTEREST.—  
8           On conveyance to the State of land encumbered  
9           by a relinquished Federal mining claim under  
10          this paragraph, the State shall assume author-  
11          ity over any leases, licenses, permits, rights-of-  
12          way, operating plans, other land use authoriza-  
13          tions, or reclamation obligations applicable to  
14          the relinquished Federal mining claim on the  
15          date of conveyance.

16          (F) VALUATION.—If a Federal mining  
17          claimant does not voluntarily relinquish under  
18          subparagraph (B) a Federal mining claim on  
19          land conveyed to the State, the Secretary shall  
20          take into account the encumbrance represented  
21          by the claim in determining the value of the  
22          land under section 5(b).

23          (f) WITHDRAWAL.—

24           (1) IN GENERAL.—Subject to valid rights in ex-  
25          istence on the date of enactment of this Act, all Fed-

1 eral land selected by the State for conveyance under  
2 this Act, effective beginning on the date on which  
3 the State makes the selection and ending on the  
4 date described in paragraph (2), is withdrawn from  
5 all forms of—

6 (A) entry, appropriation, or disposal under  
7 the public land laws;

8 (B) location, entry, and patent under the  
9 mining laws; and

10 (C) disposition under all laws pertaining to  
11 mineral and geothermal leasing or mineral ma-  
12 terials.

13 (2) DATE DESCRIBED.—The date referred to in  
14 paragraph (1) is the date on which, as applicable—

15 (A) the Federal land is conveyed by the  
16 Secretary to the State;

17 (B) the Secretary rejects the selection  
18 under subsection (a)(2); or

19 (C) the State withdraws the selection.

20 **SEC. 5. VALUATION.**

21 (a) EQUAL VALUE.—With respect to a State land  
22 grant parcel conveyed under this Act in consideration for  
23 a parcel of Federal land selected in accordance with this  
24 Act—

1 (1) the overall value of the State land grant  
2 parcel and the overall value of the parcel of Federal  
3 land shall be substantially equal; or

4 (2) subject to subsection (c), if the overall value  
5 of the parcels is not equal, the party conveying the  
6 parcel of lesser value shall—

7 (A) equalize the value by the payment of  
8 funds to the other party; or

9 (B) enter the imbalance in value on a ledg-  
10 er account in accordance with subsection (e).

11 (b) APPRAISAL REQUIRED.—Except as provided in  
12 subsection (d), the Secretary shall determine the value of  
13 a State land grant parcel and a parcel of Federal land  
14 to be conveyed under this Act through an appraisal com-  
15 pleted in accordance with—

16 (1) the Uniform Appraisal Standards for Fed-  
17 eral Land Acquisitions; or

18 (2) subject to subsection (d)(1), the Uniform  
19 Standards for Professional Appraisal Practice.

20 (c) EQUALIZATION.—With respect to a conveyance to  
21 the Secretary or the Secretary of Agriculture of a State  
22 land grant parcel of lesser value than the parcel of Federal  
23 land to be conveyed to the State under this Act, the total  
24 value of the equalization payment described in subsection  
25 (a)(2)(A) or the ledger entry described in subsection (e),



1 as applicable, may not exceed 25 percent of the total value  
2 of the parcel of Federal land.

3 (d) LOW VALUE PARCELS.—

4 (1) IN GENERAL.—The Secretary, with the con-  
5 sent of the State, may use mass appraisals, a sum-  
6 mary appraisal, or a statement of value made by a  
7 qualified appraiser carried out in accordance with  
8 the Uniform Standards for Professional Appraisal  
9 Practice to determine the value of a State land  
10 grant parcel or a parcel of Federal land to be con-  
11 veyed under this Act instead of an appraisal that  
12 complies with the Uniform Appraisal Standards for  
13 Federal Land Acquisitions if the State and the Sec-  
14 retary agree that market value of the State land  
15 grant parcel or parcel of Federal land, as applicable,  
16 is—

17 (A) less than \$500,000; and

18 (B) less than \$500 per acre.

19 (2) DIVISION.—A State land grant parcel or a  
20 parcel of Federal land may not be artificially divided  
21 in order to qualify for a summary appraisal, mass  
22 appraisal, or statement of value under paragraph  
23 (1).

24 (e) LEDGER ACCOUNTS.—

1           (1) IN GENERAL.—With respect to a State land  
2 grant parcel conveyed under this Act in consider-  
3 ation for a parcel of Federal land, if the overall  
4 value of the parcels is not equal, the Secretary and  
5 the State may agree to use a ledger account to make  
6 equal the value.

7           (2) IMBALANCES.—A ledger account described  
8 in paragraph (1) shall reflect imbalances in value to  
9 be reconciled in a subsequent transaction.

10          (3) ACCOUNT BALANCING.—Each ledger ac-  
11 count described in paragraph (1) shall be—

12           (A) balanced not later than 3 years after  
13 the date on which the ledger account is estab-  
14 lished; and

15           (B) closed not later than 5 years after the  
16 date of the last conveyance of land under this  
17 Act.

18          (4) COSTS.—

19           (A) IN GENERAL.—The Secretary or the  
20 State may assume costs or other responsibilities  
21 or requirements for conveying land under this  
22 Act that ordinarily are borne by the other  
23 party.

24           (B) ADJUSTMENT.—If the Secretary or the  
25 State assume costs or other responsibilities

1           under subparagraph (A), the Secretary or the  
2           State shall make adjustments to the value of  
3           the Federal land conveyed to the State to com-  
4           pensate the Secretary or the State, as applica-  
5           ble, for assuming the costs or other responsibil-  
6           ities.

7           (5) MINERAL LAND.—If value is attributed to  
8           any parcel of Federal land that has been selected by  
9           the State because of the presence of minerals under  
10          a lease entered into under the Mineral Leasing Act  
11          (30 U.S.C. 181 et seq.) that is in a producing or  
12          producible status, and the lease is to be conveyed  
13          under this Act, the value of the parcel shall be re-  
14          duced by the amount that represents the likely Fed-  
15          eral revenue sharing obligation under the Mineral  
16          Leasing Act (30 U.S.C. 181 et seq.) with the State,  
17          but the adjustment shall not be considered as re-  
18          flecting a property right of the State.

19 **SEC. 6. MISCELLANEOUS.**

20          (a) IN GENERAL.—Land or minerals conveyed under  
21 this Act shall be subject to all applicable Federal, State,  
22 and Tribal law.

23          (b) PROTECTION OF INDIAN RIGHTS.—

24                 (1) TREATY RIGHTS.—Nothing in this Act  
25 modifies, limits, expands, or otherwise affects any

1 treaty-reserved right or other right of any Indian  
2 Tribe recognized by any other means, including trea-  
3 ties or agreements with the United States, Executive  
4 orders, statutes, regulations, or case law.

5 (2) LAND OR MINERALS HELD IN TRUST.—  
6 Nothing in this Act affects—

7 (A) land or minerals held in trust by the  
8 United States as of the date of enactment of  
9 this Act on behalf of, and for the benefit of, any  
10 Indian Tribe; or

11 (B) any individual Indian allotment.

12 (c) HAZARDOUS MATERIALS.—

13 (1) IN GENERAL.—The Secretary and the State  
14 shall make available for review and inspection any  
15 record relating to hazardous materials on land to be  
16 conveyed under this Act.

17 (2) CERTIFICATION.—

18 (A) IN GENERAL.—Prior to completing a  
19 conveyance of Federal land under this Act, the  
20 Secretary shall complete an inspection and a  
21 hazardous materials certification of the land to  
22 be conveyed.

23 (B) STATE LAND GRANT PARCELS.—Prior  
24 to completing a conveyance of a State land  
25 grant parcel under this Act, the State shall

1 complete an inspection and a hazardous mate-  
2 rials certification of the land to be conveyed.

3 (d) GRAZING PERMITS.—

4 (1) IN GENERAL.—If land conveyed under this  
5 Act is subject to a lease, permit, or contract for the  
6 grazing of domestic livestock in effect on the date of  
7 the conveyance, the Secretary or the Secretary of  
8 Agriculture, or the State, as applicable, shall allow  
9 the grazing to continue for the remainder of the  
10 term of the lease, permit, or contract, subject to the  
11 related terms and conditions of the user agreements,  
12 including permitted stocking rates, grazing fee lev-  
13 els, access, and ownership and use of range improve-  
14 ments.

15 (2) CANCELLATION.—

16 (A) IN GENERAL.—Nothing in this Act  
17 prevents the Secretary or the Secretary of Agri-  
18 culture, or the State, from canceling or modi-  
19 fying a grazing permit, lease, or contract if the  
20 land subject to the permit, lease, or contract is  
21 sold, conveyed, transferred, or leased for non-  
22 grazing purposes.

23 (B) BASE PROPERTIES.—If land conveyed  
24 by the State under this Act is used by a grazing  
25 permittee or lessee to meet the base property

1 requirements for a Federal grazing permit or  
2 lease, the land shall continue to qualify as a  
3 base property for the remaining term of the  
4 lease or permit and the term of any renewal or  
5 extension of the lease or permit.

6 (C) RANGE IMPROVEMENTS.—Nothing in  
7 this Act prohibits a holder of a grazing lease,  
8 permit, or contract from being compensated for  
9 range improvements pursuant to the terms of  
10 the lease, permit, or contract under existing  
11 Federal or State laws.

12 **SEC. 7. SAVINGS CLAUSE.**

13 Nothing in this Act applies to or impacts the owner-  
14 ship of any land or mineral resources.

# MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

---

## **RE: Mineral Valuation**

(No Action Requested)

Senate Bill 1013 of the Sixty-Sixth Legislative Assembly approved funding for a mineral valuation study.

The Department of Trust Lands (Department) was tasked with conducting a study to determine the estimated value of the mineral assets, 2.6 million acres, held in trust by the Board of University and School Lands (Board).

The Request for Proposal for the Assessment was released September 20, 2019. A Notice of Intent to Award was issued to MineralTracker on January 2, 2020. On June 30, 2020, MineralTracker was acquired by First International Bank & Trust and continues to provide mineral valuations and mineral management software subscriptions as part of First International's Mineral and Land Services Department.

Joel Brown, a petroleum engineer and appraiser for MineralTracker, will present the opinion of the value using fair market determination in conjunction with directives provided by the Board of University and School Lands Mineral Valuation Policy that was adopted on June 25, 2020.

At the July 29, 2021, Board meeting, the Board instructed the Commissioner to undertake a study on the formula written in the North Dakota Constitution Article IX Section 2 relative to payouts from the funds to ensure a formula that will maintain the long term financial health of the Trusts.

The analysis employed to form the opinion of value was conducted in compliance with the Society for Mining, Metallurgy, and Exploration (SME) Standards and Guidelines for the Valuation of Mineral Properties and the Society of Petroleum Engineers (SPE) Petroleum Resource Management System. The valuation techniques that were performed utilized both an Income Approach and a Market Approach to provide a deterministic value of all Subject Minerals, which have been more fully described herein. The data—such as oil and gas production, well information, mapping information, etc.—that was assembled for the purposes of the Mineral Estate Valuation, was obtained from reputable public sources, including the North Dakota Department of Mineral Resources. Additional information related to the ownership of the Subject Minerals was provided by the State.

In consideration of all relevant information, and the interpretation thereof, as thoroughly described in this report, it is the opinion of this qualified appraiser that the value of all Subject Minerals as of December 31, 2020 is \$2,363,837,827.

Attachment: Mineral Estate Valuation as of December 31, 2020

NORTH DAKOTA  
DEPARTMENT OF TRUST LANDS

---

Mineral Estate Valuation as of December 31, 2020

Submitted: November 19, 2020



**MINERAL TRACKER**  
MINERAL MANAGEMENT SOFTWARE

*Powered by First International Bank & Trust*



## TABLE OF CONTENTS

Table of Contents .....	2
Introduction To Mineral Estate Valuation .....	5
Executive Summary.....	6
Mineral Estate Valuation Methodolgy.....	7
Income Approach: Full Development Model.....	7
Market Approach: Comparative Assets .....	7
Reserve Class & Category.....	8
Unitized Fields.....	10
Decline Curve Analysis .....	14
Type Curve Analysis .....	15
Gas Shrinkage.....	19
Development Schedule .....	19
Production Profile .....	21
Economic Factors.....	22
Commodity Pricing.....	22
Operator Economic Considerations .....	22
Valuation Profile .....	23
Asset Valuation Summary.....	24
Trust Valuation Summary .....	25
Oil Price Sensitivity.....	26
North Dakota Board of Univeristy & School Lands' Mineral Asset... 27	
Conventional Exploration & Production .....	27
Unconventional Exploration & Production .....	29
Mineral Asset Summary by County.....	32
McKenzie County .....	34
Mountrail County.....	35
Dunn County .....	36
Williams County .....	37
Bowman County.....	38
Divide County.....	39
Stark County.....	40



### A Partner in Your Corner

- ❖ Local Oil & Gas Professionals
- ❖ Committed to the Mineral Owner

### Service Offerings

- ❖ Mineral Management
- ❖ Mineral Appraisal
- ❖ Electronic Document Organization
- ❖ Audit
  - Wells & Payments
  - Ownership Interest
- ❖ Online Client Portal
  - MineralTracker™
- ❖ Ongoing Support
- ❖ Coordination and Referral with Local Professional Services

### Joel Brown

Mineral Services Manager  
 MineralTracker LLC  
 First International Bank & Trust  
 Office: (701) 842-2381  
 Cell: (701) 570-1504  
 Email: jbrown@fibt.com

Other Counties .....	41
Mineral Asset Summary by Operator .....	42
Conclusion.....	43
Professional Qualification Statement .....	44
Appendices.....	45
Appendix A: Minerals Valuation Policy .....	46
Appendix B: Appraisal Cash Flow Summaries .....	47
Appendix C: Oil Price Sensitivity Cash Flow Summaries .....	54
+\$30 per Barrel .....	55
+\$20 per Barrel .....	61
+\$10 per Barrel .....	67
-\$10 per Barrel .....	73
-\$20 per Barrel .....	79
Appendix D: List of Subject Mineral Rights.....	85
Appendix E: List of Subject Wells .....	665
Appendix F: Decline Curves.....	1,031
Appendix G: Well Cash Flow Forecasts .....	18,488

TERMS OF USE: The conclusions of the Mineral Estate Valuation, Reserves Estimation and Evaluation report submitted by MineralTracker, a division of First International Bank & Trust, as a third-party analysis, were not intended for public disclosure under SEC regulations. The beneficiary of this report is an entity that does not make filings on Form 10-K with the SEC under the 1934 Exchange Act. This mineral estate valuation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this report that address activities, future commodity pricing, and development of oil and gas assets that MineralTracker expects, believes or anticipates will or may occur in the future are forward-looking statements. Statements regarding future drilling and production are subject to all of the risks and uncertainties normally incident to the exploration for and development and production of oil and gas. These risks include, but are not limited to, the volatility of oil, natural gas and NGL prices; uncertainties inherent in estimating oil, natural gas and NGL reserves; drilling risks; environmental risks; and political or regulatory changes

## INTRODUCTION TO MINERAL ESTATE VALUATION

The mineral estate valuation was developed through analysis requiring the assemblage of pertinent data and the judgment of an individually qualified appraiser to interpret and develop an opinion of value. The purpose of the following report is to communicate the accurate analyses in a manner that is meaningful to the State and provides thorough understanding of the opined fair market value.

Fair Market Value is defined as “the price that property would sell for on the open market... agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts”.<sup>1</sup> Mineral interests are a form of real estate that carry the value of the commercially marketable resources associated with the subject interests. The resources considered in the presented appraisal are strictly limited to the quantities of oil and natural gas, excluding all surface properties and other varieties of commercial minerals.

To estimate the reserves quantities associated with the subject interests, a reserves analysis must be performed, employing reservoir engineering techniques to conduct a thorough evaluation. The United States Securities and Exchange Commission (“SEC”) defines reserves as the “estimated remaining quantities of oil and gas and related substances anticipated to be economically producible as of a given date, by application of development projects to known accumulations”.<sup>2</sup> The SEC reserves definition was added to the SEC regulations regarding oil and gas estimations in January 2010.

SEC reserves reporting regulations are defined under Title 17, Chapter II, Part 210.4-10 and Part 229.1200. The regulations were released under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Energy Policy and Conservation act of 1975. The most recent revision, titled “Modernization of Oil and Gas Reporting”, went into effect January 1, 2010. This revision was issued to align reporting requirements with advancements in oil and gas technology, including the development of unconventional reservoirs such as the Bakken and Three Forks formations. According to Release No. 33-8995, the purpose of the SEC reserves guidelines is to provide investors with a meaningful and comprehensive understanding of oil and gas reserves. This set of standards is not intended to establish fair market value, but rather, to establish a common means of comparison between oil and gas producing entities. This being the case, SEC definitions are often used in reserve estimations that are not intended to fulfill SEC purposes, such as this report.

Terminology included in the appraisal, such as various reserves classes and categories, are used, but not necessarily within the definitions of the SEC. Terms and methods for valuation follow industry best practices for asset evaluation, as defined in the Petroleum Resource Management System (“PRMS”).<sup>3</sup> It is the belief of MineralTracker that this method of mineral valuation will be most effective in establishing the fair market value of the mineral interests considered subject of this report.

The terms included in this report follows many of the definitions and disclosure guidelines of the SEC. However, because SEC standards are not intended to provide a fair market value,<sup>4</sup> alternative commodity pricing was used for the valuation of the estimated resources. It is important to note that this valuation was performed using industry best practices as described in the PRMS, but actual production volumes and commodity prices may vary from the modelled forecasts. Such variances are unpredictable in nature and are governed by factors including, but not limited to, the global economy, advancements in technology, and the individual operations of oil and gas companies.

<sup>1</sup> Department of the Treasury, Internal Revenue Service, Publication 561, (April 2007 Rev.). p. 2

<sup>2</sup> SEC. Modernization of Oil and Gas Reporting. (Rule 4-10(a)(26) [17 CFR 210.4-10(a)(26)]). p. 142

<sup>3</sup> SPE, WPC, AAPG, SPEE, SEG, SPWLA, & EAGE. (2018, August 8). Petroleum Resources Management System (2018 version). Society of Petroleum Engineers.

<sup>4</sup> SEC. Modernization of Oil and Gas Reporting. (Rule 4-10(a)(26) [17 CFR 210.4-10(a)(26)]). p. 19

## EXECUTIVE SUMMARY

As a division of First International Bank & Trust, based in Watford City, North Dakota, MineralTracker respectfully submits this independent and qualified Mineral Estate Valuation (“Valuation”) report for the benefit of the state of North Dakota (the “State”) in relation to certain mineral rights (“Subject Minerals”) held in trust by the North Dakota Board of University and School Lands and managed under the North Dakota Department of Trust Lands, Jodi A. Smith, Commissioner.

As defined in Request for Proposal 110.7-19-054 (the “RFP”), issued on September 20, 2019, the purpose of the Valuation is to provide a mineral appraisal using fair market commodity value determination, for all Subject Minerals. MineralTracker submitted a formal proposal in response to the RFP on November 15, 2019 and was notified of the intent to award on January 2, 2020. On June 25, 2020, the North Dakota Board of University School and Lands Board adopted the Minerals Valuation Policy (see Appendix A) dictating certain considerations pertinent to the valuation of the State’s mineral estate, including the commodity effective date, the commodity price schedule, and the discounting rates employed throughout the valuation process. On June 11, 2021, the State’s contract with First International Bank & Trust was renewed, with the intent to provide an updated Valuation.

As dictated by the Minerals Valuation Policy, the Commodity Effective Date of Mineral Estate Valuation report is **December 31, 2020**. Economic reports for the Valuation were generated on October 29, 2021, and the term “current” utilized throughout this report refers to that point in time. Employing the Minerals Valuation Policy discount rate schedule, historical commodity pricing data from the Commodity Effective Date to the date economic reports were generated, and the NYMEX pricing schedule from the date economic reports were generated forward, the total appraised value of all Subject Minerals is:

**\$2,391,439,503.00**

Further information related to the mineral valuation methodology and the State’s mineral asset are included in the pages that follow.

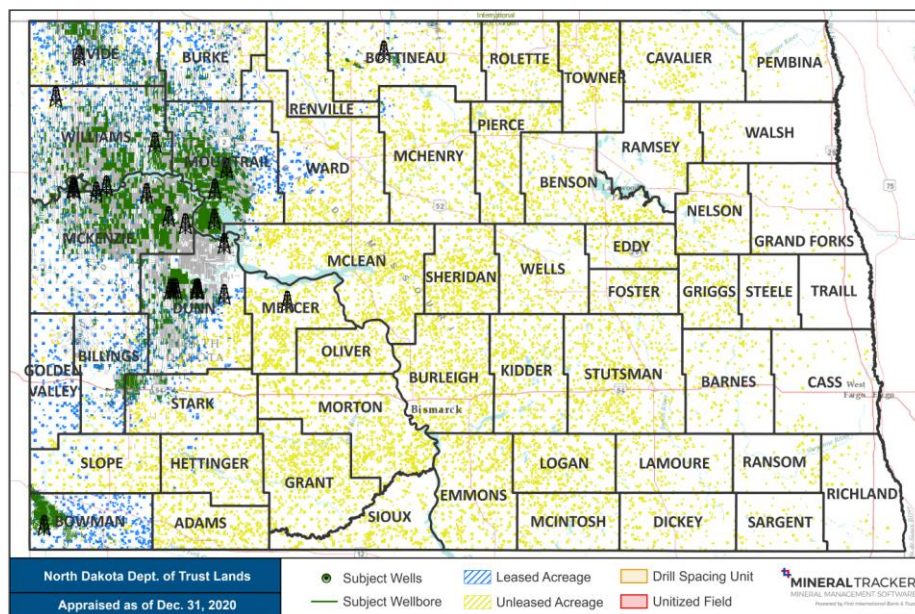


Figure 1: Area of Interest Map

## MINERAL ESTATE VALUATION METHODOLOGY

The Subject Minerals are comprised of approximately 2.6 million net mineral acres (“NMA”), all located within the state of North Dakota. Approximately 20% of the Subject Minerals reside in petroleum producing regions of the Williston Basin, while the remaining 80% lie outside any known accumulations of oil and/or gas. The methodology employed to derive the stated opinion of value is compliant with the Society for Mining, Metallurgy, and Exploration (“SME”) Valuation Standards and Guidelines for Valuation of Mineral Properties<sup>5</sup>, as well as the Society of Petroleum Engineers (“SPE”) Petroleum Resource Management System.

The following methods of valuation were employed to provide the value opined herein:

<b>Income Approach:</b>	A valuation approach which provides an indication of the value by converting future cash flows to a single current capital value. <sup>6</sup>
<b>Market Approach:</b>	A valuation approach which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. <sup>7</sup>

Each method is most appropriately applied to the valuation of distinct and exclusive asset classes. For portions of the Subject Minerals where oil and gas reserves were well understood and future production could be forecasted with high levels of certainty, the Income Approach was applied. Alternatively, for those Subject Minerals where the likelihood of future development and production were less predictable, the Market Approach was applied for the purposes of the Valuation analysis.

### Income Approach: Full Development Model

The State’s most valuable mineral assets reside in areas of proven reserves in the unconventional Bakken and Three Forks reservoirs. There is a long history of oil and gas production in the Williston Basin, originating from multiple stratigraphic zones, but the vast majority of the oil activity and production that has occurred over the past two decades has originated from the Bakken and Three Forks Formations.

In order to forecast future revenue associated with oil and gas production, a detailed reserves model was constructed to simulate the most likely full-development scenario for the Subject Minerals. The Full Development Model integrates the State’s ownership position in any existing wells, which are catalogued by the North Dakota Department of Mineral Resources, with all wells anticipated to be drilled in the future. Development, production, and cash flows forecasts were constructed based on the current understanding of petroleum reserves and proven technology employed to access those reserves.

The Full Development Model incorporates reservoir engineering techniques, such as decline curve analysis and type curve analysis, as well as economic and operational factors, such as commodity prices, royalty interest ownership, development schedule forecasting, and operator economics. Net present value discounting was applied to the cash flow forecasts generated from the Full Development Model to calculate the appraised value of the Subject Minerals that reside in areas of known petroleum reserves.

### Market Approach: Comparative Assets

Though the State’s most valuable mineral assets reside in areas of proven reserves, the majority of the State’s mineral acreage is located in areas where the existence of recoverable accumulations of oil and gas is uncertain,

<sup>5</sup> SME Valuations Standards Committee (2017). SME Standards and Guidelines for Valuation of Mineral Properties (Second Edition). Society for Mining, Metallurgy, and Exploration, Inc.

<sup>6</sup> IVSC. (2016, April 7). IVS 105: Valuation Approaches and Methods. International Valuations Standards Council. p. 13

<sup>7</sup> IVS 105: Valuation Approaches and Methods. International Valuations Standards Council. p. 7

and/or unlikely, based on the current understanding of geology and proven technological practices. In said regions, the Income Approach could not be employed with a high level of confidence, and so the Market Approach was applied for the purposes of the Valuation analysis.

The Market Approach relies on the analysis of comparative assets to the Subject Minerals to be appraised. However, it is rare that the commercial terms of mineral estate sales are made public, leading to difficulty in obtaining sufficient data to support the opined value for a widespread and diverse mineral asset. Alternatively, in areas of unproven oil and gas potential, an analysis of nearby leasing transactions can be substituted. A leasing transaction may be considered applicable if it occurred recently in an area of similar geology to a Subject Mineral tract; and the transaction was conducted at an arms-length with neither the lessor nor lessee under undue duress. An arm's-length transaction is a situation in which there is a transfer of goods or property wherein the buyer and seller act independently of one another. The lease terms published by the State as a result of public auction serve as the most appropriate data for comparable asset transactions.

Lease bonus payments are correlated to mineral value through a direct relationship employing a 2.5x multiplier, as is well documented in E.C. Moritz's *Techniques for Valuing Acreage with Unproved Oil and Gas Potential*.<sup>8</sup> For those Subject Mineral tracts where the Income Approach could not be appropriately applied, MineralTracker calculated the weighted average of all lease bonuses paid on tracts leased within the past three years within a five mile radius of the subject tract. The appraised value for such Subject Minerals was calculated by multiplying said weighted average by 2.5.

Many Subject Mineral tracts fell outside the radius of any comparative transactions, indicating a situation in which no well-defined market for the appraised minerals existed. In such cases where the Income Approach could not be employed, and the Market Approach indicated that no comparative transactions had occurred, a minimum value of \$1 per acre was applied. The minimum value rate of \$1 per acre was decided through conversations with State personnel and does not account for the value of any minerals other than oil and natural gas.

## RESERVE CLASS & CATEGORY

Proved reserves are defined as those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.<sup>8</sup> When deterministic methods are used, the term 'reasonable certainty' is intended to express a high degree of confidence that the quantities will be recovered.<sup>9</sup>

Throughout this report, several reserve class & categories ("RCAT's") are referenced to categorize both oil and gas wells and their associated reserves. For the purpose of this report, the following RCAT definitions were applied:

<b>Proved Developed Producing ("PDP"):</b>	Proved reserves that were expected to be recovered from completion intervals that were open and producing at the time economic reports were generated. Improved recovery reserves were considered producing only if the improved recovery project was in operation. <sup>10</sup> Any well actively producing and marketing oil and/or gas at the time economic reports were generated was considered "PDP".
<b>Proved Developed Shut-In ("PDSI"):</b>	Proved reserves that were expected to be recovered from wells that were shut-in for market conditions or pipeline connections; or

<sup>8</sup> Moritz, E. C. (1997, January 1). *Techniques for Valuing Acreage with Unproved Oil and Gas Potential*. Society of Petroleum Engineers. doi:10.2118/37950-MS

<sup>9</sup> Petroleum Resources Management System (2018 version). Society of Petroleum Engineers. p.35

<sup>10</sup> Petroleum Resources Management System (2018 version). Society of Petroleum Engineers. p.40

wells not capable of production for mechanical reasons that could be remediated at a limited cost compared to the cost of the well.<sup>11</sup> Any well that had previously produced oil and/or gas, but had suspended production at the time economic reports were generated, was considered “PDSI”.

**Proved Developed Non-Producing (“PDNP”):** Proved developed reserves behind pipe.<sup>12</sup> Any well that had been drilled but not completed at the time economic reports were generated was considered “PDNP”.

**Proved Undeveloped (“PUD”):** Proved reserves expected to be recovered through future investments from new wells on undrilled acreage in known accumulations or from infill wells that would increase recovery.<sup>13</sup> Any future well that had not been drilled at the time economic reports were generated, but where a high degree of confidence existed that the reserves would be recovered, was considered “PUD”. This category included permitted wells and those future locations that were expected to be developed based on a high level of certainty as to the existence of commercial quantities of recoverable oil and gas reserves.

**Probable Undeveloped (“PROB”):** Probable reserves expected to be recovered through future investments from new wells on undrilled acreage in known accumulations or from infill wells that would increase recovery. Any future well that had not been drilled at the time economic reports were generated, and where the reserves were less likely to be recovered than proved reserves, but more likely to be recovered than possible reserves, was considered “PROB”. This category included permitted wells and those future locations expected to be developed, but where improved economic conditions might be required to justify the necessary investment.

**Possible Undeveloped (“POSS”):** Possible reserves expected to be recovered through future investments from new wells on undrilled acreage in known accumulations or from infill wells that would increase recovery. Any future well that had not been drilled at the time economic reports were generated, and where the reserves were less likely to be recovered than probable reserves, was considered “POSS”. This category included permitted wells and those future locations expected to be developed, but where improved economic conditions might be required to justify the necessary investment.

---

<sup>11</sup> Petroleum Resources Management System (2018 version). Society of Petroleum Engineers. p.50

<sup>12</sup> Petroleum Resources Management System (2018 version). Society of Petroleum Engineers. p.41

<sup>13</sup> Petroleum Resources Management System (2018 version). Society of Petroleum Engineers. p.52



## UNITIZED FIELDS

The North Dakota Industrial Commission (“NDIC”) regulates unitization, that is the joining together of various mineral interests in a specific reservoir to increase the ultimate recovery of oil and/or gas (N.D.C.C. §38-08-09, et seq). Of the 2,597,716 Net Mineral Acres (“NMA”) held in trust by the State, 57,108 NMA are pooled within unitized fields. The Subject Minerals secure royalty interest in 74 unitized fields across the state of North Dakota, of which, four are in the Bakken/Three Forks pool and utilize modern horizontal drilling and hydraulic fracturing techniques. The remaining 70 unitized fields pool mineral interests in conventional reservoirs.

For the purposes of the Mineral Estate Valuation analysis and report, unitized fields were subcategorized as follows:

### 1. Unitized Fields Evaluated by Individual Wells

The four unitized fields that pool the Bakken and Three Forks reservoirs and have been developed using modern unconventional techniques are most appropriately evaluated through the consideration of the individual wells within the unit. Secondary recovery, tertiary recovery, and enhanced oil recovery techniques have yet to be proven effective in the unconventional Bakken and Three Forks reservoirs, and so the modelled development of Bakken/Three Forks pooled units is appropriately modelled in the same fashion as a standard Bakken/Three Forks drill spacing unit (“DSU”).

In cases where well count statistics are displayed throughout the this report, the wells pooled in unitized Bakken/Three Forks fields are counted individually.

### 2. Unitized Fields Evaluated as a Conglomerate

The 70 unitized fields that pool conventional reservoirs are most appropriately considered as the production of a resource from a single pool, where effective porosity and permeability allow for adequate migration of the oil and gas in place. Nearly all conventional unitized fields are implementing enhanced oil recovery, such as water or gas injection, in order to most effectively produce the pooled reserves. Many unitized fields contain wells that may be converted from a producer to an injector at some point in the future; therefore, the consideration of individual wells in conventional units is a less reliable method of forecasting than considering the cumulative production from all wells within the unit as a conglomerate. In cases where well count statistics are displayed throughout this report, conventional unitized fields are displayed as a single well, representative of the conglomerate production from that unit.

Unitized Fields Evaluated by Individual Wells	Operator	PDP	PDSI	PDNP	PUD	PROB	POSS
CORRAL CREEK-BAKKEN UNIT	CONOCOPHILLIPS	188	5	-	29	-	-
GRINNELL BAKKEN UNIT	XTO	18	8	-	130	-	-
HOFFLUND BAKKEN UNIT	XTO	30	3	8	43	-	-
LONG CREEK BAKKEN UNIT	CONTINENTAL RESOURCES	14	2	26	19	-	-
<b>Total Wells in Unitized Fields Evaluated Individually</b>		<b>250</b>	<b>18</b>	<b>34</b>	<b>221</b>	<b>-</b>	<b>-</b>

**Table 1: Unitized Fields Evaluated by Individual Wells**

Unitized Fields Evaluated as a Conglomerate	Operator	PDP	PDSI	PDNP	PUD	PROB	POSS
AMOR NORTH RED RIVER UNIT	LUFF	1	-	-	-	-	-
AMOR SOUTH RED RIVER UNIT	LUFF	8	-	-	-	-	-
ANTELOPE DEVONIAN UNIT	HESS	-	1	-	-	-	-
ANTELOPE MADISON UNIT	HESS	-	6	-	-	-	-
BEAVER LODGE DEVONIAN UNIT	HESS	-	37	-	-	-	-
BEAVER LODGE MADISON UNIT	HESS	-	10	-	-	-	-
BEAVER LODGE ORDOVICIAN UNIT	HESS	-	1	-	-	-	-
BEAVER LODGE SILURIAN UNIT	HESS	-	2	-	-	-	-
BIG STICK MADISON UNIT	WHITE ROCK	54	17	-	-	-	-
BLUE BUTTES MADISON UNIT	HESS	-	8	-	-	-	-
CAPA MADISON UNIT	HESS	-	-	-	-	-	-
CEDAR CREEK ORDOVICIAN UNIT	DENBURY	54	22	-	-	-	-
CEDAR CREEK PIERRE UNIT	SCOUT ENERGY	60	3	-	-	-	-
CEDAR HILLS NORTH RED RIVER B UNIT	CONTINENTAL RESOURCES	231	6	-	-	-	-
CEDAR HILLS SOUTH RED RIVER B UNIT	CONTINENTAL RESOURCES	270	21	-	-	-	-
CHARLSON NORTH MADISON UNIT	PETRO-HUNT	5	1	-	-	-	-
CHARLSON SOUTH MADISON UNIT	PETRO-HUNT	3	-	-	-	-	-
CLEAR CREEK MADISON UNIT	PETRO-HUNT	2	-	-	-	-	-
COREY BUTTE RED RIVER UNIT	LUFF	3	-	-	-	-	-
DICKINSON HEATH UNIT	SCOUT ENERGY	12	16	-	-	-	-
DICKINSON LODGEPOLE UNIT	SCOUT ENERGY	4	1	-	-	-	-
EAST FLAXTON MADISON UNIT	COBRA	9	1	-	-	-	-
ELAND LODGEPOLE UNIT	SCOUT ENERGY	17	1	-	-	-	-
FRYBURG HEATH-MADISON UNIT	SCOUT ENERGY	29	14	-	-	-	-
FRYBURG SOUTH TYLER UNIT	SCOUT ENERGY	13	12	-	-	-	-
GLASS BLUFF MADISON UNIT	LIBERTY RESOURCES	11	9	-	-	-	-
GLENBURN NORTH MADISON UNIT	BERENERGY	18	5	-	-	-	-

Table 2: Unitized Fields Evaluated as a Conglomerate (continued on next page)

Unitized Fields Evaluated as a Conglomerate	Operator	PDP	PDSI	PDNP	PUD	PROB	POSS
GLENBURN SOUTH MADISON UNIT	BERENERGY	16	4	-	-	-	-
GRAND RIVER RED RIVER B UNIT	LUFF	4	2	-	-	-	-
HAWKEYE MADISON UNIT	HESS	-	3	-	-	-	-
HOFFLUND MADISON UNIT	RIM OPERATING	2	3	-	-	-	-
HORSE CREEK RED RIVER UNIT	WHITE ROCK	11	5	-	-	-	-
KANE MADISON UNIT	31 OPERATING	-	5	-	-	-	-
KNUTSON MADISON UNIT	LEGACY RESERVES	7	2	-	-	-	-
LANDA MADISON UNIT	WHITING	9	1	-	-	-	-
LITTLE MISSOURI PIERRE UNIT	REMUDA	101	-	-	-	-	-
MCGREGOR WINNIPEGOSIS UNIT	COBRA	3	3	-	-	-	-
MEDICINE POLE HILLS RED RIVER UNIT	CONTINENTAL RESOURCES	16	10	-	-	-	-
MEDICINE POLE HILLS SOUTH RED RIVER B UNIT	CONTINENTAL RESOURCES	11	7	-	-	-	-
MEDICINE POLE HILLS WEST RED RIVER UNIT	CONTINENTAL RESOURCES	15	16	-	-	-	-
MEDORA HEATH-MADISON UNIT	SCOUT ENERGY	10	5	-	-	-	-
MOHALL MADISON UNIT	COBRA	29	1	-	-	-	-
MOUSE RIVER PARK MADISON UNIT	COBRA	57	5	-	-	-	-
NEWBURG SPEARFISH-CHARLES UNIT	COBRA	106	25	-	1	-	-
NORTH ELKHORN RANCH MADISON UNIT	COBRA	26	8	-	3	-	-
NORTH WESTHOPE MADISON UNIT	COBRA	2	1	-	-	-	-
NORTHEAST FOOTHILLS MADISON UNIT	SCOUT ENERGY	-	-	-	-	-	-
PLAZA MADISON UNIT	FOUNDATION	4	6	-	-	-	-
PLEASANT MADISON UNIT	BERENERGY	5	7	-	-	-	-
PRATT MADISON UNIT	MUREX	12	1	-	-	-	-
RED WING CREEK MADISON UNIT	TRUE OIL	14	6	-	-	-	-
RENVILLE MADISON UNIT	31 OPERATING	-	25	-	-	-	-
RIVAL MADISON UNIT	BROWN BEAR	2	12	-	-	-	-
ROUGH RIDER EAST MADISON UNIT	WHITE ROCK	11	3	-	-	-	-

**Table 2: Unitized Fields Evaluated as a Conglomerate (continued from previous page)**

Unitized Fields Evaluated as a Conglomerate	Operator	PDP	PDSI	PDNP	PUD	PROB	POSS
SOUTH WESTHOPE SPEARFISH-CHARLES UNIT	COBRA	15	3	-	-	-	-
STADIUM LODGEPOLE UNIT	SCOUT ENERGY	5	-	-	-	-	-
STARBUCK MADISON UNIT	ENERGYQUEST	18	2	-	-	-	-
STONEVIEW STONEWALL UNIT	COBRA	8	6	-	-	-	-
SUBDIVISION LODGEPOLE UNIT	SCOUT ENERGY	-	-	-	-	-	-
T. R. MADISON UNIT	SCOUT ENERGY	22	8	-	-	-	-
TEMPLE SOUTH WINNIPEGOSIS UNIT	COBRA	4	2	-	-	-	-
TIOGA MADISON UNIT	HESS	2	30	-	-	-	-
TOLLEY MADISON UNIT	BALLANTYNE	5	-	-	-	-	-
TRACY MOUNTAIN TYLER UNIT	SOUTHWESTERN	3	15	-	2	-	-
TRURO MADISON UNIT	ZARGON	19	2	-	-	-	-
VERSIPPI LODGEPOLE UNIT	ARMSTRONG	2	-	-	-	-	-
WABEK MADISON UNIT	FOUNDATION	4	11	-	-	-	-
WEST DICKINSON LODGEPOLE UNIT	SCOUT ENERGY	2	-	-	-	-	-
WILEY GLENBURN UNIT	SCOUT ENERGY	58	19	-	-	-	-
ZENITH TYLER A UNIT	MISSOURI BASIN	1	1	-	-	-	-
<b>Total Wells Evaluated as a Conglomerate Unitized Field</b>		<b>1,445</b>	<b>459</b>	-	<b>6</b>	-	-

**Table 2: Unitized Fields Evaluated as a Conglomerate (continued from previous page)**

## DECLINE CURVE ANALYSIS

Decline curve analysis is a reservoir engineering technique used to extrapolate historic production data trends to project future production volumes. Modern decline curve analysis was originally developed by J.J. Arps, an American Geologist, in 1945 as a result of his publication on the mathematical relationship depicting the decline in reservoir production over time. That mathematical relationship became known as the “Arp’s Equation”.

Decline curve projections using the Arp’s Equation may be categorized as exponential, hyperbolic, or harmonic. Because of the steep rate of decline in the early life of a Bakken or Three Forks well, followed by a gradual decline in later life, a combination of hyperbolic and exponential techniques was implemented for the evaluation of those reservoirs. For most conventional wells with superior reservoir permeability, an exponential decline was appropriately applied.

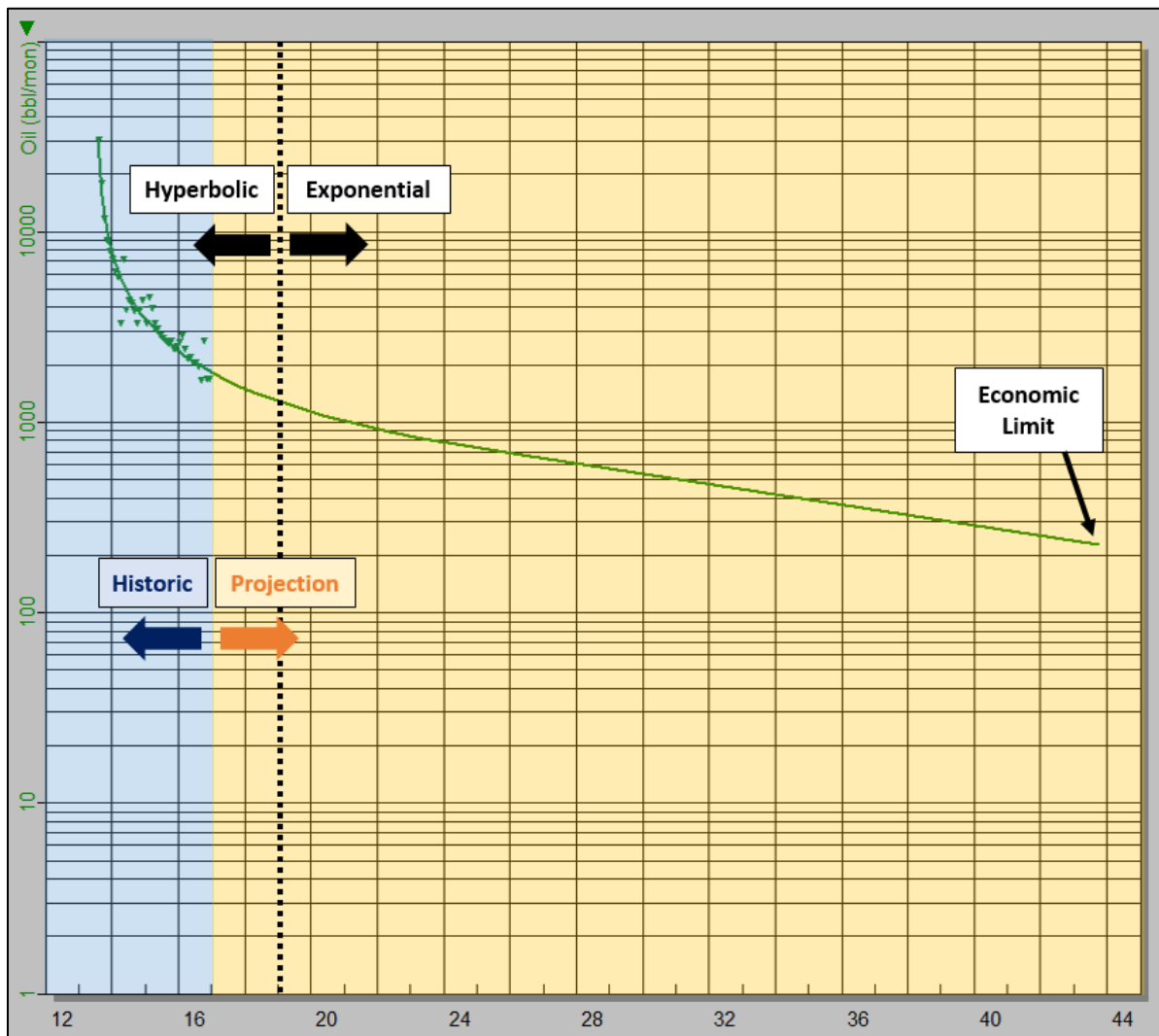
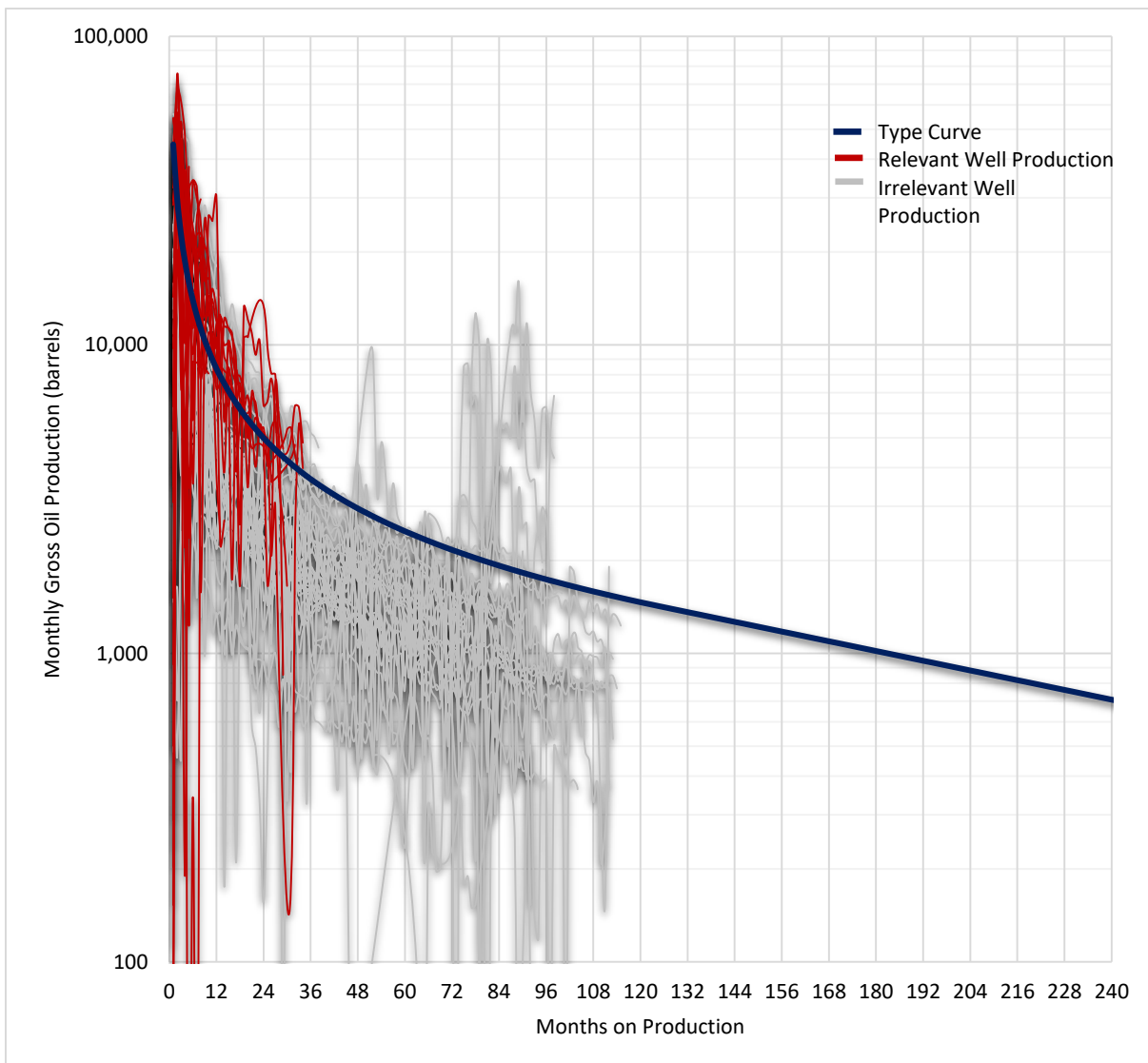


Figure 2: Typical Bakken or Three Forks Decline Curve for a Single Well

### TYPE CURVE ANALYSIS

While Decline Curve Analysis was employed to forecast future production from wells that had preexisting history, the construction of the Full Development Model also required a volume projection for wells anticipated to be completed in the future with no historical production from which to extrapolate. For wells that had not been completed, “Type Curves” were constructed through the correlation of historical production data from comparable wells within a Type Curve Area.

Type Curves were calculated by first identifying relevant wells within a Type Curve Area, and then normalizing and averaging each well’s historical production data. A well was considered relevant if it was developed using current technology and produced from the same reservoir as the anticipated future well to which the Type Curve was to be applied. An Arp’s Decline Curve was constructed based on the averaged historical data of the wells within each Type Curve Area and applied to each future well anticipated to be drilled in association with the Subject Minerals.



**Figure 3: Typical Bakken or Three Forks Type Curve Calculation**

For the purpose of the Valuation analysis, 412 individual Type Curves were constructed and applied to 9,410 anticipated future wells. The Type Curve Area for each was limited to a single township.

The term Estimated Ultimate Recovery (“EUR”) is defined as the total volume of oil, gas, or water expected to be produced throughout the economic life of an individual well. EUR is a metric commonly used to describe the quality of a well or type curve area. Figure 4 depicts the EUR for each Type Curve applied throughout the Valuation analysis. Figure 5 and Figure 6 display geographical representations of the EUR’s for each generated Type Curve.

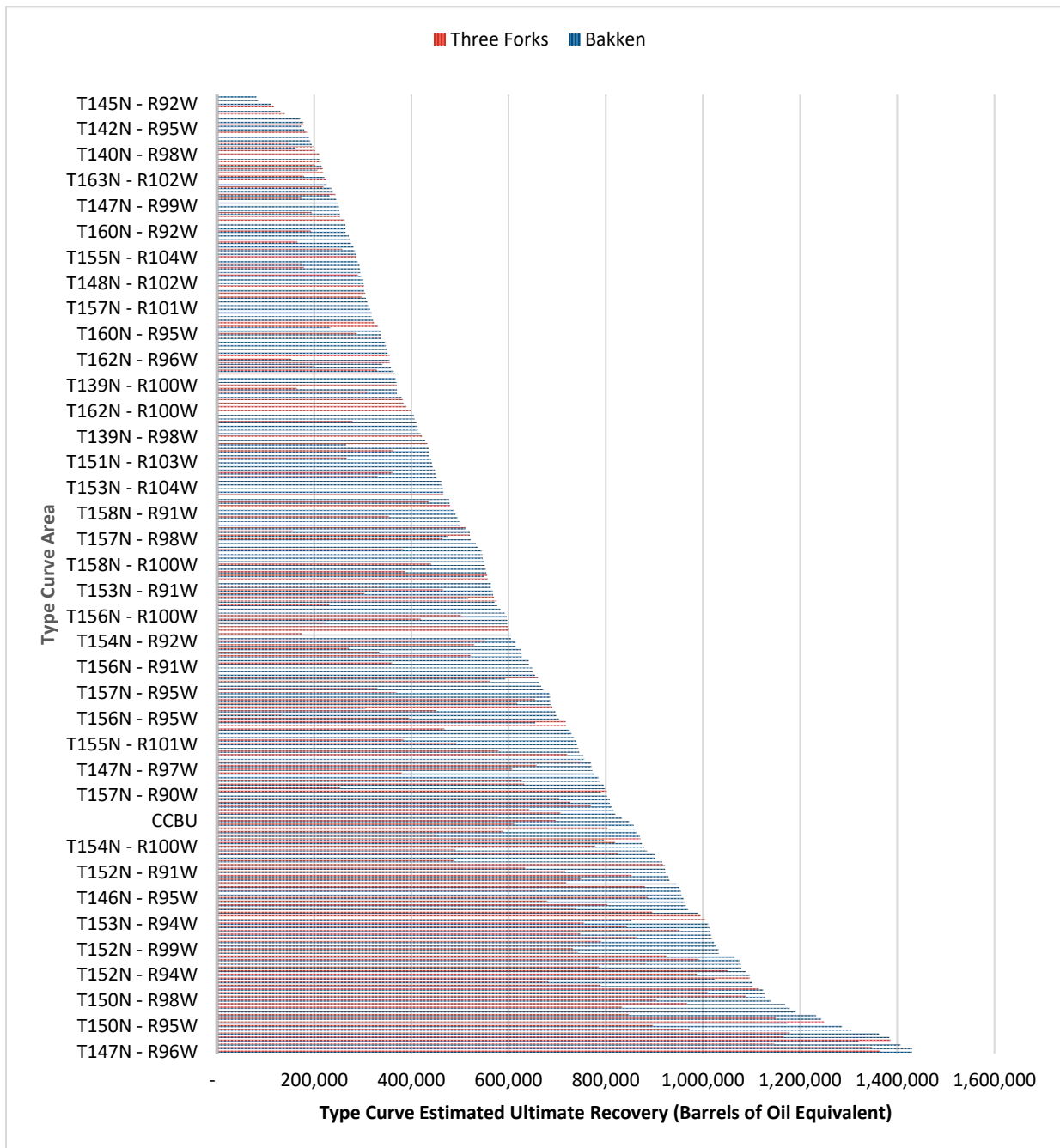


Figure 4: Typical Bakken or Three Forks Type Curve Calculation

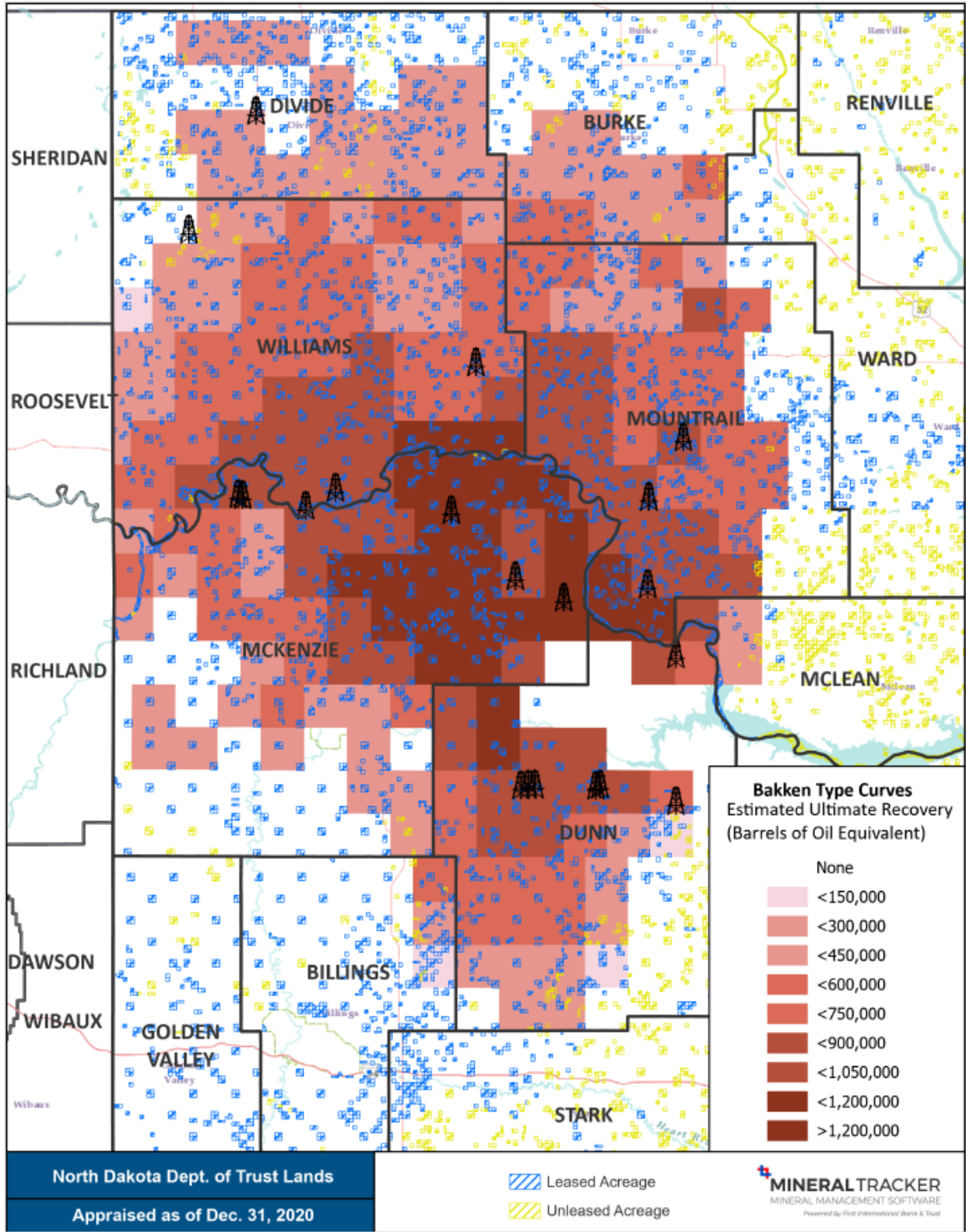


Figure 5: Bakken Oil Type Curve Heat Map



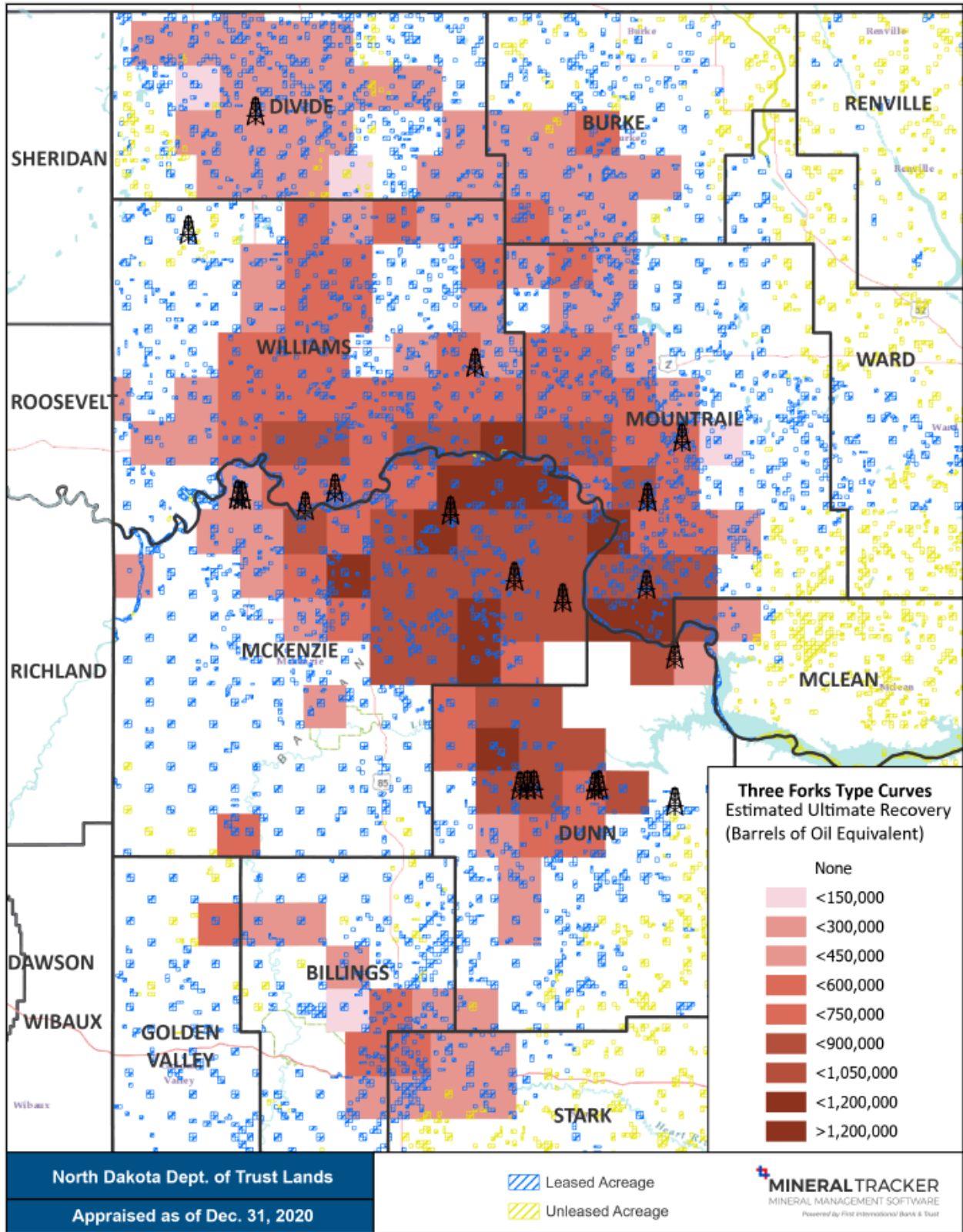


Figure 6: Three Forks Oil Type Curve Heat Map

## GAS SHRINKAGE

Gas shrinkage refers to the portion of natural gas produced but not sold as a result of inadequate pipeline and/or gas processing capacity. Historical gas shrinkage rates were calculated and applied to all wells on an individual basis. Future wells were assumed to flare 8% of natural gas on average, in compliance with North Industrial Commission Order 24665, which dictates a gas capture goal of 91% beginning November 1, 2020.

## DEVELOPMENT SCHEDULE

The construction of the Full Development Model necessitated forecasting production volumes from anticipated future wells. Locations of future wells were identified through the granular process of analyzing the optimum infill capacity of each drill spacing unit (“DSU”) in which the State held interest. Anticipated future well cases were constructed within the Full Development Model and were labeled PUD, PROB, or POSS in accordance with the level of certainty that the future wells would be developed. In addition to 739 permitted wells in which the State held interest, 8,370 well cases were constructed within the undeveloped category. Each undeveloped well was equipped with a Type Curve to forecast future oil, gas, and water volumes expected to be generated following completion.

For the implementation of an Income Approach valuation, the timeline associated with forecasted revenue is an important factor. For the construction of the Full Development Model, an estimated development schedule was created to project the beginning production date for each well not yet producing at the time economic reports were generated.

At the time the Valuation was performed, the state of North Dakota had 29 rigs actively drilling wells. Prior to the economic impacts associated with the COVID-19 Pandemic, there were over 50 rigs working in the state. Despite the fact that the price of oil is nearly double its pre-COVID level, development pace is down 40%. Recent statements from industry experts and executives suggest that drilling activity will increase, but likely not reach the levels previously experienced prior to 2020. To account for the market perception of a prolonged drilling schedule, the development pace was modelled to increase to 75% of pre-COVID levels, relative to oil price.

The estimated development schedule utilized in the construction of the Full Development Model considered the activity level and drilling inventory available for each of the top 20 operators in the Williston Basin; and a forecasted development rate was tailored to each. Future wells were prioritized based on the highest performing areas available to each operator.

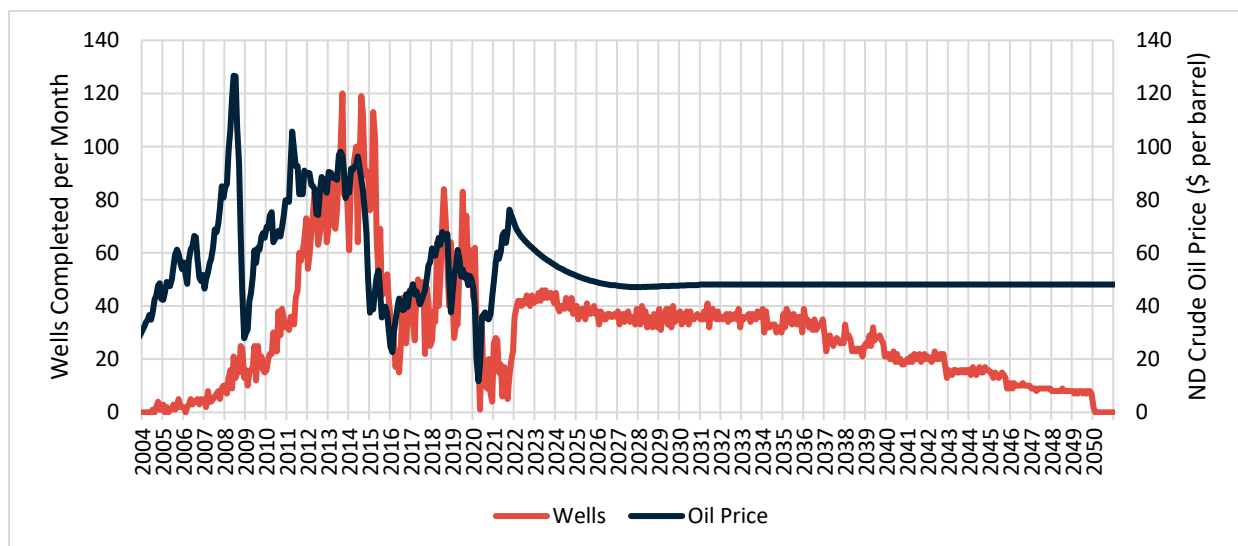


Figure 7: Development Schedule and Modelled Oil Price

The completed Full Development Model included 17,451 wells associated with the Subject Minerals. At the time economic reports were generated, the State held interest in 8,041 wells which had been completed, implying that the State’s asset was approximately 46% fully developed. Additionally, 301 wells were either being drilled, or waiting on completion, and 739 wells were permitted. The anticipated development schedule estimated that the Subject Minerals would be fully developed by the year 2050.

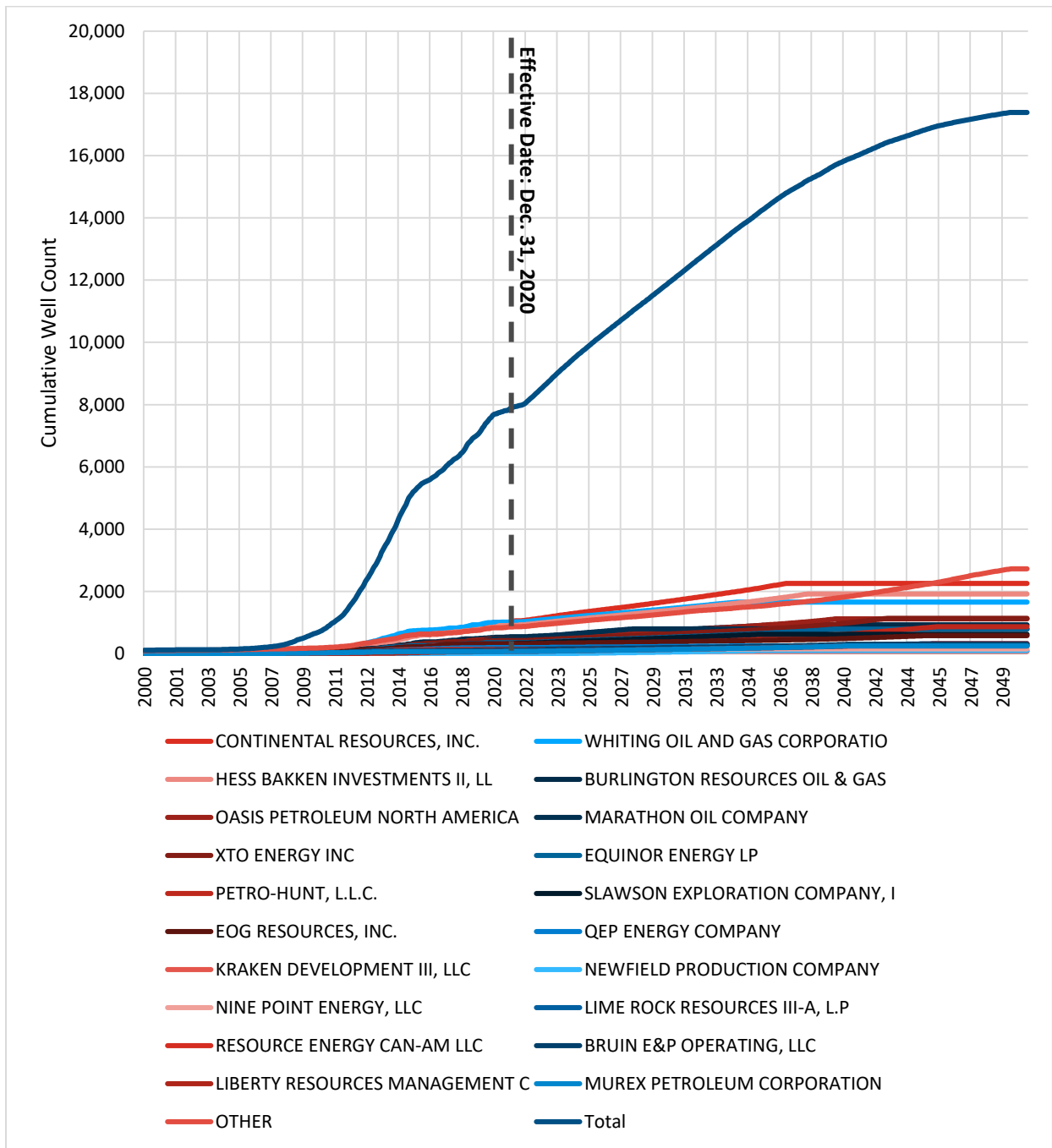
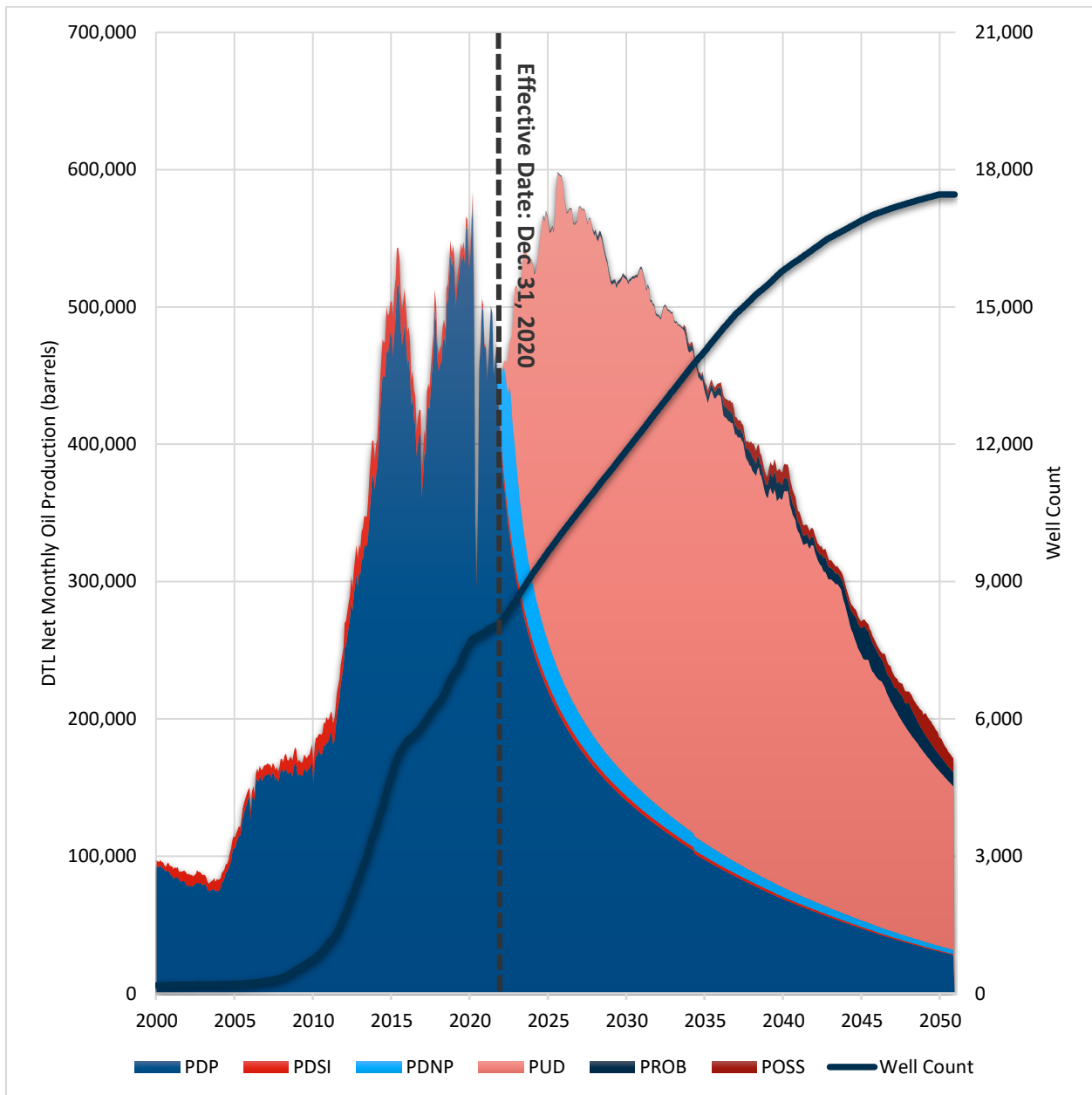


Figure 8: Development Schedule by Operator

### PRODUCTION PROFILE

The compilation of all pertinent data incorporated in the Full Development Model resulted in a comprehensive forecast of production volumes associated with the Subject Minerals. Figure 9 depicts the resulting production profile for the State’s mineral interests by combining Decline Curve Analysis, Type Curve Analysis, infill density estimates, and the forecasted development schedule.

It is important to note that the production profile depicted in Figure 9 is the result of a deterministic reserves analysis, drawing pertinent correlations from past performance data to form a realistic forecast of anticipated production volumes. The forecast of future volumes relates directly to all cash flow projections employed in the Valuation analysis and is designed to represent a Fair Market determination of the State’s oil and gas mineral assets.



**Figure 9: Full Development Model Production Profile**

## ECONOMIC FACTORS

### Commodity Pricing

The forecast of commodity prices, specifically for oil and natural gas, are an important factor in the development of an opinion of value related to a mineral estate. For the Valuation analysis, the commodity price schedule was prescribed by the Minerals Valuation Policy (the “Policy”), which was adopted by the North Dakota Board of University School Lands on June 25, 2020.

The Policy dictated that the commodity price schedule to be employed throughout the Valuation analysis was to include historical data from the Commodity Effective Date to the date economic reports were generated and New York Mercantile Exchange (“NYMEX”) pricing from the date economic reports were generated forward. Economic reports were generated on October 29, 2021.

NYMEX is the regulated market on which oil and gas commodity futures are traded in the United States. The NYMEX price schedule refers to the closing price, on the referenced date, of oil and gas futures contracts for months in the future. The NYMEX price schedule is commonly referred to as “Strip” pricing and is often employed as a price forecast because it represents tangible market consensus on future commodities. The annual average of the closing price of futures contracts for West Texas Intermediate (“WTI”) crude oil, and Henry Hub natural gas is depicted in Table 3.

NYMEX as of October 29, 2021		
Year	WTI Oil Price (\$/BBL)	Henry Hub Natural Gas Price (\$/MMBtu)
2021	82.68	5.478
2022	74.63	4.296
2023	67.37	3.506
2024	62.59	3.241
2025	59.44	3.083
2026	57.51	3.032
2027	56.58	3.068
2028	56.54	3.137
2029	56.82	3.181
2030	57.12	3.273
2031	57.43	3.344
2032	57.77	3.634

**Table 3: Commodity Price Forecast – NYMEX**

Oil produced in North Dakota has historically sold at a lower price than the WTI benchmark for North American crude oil, with the difference commonly referred to as the “differential”. At the time economic reports were generated, the North Dakota differential was reportedly \$4.64 per barrel below WTI, which was applied directly to all calculated cash flow forecasts from the date economic reports were generated forward. Similarly, a -50% differential was applied to cash flow forecasts on natural gas.

### Operator Economic Considerations

The State’s mineral position is comprised of royalty interests, and therefore has no associated capital or operating expenses; however, the value of the Subject Minerals depends on oil and gas operators investing the necessary capital to bring production from new wells online and continue producing from wells which have already been completed.

To account for the oil and gas operator’s position, capital investments for drilling and completion and operating expenses were accounted for. Drilling and completion costs were estimated to average \$7.5 million per well in

core areas where the Bakken and Three Forks are deepest, and as low as \$5 million in areas where the reservoirs are shallower, such as northern Divide County. Operator economic projections were made for each well which had not previously been drilled, and the results determined the reserves classification for each forecasted well. Wells which were economic under the modelled assumptions were classified as PUD. Wells which were economic in an environment in which oil prices were \$10 per barrel higher than the modelled price were classified as PROB, and wells which required a price increase above \$10 per barrel to return positive economics were classified as POSS.

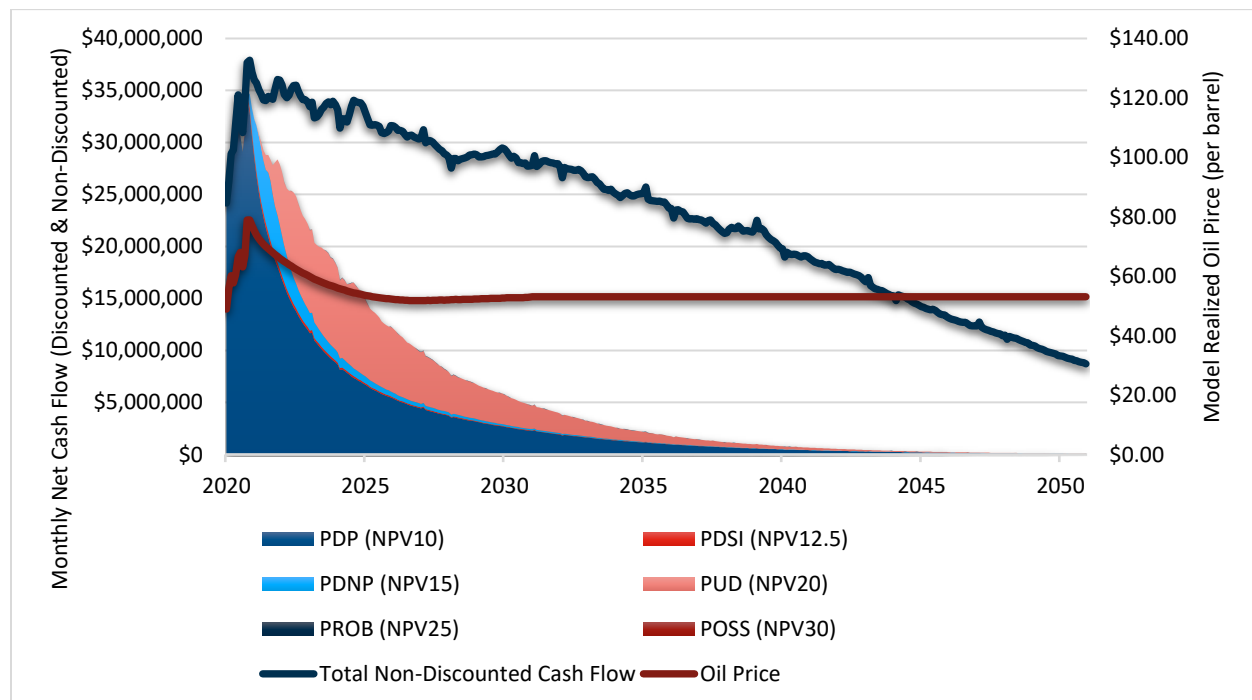
The economic limit (“ECL”) for each subject well was calculated based on the operator’s projected cash flow. For each well, the ECL was calculated at the date where expenses were estimated to exceed revenues.

## VALUATION PROFILE

Net present value (“NPV”) discounting is an important element in an Income Approach Valuation. NPV discounting is utilized to convert forecasted future cash flow amounts to a single present value using discounting rates associated with the perceived risk of each asset class. The NPV discounting schedule employed in throughout the Valuation analysis was dictated by the Minerals Valuation Policy, which stated that the following discounting rates would be applied:

- Proved Developed Producing (“PDP”) – 10.0%
- Proved Developed Shut-In (“PDSI”) – 12.5%
- Proved Developed Non-Producing (“PDNP”) – 15.0%
- Proved Undeveloped (“PUD”) – 20.0%
- Probable Undeveloped (“PROB”) – 25.0%
- Possible Undeveloped (“POSS”) – 30.0%

The effect of NPV discounting is such that cash flow amounts estimated further in the future are less valuable than those estimated to be realized earlier in the life of the asset. Figure 11 depicts a comparison of monthly NPV for each asset class to the total non-discounted cash flow projection.



**Figure 10: Full Development Model Value Profile**

## ASSET VALUATION SUMMARY

The analysis requiring the assemblage of pertinent data and judgement of an individually qualified appraiser resulted in the opinion of value, detailed in Table 4, for all Subject Minerals considered.

Reserve Class & Category	PDP	PDSI	PDNP	PUD	PROB	POSS	Total
Case Count	7,586	455	301	7,826	661	622	17,451
Cumulative Royalty Interest	206.02	15.86	9.51	223.66	18.51	17.88	491
Gross Oil (BBL)	1,660,236,893	38,076,495	167,691,740	3,692,754,246	125,931,960	85,139,259	5,769,830,592
Gross Gas (Mcf)	3,954,353,796	108,154,452	339,630,472	7,053,686,017	176,227,613	112,995,544	11,745,047,895
Gross Reserve (BOE)	2,319,295,859	56,102,237	224,296,818	4,868,368,582	155,303,229	103,971,850	7,727,338,574
Net Oil (BBL)	46,692,893	1,061,465	5,527,891	107,553,051	3,506,289	2,397,023	166,738,612
Net Gas (Mcf)	79,246,774	2,342,579	10,443,370	192,161,542	4,534,378	2,902,898	291,631,540
Net Reserve (BOE)	59,900,689	1,451,894	7,268,453	139,579,974	4,262,019	2,880,839	215,343,868
Undiscounted Cash Flow	\$ 2,799,232,728	\$ 63,572,650	\$ 338,382,052	\$ 6,080,908,205	\$ 194,460,832	\$ 132,674,032	\$ 9,609,230,499
NPV10	\$ 1,448,889,137	\$ 28,750,577	\$ 179,862,608	\$ 1,669,852,978	\$ 19,519,580	\$ 11,795,087	\$ 3,358,669,968
NPV12.5	\$ 1,305,169,047	\$ 25,171,341	\$ 162,060,597	\$ 1,322,918,221	\$ 12,308,342	\$ 7,099,860	\$ 2,834,727,408
NPV15	\$ 1,191,115,045	\$ 22,362,227	\$ 147,546,694	\$ 1,071,469,043	\$ 8,090,560	\$ 4,429,812	\$ 2,445,013,380
NPV20	\$ 1,020,627,541	\$ 18,229,388	\$ 125,019,584	\$ 739,518,371	\$ 3,919,285	\$ 1,917,789	\$ 1,909,231,958
NPV25	\$ 898,147,292	\$ 15,323,799	\$ 108,083,177	\$ 536,726,380	\$ 2,163,654	\$ 957,084	\$ 1,561,401,387
NPV30	\$ 804,990,783	\$ 13,160,182	\$ 94,723,361	\$ 403,973,995	\$ 1,322,097	\$ 548,630	\$ 1,318,719,047
<b>Appraised Value Subtotal</b>	<b>\$2,363,837,827</b>						
<b>Additional Undeveloped Acreage</b>	<b>\$27,601,677</b>						
<b>Total Appraised Value</b>	<b>\$2,391,439,503</b>						

**Table 4: Valuation Summary**

## TRUST VALUATION SUMMARY

The Subject Minerals are held in 21 separate trusts of varying size and position. The combination of all Subject Minerals was valued, and a breakdown of the acreage, well counts, and appraised value by trust is included in Table 5.

Trust	Net Mineral Acres			Well Count*							Appraised Value
	Producing	Undeveloped	Total	PDP	PDSI	PDNP	PUD	PROB	POSS	Total	
A	294,480	1,229,767	1,524,247	3,388	222	176	3,329	324	296	7,735	\$1,262,476,161
B	884	14,355	15,239	90	13	-	78	-	4	185	\$5,816,326
C	1,157	26,821	27,978	31	3	3	16	-	-	53	\$7,955,009
D	1,787	18,800	20,587	40	3	4	79	8	-	134	\$5,159,709
E	1,770	19,169	20,939	91	3	3	80	-	15	192	\$7,795,816
F	160	1,292	1,452	-	-	-	-	-	-	-	\$1,009,118
H	774	9,091	9,865	48	2	3	70	-	6	129	\$2,977,496
I	2,092	19,710	21,802	105	4	6	82	-	11	208	\$13,404,715
J	-	80	80	-	-	-	-	-	-	-	\$80
L	99,242	565,408	664,650	4,170	235	132	4,188	387	337	9,449	\$425,681,624
M	1,036	19,515	20,551	128	17	6	62	10	3	226	\$6,705,308
N	5,398	60,129	65,527	245	6	2	214	19	14	500	\$23,531,086
R	57,598	35,803	93,402	953	56	71	1,208	-	-	2,288	\$600,731,491
S	516	12,739	13,255	24	1	-	64	6	3	98	\$519,052
T	187	895	1,082	8	-	-	10	-	-	18	\$269,696
U	2,900	39,164	42,063	122	6	8	111	15	26	288	\$13,853,196
V	1,322	6,962	8,283	48	4	-	57	4	-	113	\$4,802,174
W	1,229	17,428	18,657	64	5	4	46	-	7	126	\$5,013,458
X	545	-	545	1	-	-	-	-	-	1	\$241,468
Y	996	8,054	9,049	47	1	-	21	5	13	87	\$3,467,710
Z	-	18,461	18,461	-	-	-	-	-	-	-	\$28,810
<b>Total</b>	<b>474,072</b>	<b>2,123,644</b>	<b>2,597,716</b>	<b>7,586</b>	<b>455</b>	<b>301</b>	<b>7,826</b>	<b>661</b>	<b>622</b>	<b>17,451</b>	<b>\$2,391,439,503</b>

\*A unitized field evaluated conglomerate is counted as one "well" within this table. Wells in which multiple Trusts hold interest are only counted once in the total displayed.

**Table 5: Trust Valuation Summary**



## OIL PRICE SENSITIVITY

The price of oil is one of the most directly impactful variables necessary to provide an Income Approach Valuation for a mineral estate. The price of oil is also subject to dramatic shifts resulting from changing economic, technological, and/or geopolitical dynamics. As such, it is often valuable to consider a range of outcomes in consideration of varying oil price assumptions. Table 6 and Table 7 depict summaries of the estimated impacts of varying oil price assumptions.

Detailed cash flow statements, sensitized by oil price, are included in Appendix C.

Modelled Oil Price	PDP (NPV10)	PDSI (NPV12.5)	PDNP (NPV15)	PUD (NPV20)	PROB (NPV25)	POSS (NPV30)	Undeveloped Acreage	Total Value
+\$30/BBL	\$2,147M	\$37M	\$215M	\$1,123M	\$3M	\$1M	\$28M	\$3,555M
+\$20/BBL	\$1,915M	\$33M	\$193M	\$995M	\$3M	\$1M	\$28M	\$3,168M
+\$10/BBL	\$1,682M	\$29M	\$170M	\$867M	\$3M	\$1M	\$28M	\$2,780M
NYMEX as of July 10, 2020	\$1,449M	\$25M	\$148M	\$740M	\$2M	\$1M	\$28M	\$2,391M
-\$10/BBL	\$1,214M	\$21M	\$125M	\$612M	\$2M	\$0M	\$28M	\$2,002M
-\$20/BBL	\$977M	\$17M	\$102M	\$484M	\$1M	\$0M	\$28M	\$1,609M

**Table 6: Appraised Value Sensitized to Oil Price**

Modelled Oil Price	PDP (Non-Disc.)	PDSI (Non-Disc.)	PDNP (Non-Disc.)	PUD (Non-Disc.)	PROB (Non-Disc.)	POSS (Non-Disc.)	Total Non-Disc. Cash Flow
+\$30/BBL	\$4,339M	\$101M	\$508M	\$9,350M	\$304M	\$212M	\$14,813M
+\$20/BBL	\$3,828M	\$88M	\$452M	\$8,266M	\$268M	\$186M	\$13,087M
+\$10/BBL	\$3,315M	\$76M	\$395M	\$7,178M	\$232M	\$159M	\$11,355M
NYMEX as of July 10, 2020	\$2,799M	\$64M	\$338M	\$6,081M	\$194M	\$133M	\$9,609M
-\$10/BBL	\$2,282M	\$51M	\$281M	\$4,973M	\$157M	\$105M	\$7,849M
-\$20/BBL	\$1,760M	\$39M	\$224M	\$3,851M	\$117M	\$76M	\$6,067M

**Table 7: Non-Discounted Cash Flow Sensitized to Oil Price**

## NORTH DAKOTA BOARD OF UNIVERISTY & SCHOOL LANDS' MINERAL ASSET

The State's mineral asset is widespread, with acreage in every county in the State, including the regions of active oil and gas production and development in the Williston Basin. The State holds interest in 8,342 wells that have been spud, which accounts for 65% of existing wells in the state of North Dakota.

Reserve Class & Category	Bakken	Three Forks	Other	Total
Proved Developed Producing (PDP)	4,475	2,893	218	7,586
Proved Developed Shut-In (PDSI)	259	136	60	455
Proved Developed Non-Producing (PDNP)	181	119	1	301
Proved Undeveloped (PUD)	4,441	3,378	7	7,826
Probable Undeveloped (PROB)	283	374	4	661
Possible Undeveloped (POSS)	293	326	3	622
<b>Total</b>	<b>9,932</b>	<b>7,226</b>	<b>293</b>	<b>17,451</b>

\*A unitized field evaluated as a conglomerate is counted as one "well" within this table.

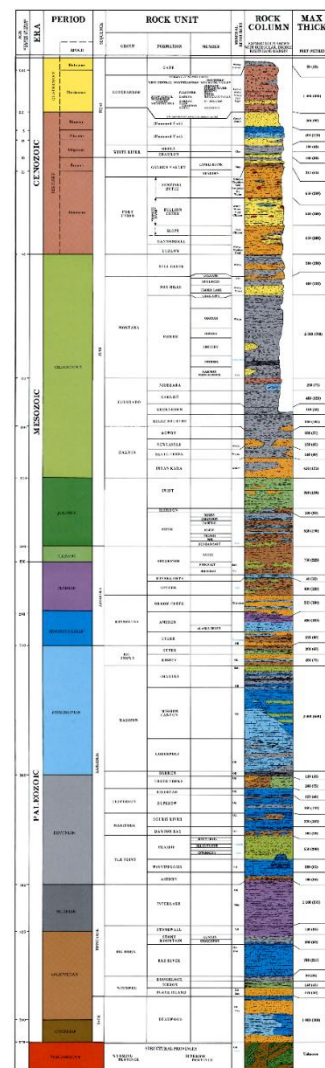
**Table 8: Subject Well Count Summary by RCAT and Formation**

### CONVENTIONAL EXPLORATION & PRODUCTION

The Williston Basin, a leading region of oil and gas production in North America, spans across portions of North Dakota, Montana, South Dakota, Saskatchewan, and Manitoba. Advances in horizontal drilling and hydraulic fracturing technologies have led to an energy renaissance in the region over the past two decades; however, the history of North Dakota oil and gas exploration extends back to the early 1950's. Although the unconventional Bakken and Three Forks formations now account for 96% of all oil produced in North Dakota, there are still 26 other producing geologic formations in the state, of which the Madison Group is the top producing pool.

The first oil producing well in North Dakota, the Iverson No. 1, was drilled near Tioga, in Williams County, and began initial production ("IP") in 1951. The discovery of oil at the Iverson No. 1 marked the beginning of the first cycle of exploratory drilling in North Dakota, which lasted into the early 1960's. The North Dakota Geologic Survey identifies four individual cycles of exploratory drilling between 1951 and the year 2000:

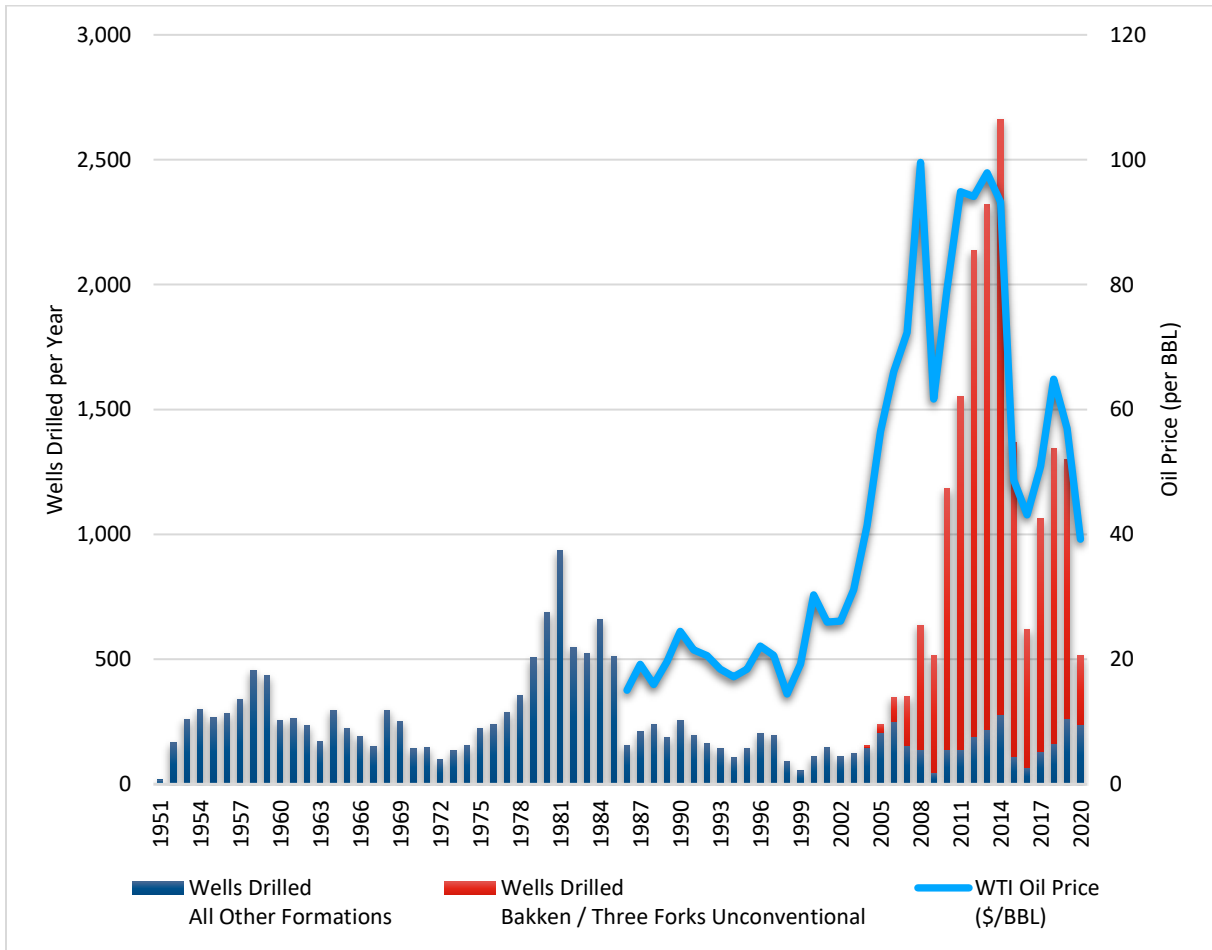
1. **1951 to early 1960's** – Discovery of oil at the Iverson No. 1 led to continued exploration and development along the Nesson Anticline, a geological structure stretching 75 miles long from southwestern Burke County to northeastern McKenzie County.
2. **Late 1960's to mid-1970's** – Discovery of Cretaceous Age oil in the Powder River Basin of Wyoming sparked exploratory drilling of Cretaceous Age formations in North Dakota, which would eventually prove unsuccessful. However, oil was discovered in the Red River Formation in Bowman County and the Bakken Formation in Billings County during this cycle.
3. **Mid-1970's to 1986** – The 1973 Arab Oil Embargo led to a rapid increase in oil price, sparking a whirlwind of exploratory drilling in North Dakota. At such high oil prices, nearly any discovery of oil was economical to produce. The majority of drilling during this period was focused on deep stacked-pay zones in west-central North Dakota. It was during this period of time that the first Bakken wells were drilled and produced, though the potential of the



**Figure 11: Williston Basin Stratigraphic Column**

Bakken would not be realized until the advent of horizontal drilling combined with hydraulic fracturing in the mid-2000's. Nearly 6,000 wells were drilled during this cycle, but exploration came to a sudden halt when oil prices plummeted in 1986.

4. **Mid-1990's to 2000** – Horizontal drilling of the Red River “B” pool along the Cedar Creek Anticline in Bowman County, and the discovery of oil in the Lodgepole Formation near Dickinson were the two events that drove a short period of exploration immediately prior to the year 2000. Exploration was short lived, as the Red River “B” was shortly drilled out, and the Lodgepole play was not found to be successful outside of the immediate Dickinson area. There are currently 29 actively producing Lodgepole wells near Dickinson, the vast majority of them having been drilled prior to 2000.



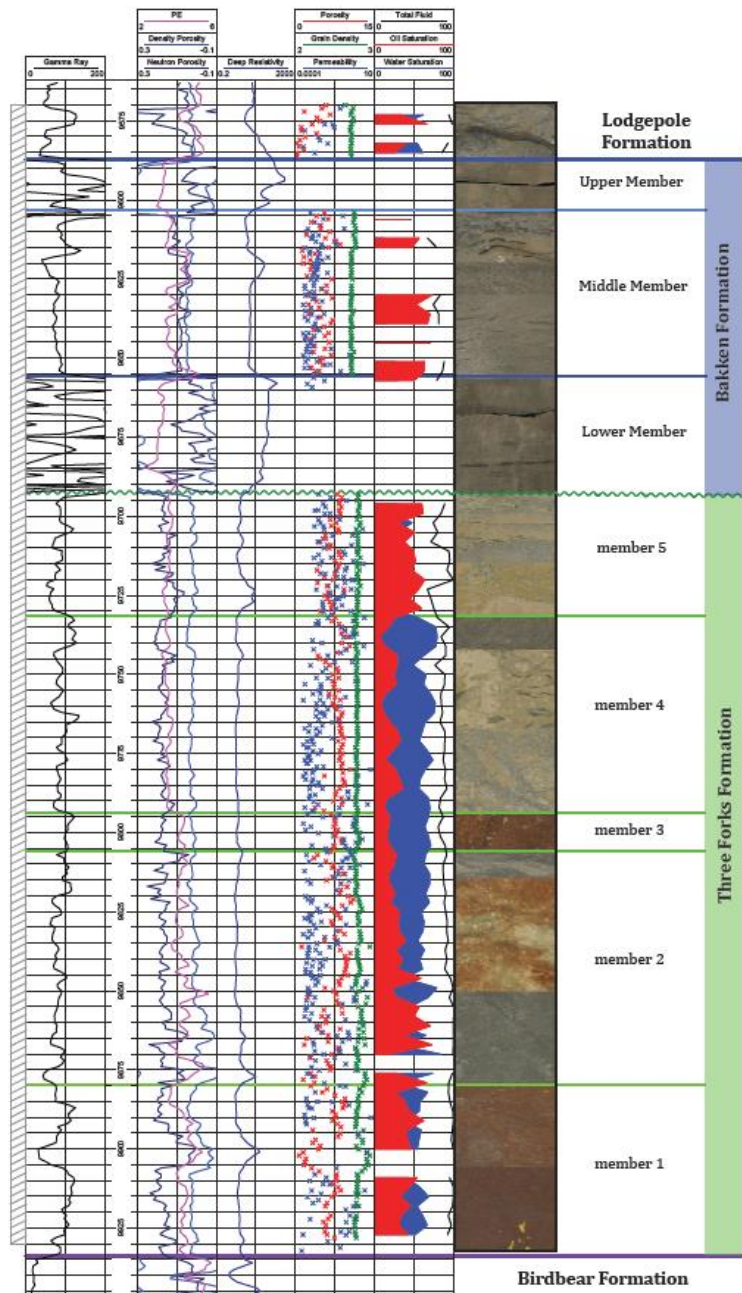
**Figure 12: North Dakota Spuds per Year**

When oil prices increased again in 2005, horizontal drilling and hydraulic fracturing in the Bakken formation was predominant, and further exploration into conventional reservoirs continued to decrease. Since 2008, over 96% of all wells drilled in North Dakota have been unconventional Bakken or Three Forks wells.

## UNCONVENTIONAL EXPLORATION & PRODUCTION

The Bakken Formation is a continuous stratigraphic formation that uniformly overlays the Three Forks Formation in the core of the Williston Basin, mostly in Western North Dakota and Eastern Montana. In core producing areas, the Bakken Formation is found approximately 10,000-11,000 feet beneath the surface of the earth and has a maximum thickness of approximately 140 feet with an average thickness of 45 feet. It is comprised of three layers: 1) the **Upper Shale Member** 2) the **Middle Member**, comprised of fine-grained, calcareous sandstone and dolomite, and 3) the **Lower Shale Member**. The Bakken has long been considered an excellent source rock as it has been theorized that the majority of the oil and gas reserves found in the overlying Mississippian reservoirs originated from the Bakken.

Though a small number of wells had been drilled targeting the Bakken prior to 2000, the low permeability of the formation restricted oil and gas from being produced in commercial quantities. However, by the year 2000, the advent of horizontal drilling and hydraulic fracturing had been applied successfully to so-called "tight" reservoirs elsewhere in the United States, opening the door to a new age in oil and gas exploration and production. The earliest unconventional Bakken wells were drilled in Richland County, Montana, in the Elm Coulee Oil Field, where it was found that the Bakken had superior porosity than in neighboring regions in North Dakota. Further advances in unconventional drilling and completion eventually led to higher performing wells being drilled in North Dakota.



**Figure 13: Bakken & Three Forks Lithology**

Source: *Reservoirs of the Bakken Petroleum System: A Core-based Perspective* by Julie A. LeFever, Richard D. LeFever, and Stephan H. Nordeng

Approximately 100 miles east of Elm Coulee, the Bakken in the Parshall Field of Mountrail County, North Dakota, was successfully tested in 2006. Though advances in technology were still in early stages, the Bakken Formation drilled in the Parshall Field was found to have widespread systems of naturally occurring macro-fractures in the formation, which allowed oil and gas to migrate to the horizontal wellbore despite the low permeability of the rock itself. Limited by the then current technologies, it was believed at the time that the only significant potential for production from the Bakken Formation was in the Elm Coulee Field of Montana and Mountrail County of North Dakota.

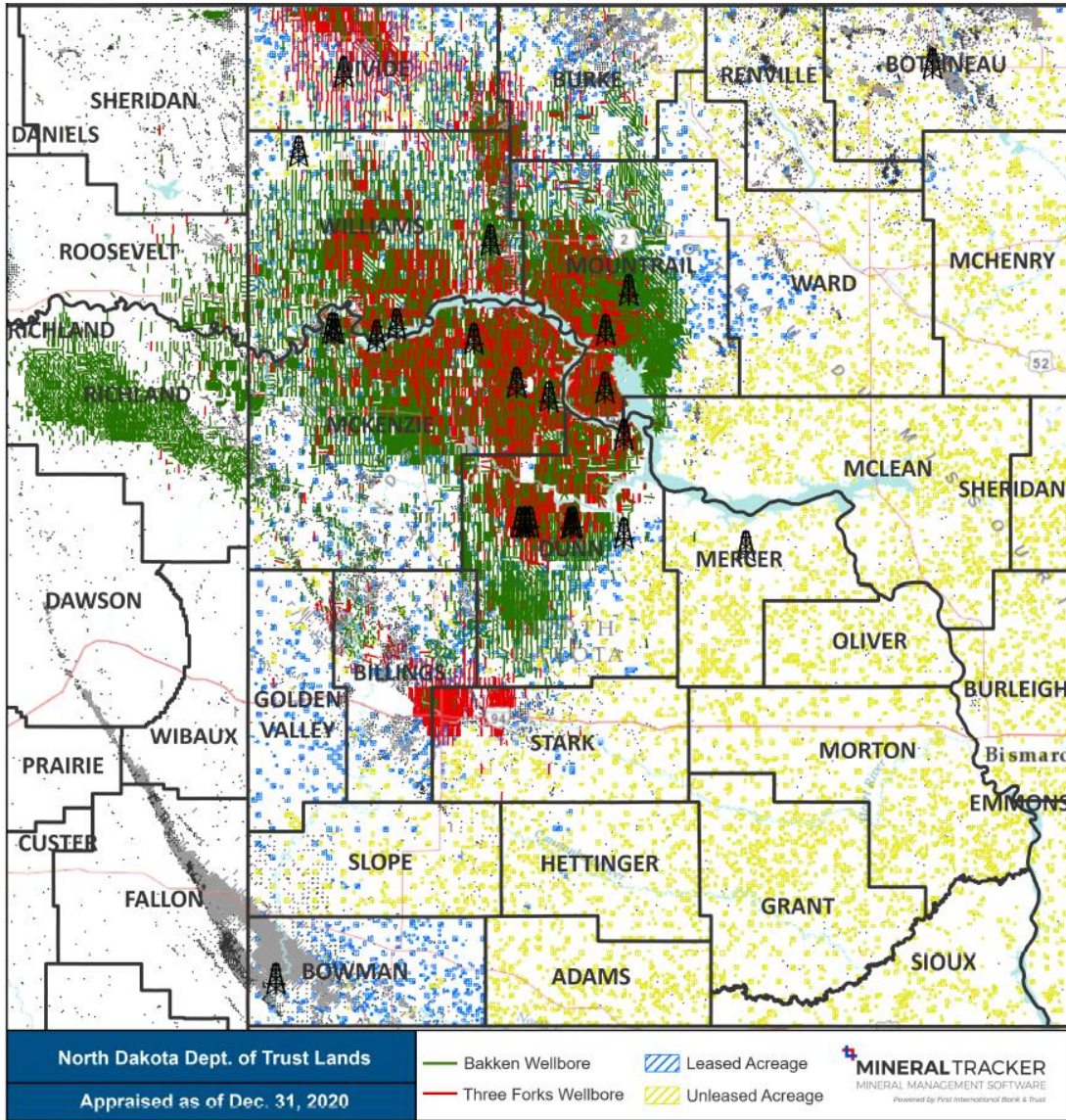
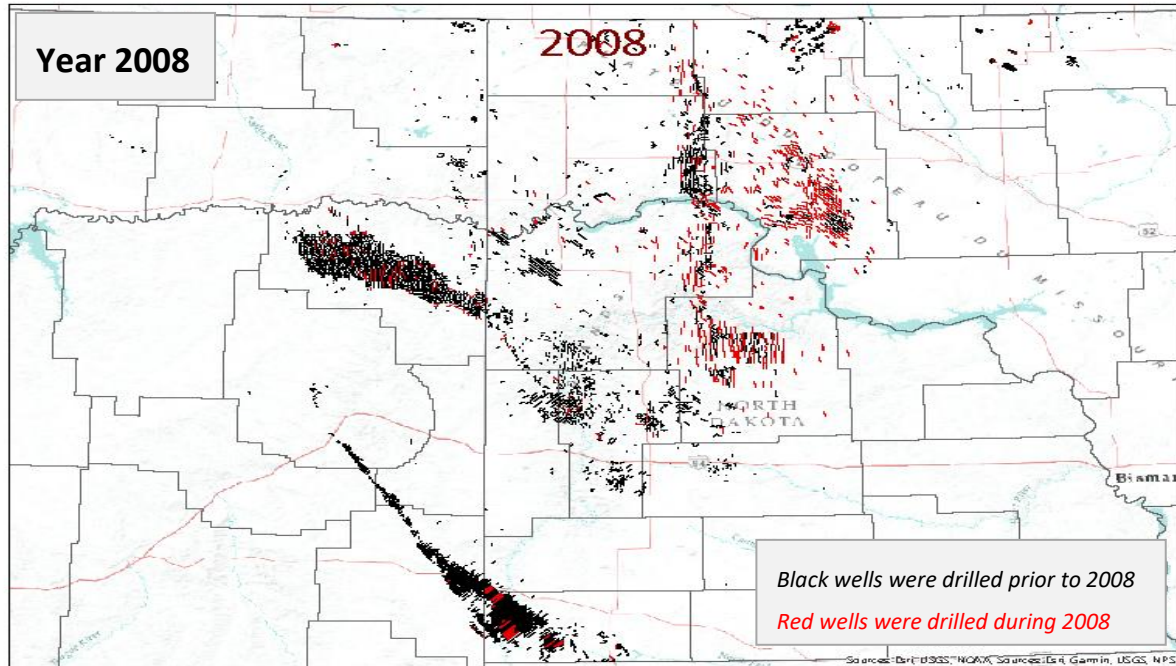


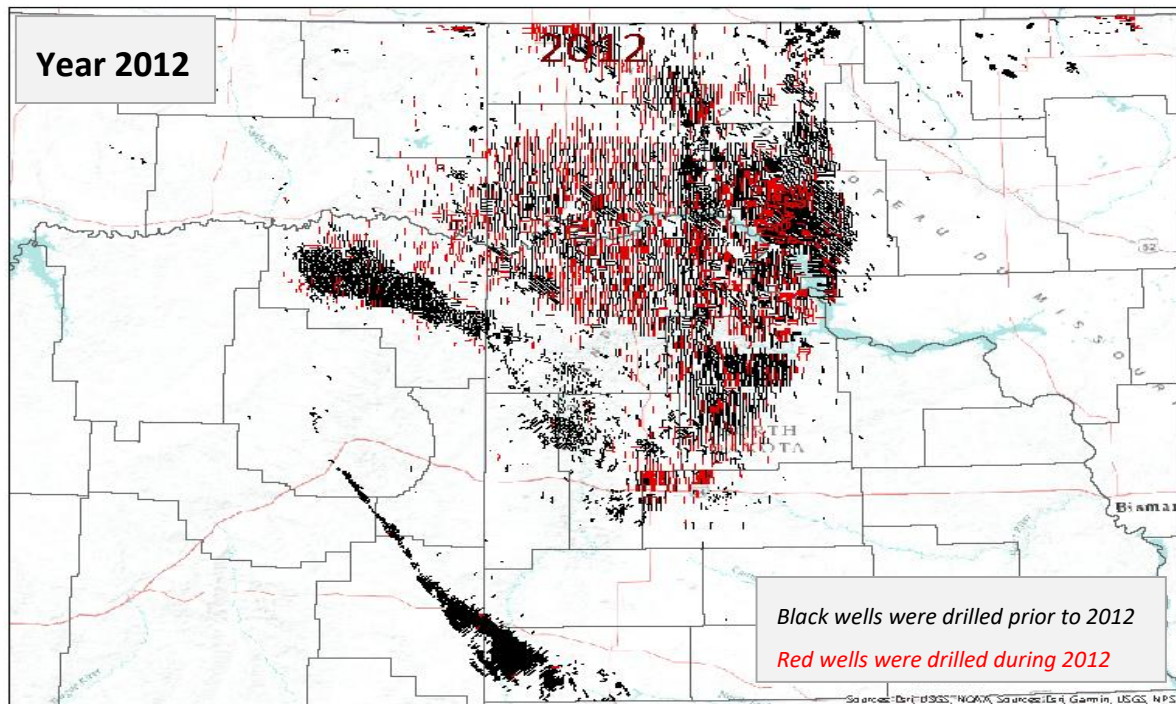
Figure 14: Williston Basin Map

However, as new completion techniques and technologies were applied, more of the Bakken was drilled and completed for positive economic gain. As improvements drove Bakken Development into McKenzie, Williams, and Dunn counties, the underlying Three Forks was tested successfully as well.



**Figure 15: A Look Back at the Williston Basin in 2008**

The Three Forks formation lies uniformly underneath the Bakken Formation throughout much of western North Dakota. Consisting of mudstone and dolostone with occasional anhydrite nodules and beds, the Three Forks Formation is comprised of 4 benches. Though there has been some production from lower benches, the majority of economic production has originated in the 1<sup>st</sup> Bench, which has a maximum thickness of 85 ft. The Three Forks currently accounts for 35% of all production in the state of North Dakota, compared to the Bakken's 61%.



**Figure 16: A Look Back at the Williston Basin in 2012**

## MINERAL ASSET SUMMARY BY COUNTY

Though the Subject Mineral tracts are spread relatively evenly among the counties of North Dakota in proportion to land mass, the majority of the current wells and appraised value originate in top four oil producing counties in the state; McKenzie, Mountrail, Williams, and Dunn. Additionally, there is meaningful oil and gas activity in Bowman, Divide, and Stark counties.

County	Current Well Count	DTL Net Mineral Acres	Appraised Value
MCKENZIE	2,594	160,885	\$1,064,769,887
MOUNTRAIL	2,251	99,464	\$434,052,457
WILLIAMS	1,568	92,062	\$335,365,607
DUNN	699	97,214	\$316,590,462
BOWMAN	24	61,219	\$79,840,747
BILLINGS	135	58,108	\$51,140,966
DIVIDE	462	71,913	\$37,776,017
BURKE	151	50,451	\$19,990,219
STARK	371	54,320	\$19,297,459
MCLEAN	19	124,618	\$9,875,246
BOTTINEAU	33	36,989	\$8,821,316
GOLDEN VALLEY	12	41,863	\$5,546,554
SLOPE	0	52,446	\$2,895,064
WARD	1	73,968	\$1,551,382
RENVILLE	20	24,455	\$1,316,038
MCHENRY	2	66,693	\$464,025
OTHER	0	1,431,046	\$2,146,057
<b>GRAND TOTAL</b>	<b>8,342</b>	<b>2,597,716</b>	<b>\$2,391,439,503</b>

\*A "current" well is defined as a well which has been spud. A unitized field evaluated as a conglomerate is counted as one "well" within this table.

Table 7: Subject Minerals Breakdown by County

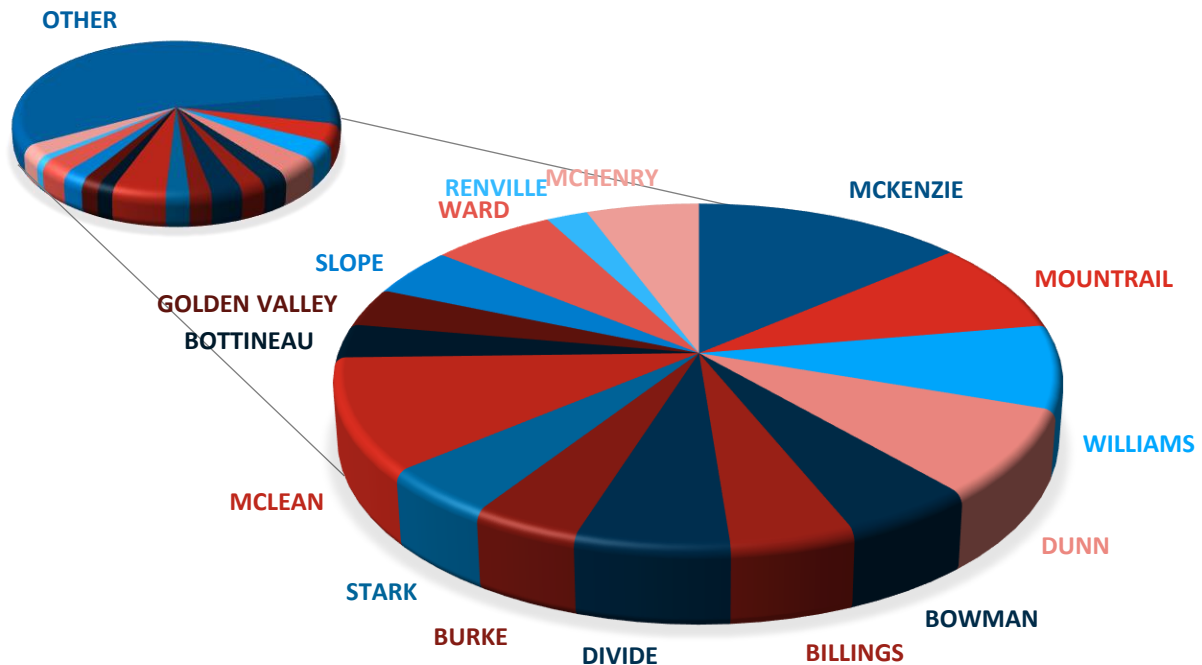


Figure 16: Net Mineral Acres per County & per Oil Producing County

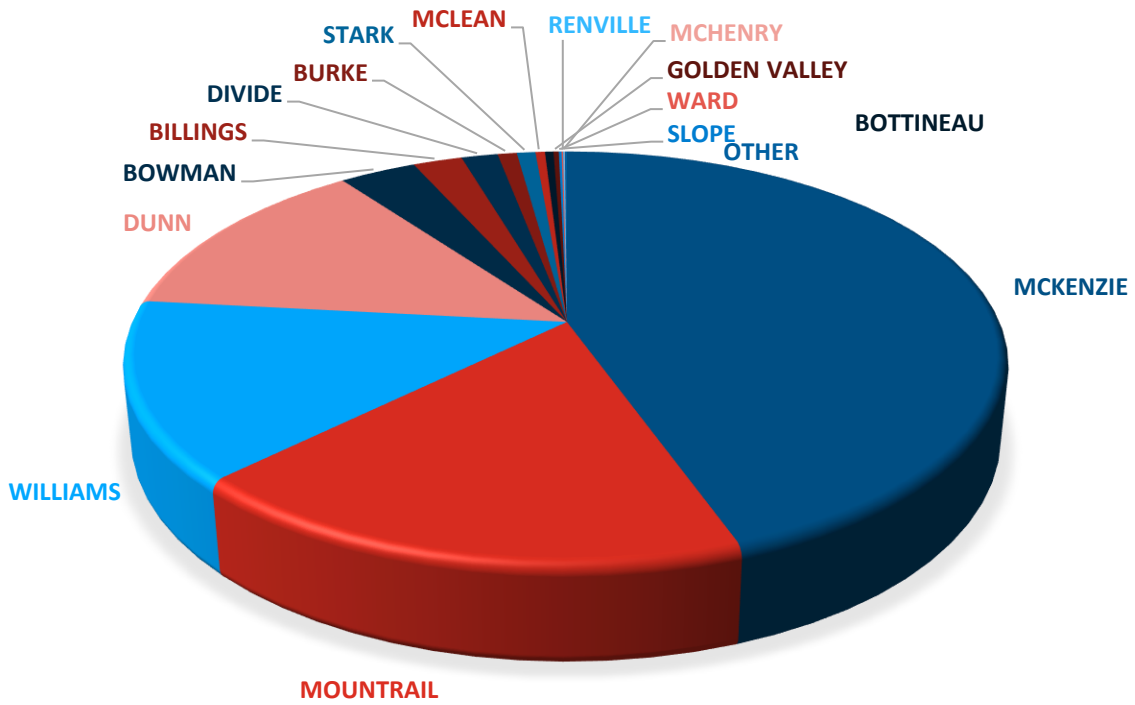


Figure 19: Total Appraisal Value by County

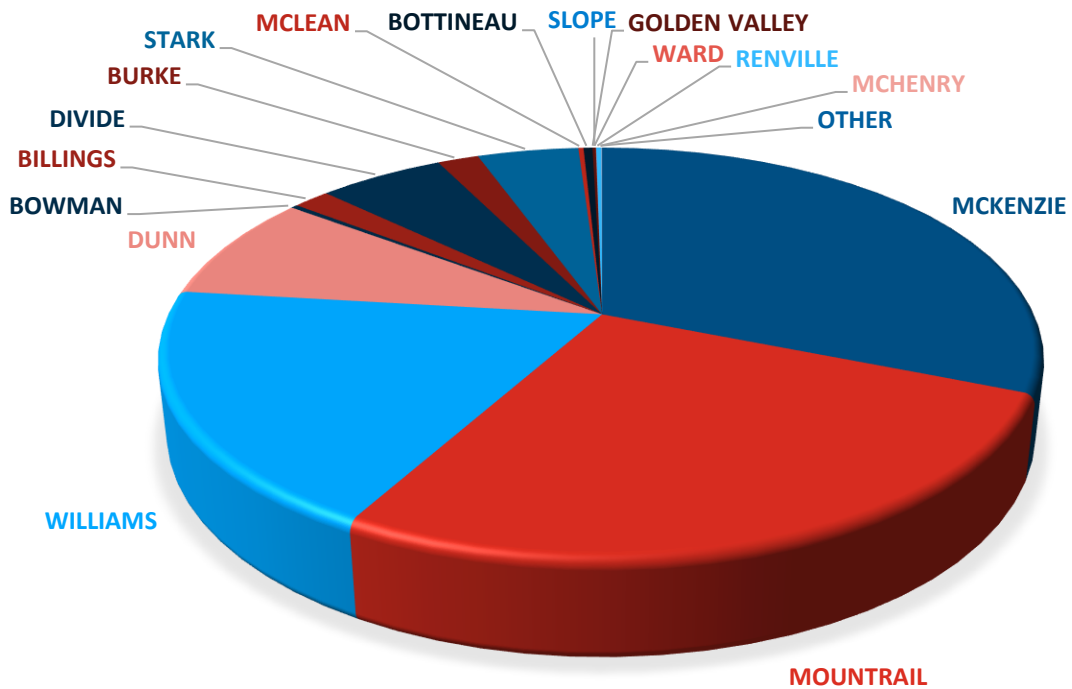


Figure 20: Well Count by County

Note: A unitized field evaluated as a conglomerate is counted as one "well" within this chart.



### McKenzie County

The Subject Minerals include 161,184 net mineral acres (“NMA”) in McKenzie County, North Dakota, which accounts for 6.2% of the State’s total acreage position. McKenzie County is also the highest oil producing county in the state of North Dakota, with areas of prolific production in the northeastern regions of the county. Bakken drilling activity in McKenzie County became widespread in 2010 and has since been an area of focus for operators in the Williston Basin. Both the Bakken and Three Forks formations are present and highly productive in most areas of active development within the county.

Recent activity has expanded from the core, that is, the highest oil producing, regions of McKenzie County with promising results in non-core regions in the western reaches of the County. Higher water-to-oil-ratios (“WOR”) in the western portions of the basin remain a challenge to progress, particularly in low oil price environments; however, the positive uplift in oil production as a result of improving completion technology has lead to lower breakeven prices than were previously experienced in the earlier days of the Bakken/Three Forks play.

McKenzie County also contains over 500,000 acres of Federal Grasslands—the most of any county in the state—with the majority located in the southwestern region of the County. Federal drilling permits are difficult to acquire and have stringent requirements, impeding drilling activity in much of the County.

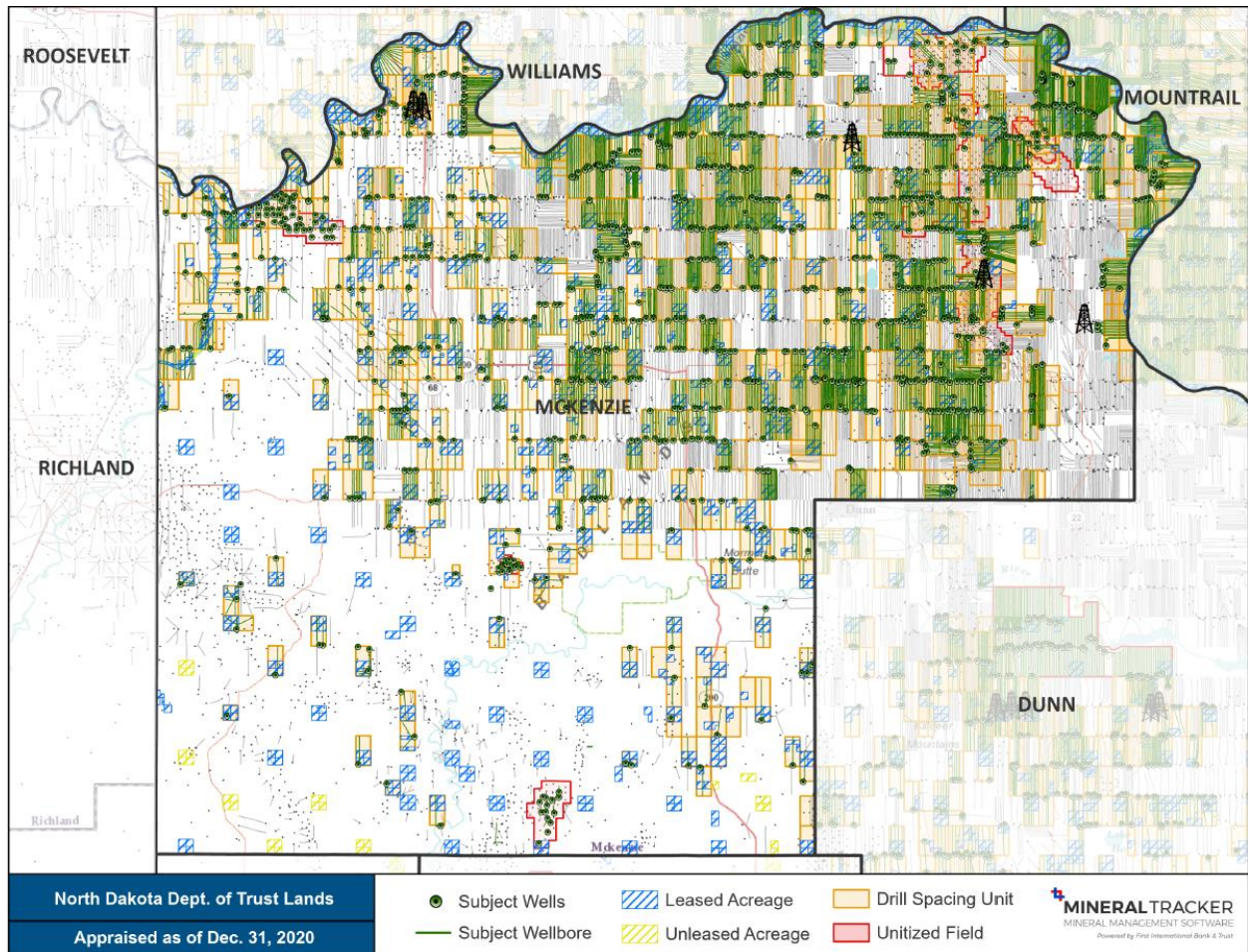


Figure 21: McKenzie County Map

### Mountrail County

The Subject Minerals include 99,464 NMA in Mountrail County, North Dakota, which accounts for 3.8% of the State’s total acreage position. Mountrail County is the second highest oil producing county in the state. Modern unconventional Bakken development in North Dakota began in the Parshall Oil Field in 2006. Though the drilling and completion techniques employed at that time were less effective than what is currently being used by operators, systems of naturally occurring macro-fracture networks within the Bakken Reservoir led to prolific oil production rates early in the development of Mountrail County.

Much of the core area in Mountrail County has been heavily infilled and the majority of future core development is projected to occur under Lake Sakakawea. The Three Forks reservoir pinches out near the eastern boundary of the Bakken Activity in Mountrail County, and exploration in the Bakken reservoir beyond the defined eastern boundary has displayed drastically increasing WOR’s in test wells, which were uneconomic, many producing nearly no oil.

There is significant drilling potential in the northcentral and northwestern regions of the county, in which many drill spacing units (“DSU’s”) are held by a single well. The non-core acreage in northern Mountrail has traditionally required higher breakeven oil prices, but improvements in completion techniques over the past three years have proven successful in the Bakken and Three Forks.

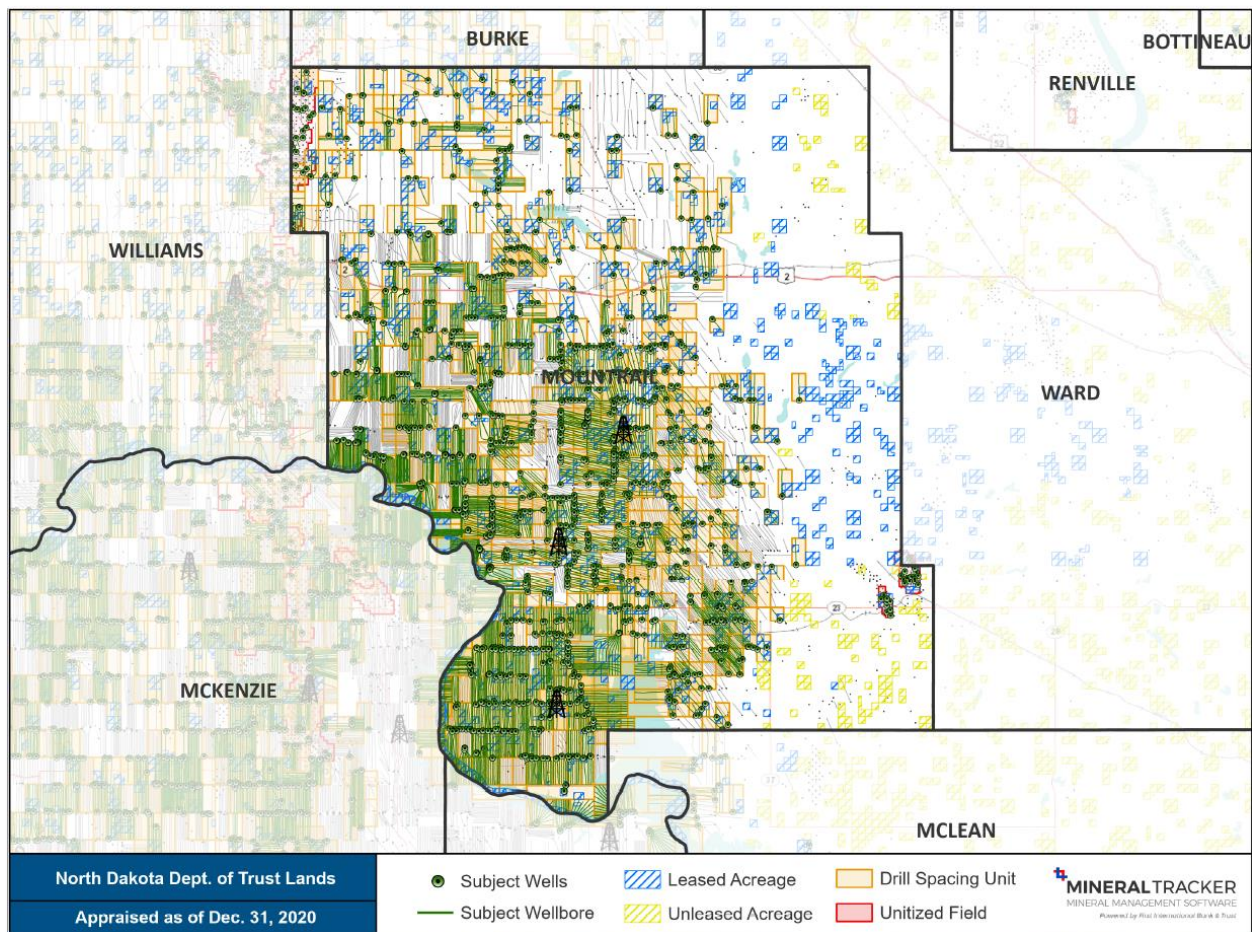


Figure 22: Mountrail County Map

## Dunn County

The Subject Minerals include 97,214 NMA in Dunn County, North Dakota, which accounts for 3.7% of the State's total acreage position. Dunn County is the third highest oil producing county in the state. Early Bakken development began in Dunn County in 2006 and was a region of sustained activity throughout the development of the unconventional resource.

Unique to Dunn County, much of the acreage was developed in a pattern of two Bakken wells per 1280-acre DSU prior to the widespread use of cemented liners in the lateral segments of Bakken and Three Forks wellbores. As a result, Dunn County has a large number of wellbores that were completed with no steel liner in the lateral segment. Operators in Dunn County have developed an operation in which a new steel liner is placed in the lateral segment of the previously open wellbore, and then cemented in place. The operator then perforates the new cemented liner and hydraulically fractures the reservoir in a similar method employed on newly drilled wells today. The results of these "recompletion" efforts have been strongly positive, significantly improving the estimated ultimate recovery ("EUR") of the wells on which the operation is performed.

In the productive regions in the southern half of Dunn County, the Three Forks has traditionally underperformed the Bakken throughout most of the history of the region. However, recent improvements in completion techniques applied to the Three Forks reservoir have shown that economic Three Forks development exists further south than previously believed. The southeastern boundary of the Bakken is well defined in Dunn County, indicating that development of the southeastern quadrant of the county is unlikely to occur.

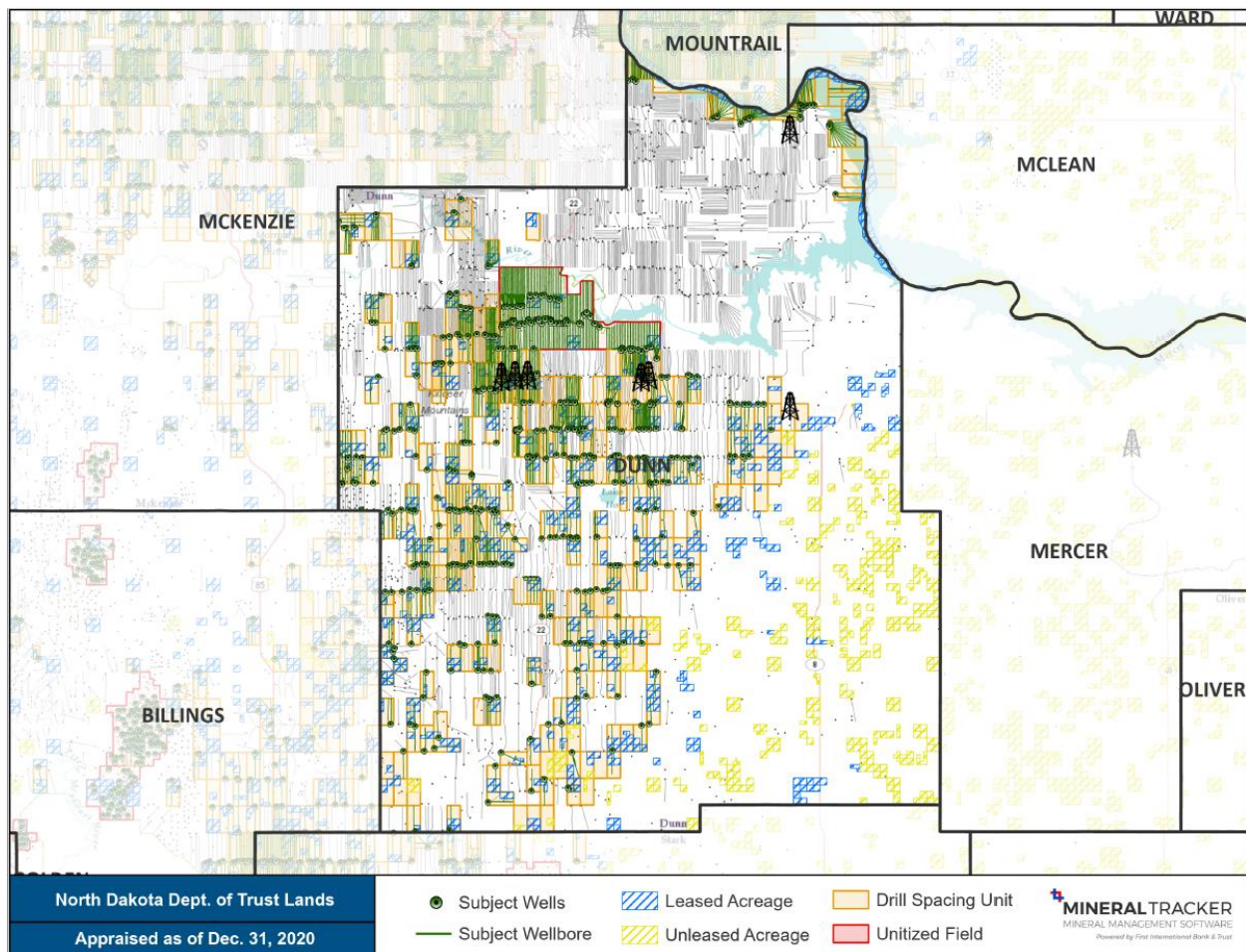


Figure 23: Dunn County Map

## Williams County

The Subject Minerals include 92,062 NMA in Williams County, North Dakota, which accounts for 3.5% of the State’s total acreage position. Williams County is the fourth highest oil producing county in the state. Bakken drilling activity in the southern half of Williams County became widespread in 2010 and has since been an area of focus for operators in the Williston Basin. Additionally, Williams County contains a significant portion of the legacy production from conventional reservoirs in the state, mostly located along the Nesson Anticline, an important geological structure that stretches along the eastern boundary of the county. The Nesson Anticline is the structure on which the first productive well in North Dakota was drilled, and today is occupied by several unitized fields pooling conventional resources from multiple stratigraphic zones.

Central, southcentral, and southeastern Williams County are considered premium core acreage for both the Bakken and Three Forks. Significant development potential exists in the Grinnell Bakken Unit and Hofflund Bakken Unit, both located in the southeastern region of the county. The acreage in northcentral and northeastern Williams County has greatly benefited from improvements in completion techniques being employed by operators. Breakeven oil prices in these traditionally non-core regions of the county have meaningfully improved as Bakken and Three Forks tests have proven successful in the recent past.

In the western reaches of the county, recent development has shown significant improvement from previous wells in the southwestern quadrant. The northwestern corner of the county has remained largely non-productive, even as other non-core acreage has experienced positive improvements in well performance.

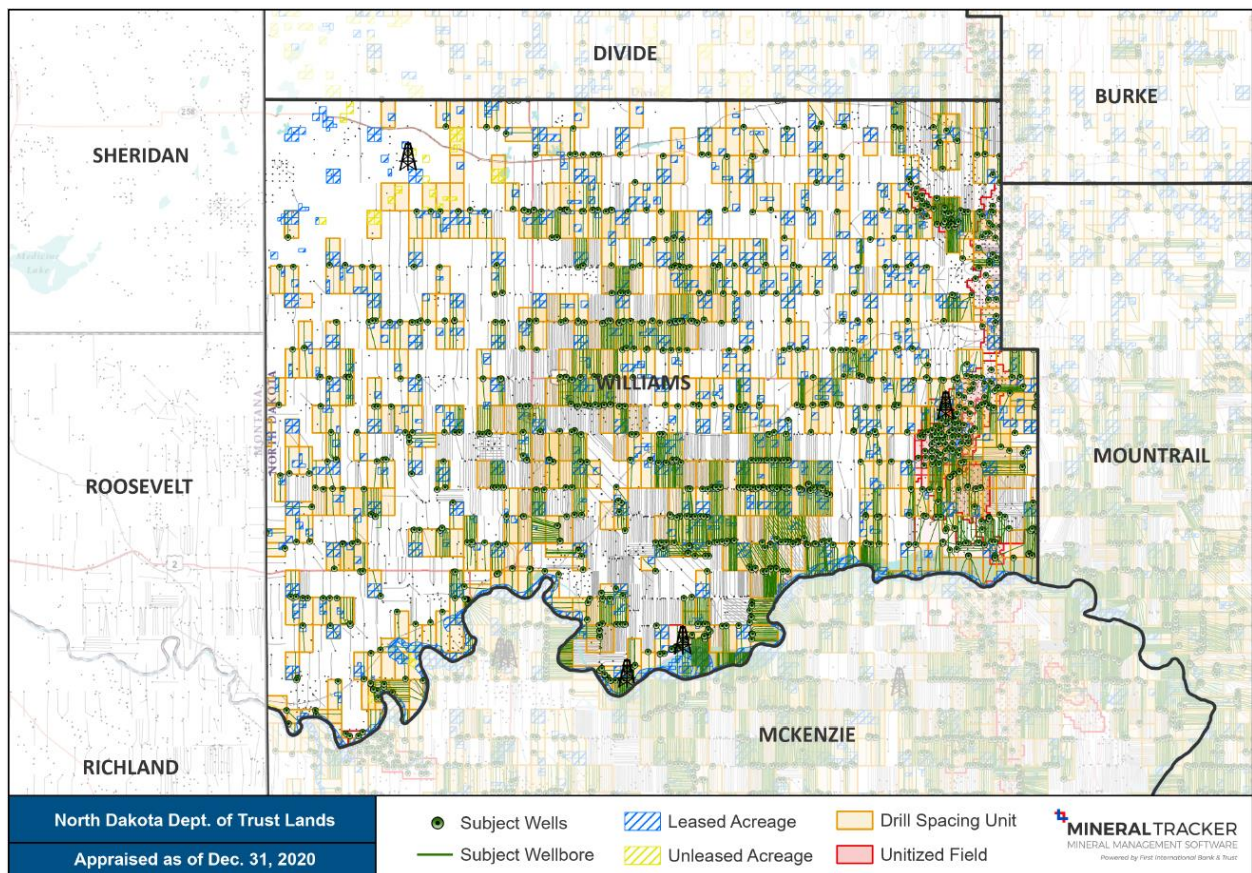


Figure 24: Williams County Map

### Bowman County

89% of the Subject Minerals' appraised value originates from tracts within the top four oil producing counties in the state: McKenzie, Mountrail, Dunn, and Williams. However, there is meaningful oil production and potential in other North Dakota counties, such as Bowman County.

The Subject Minerals include 61,219 NMA in Bowman County, North Dakota, which accounts for 2.4% of the State's total acreage position. Bowman County is the fifth highest oil producing county in the state. Bowman County is located south of the unconventional Bakken and Three Forks oil play, with its production originating from the conventional Red River "B" formation along the Cedar Creek Anticline.

The Red River "B" play in Bowman County was developed from the 1990's into the early 2000's, and currently consists of several unitized fields in the Medicine Pole Hills Oil Field. The Medicine Pole Hills units are in the secondary recovery phase of recovery, and currently rely on water and/or air injection to produce the resources in place.

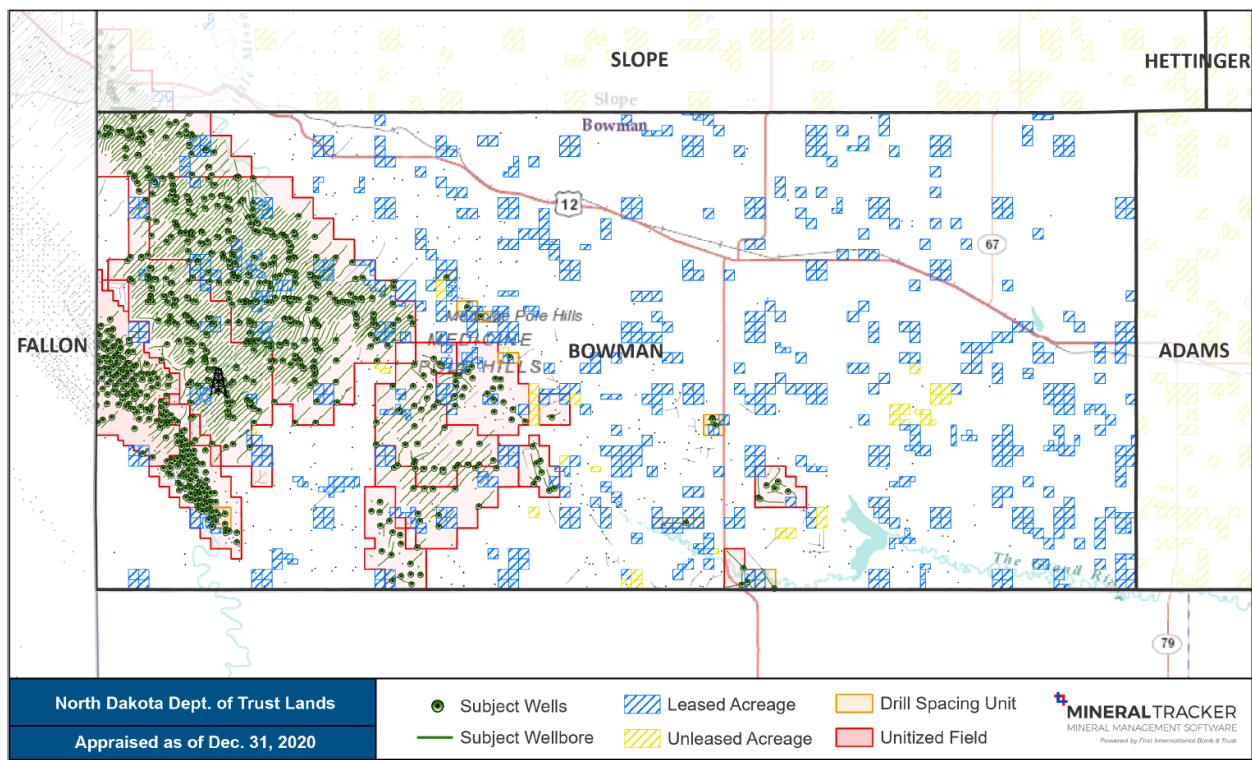


Figure 25: Bowman County Map

### Divide County

The Subject Minerals include 71,913 NMA in Divide County, North Dakota, which accounts for 2.8% of the State’s total acreage position. Divide County is the sixth highest oil producing county in the state. Unconventional development of the Bakken and Three Forks reservoirs became widespread in 2010 and continued with the support of high oil prices through 2014. There exists a small region of above-average well performance, predominantly in the Three Forks, adjacent to the Canadian border. Heavily infilled, the area of highest performing wells in Divide County was made more attractive by a lower cost of drilling and completing in this shallower region of the Williston Basin.

The southern three quarters of Divide County are mostly held by production with one well per 1280-acre spacing unit. It is expected that higher oil prices or improved recovery factors will be necessary to justify the development of the non-core acreage in the northern reaches of the Bakken/Three Forks oil play.

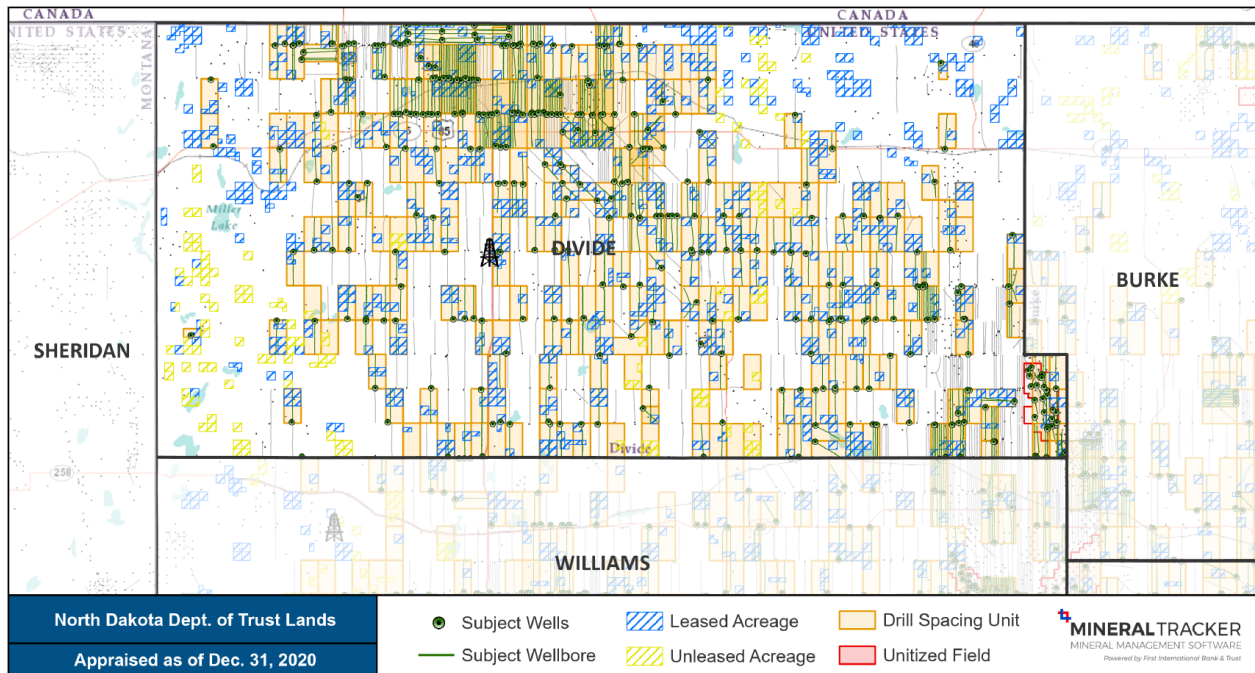


Figure 26: Divide County Map

### Stark County

The Subject Minerals include 54,320 NMA in Stark County, North Dakota, which accounts for 2.1% of the State’s total acreage position. Stark County is the seventh highest oil producing county in the state. Stark County’s exposure to the unconventional Bakken/Three Forks oil play is limited to a small region in the northwest corner of the county.

Core data in 2011 showed that the primary producing interval in Stark County was an anomaly to the rest of the basin, as it was a separate layer of siliciclastics and carbonates underlying the lower Bakken Shale, and overlaying the 1<sup>st</sup> Bench of the Three Forks formation. The newly discovered interval was named the “Pronghorn Member” and is now technically considered a member of the Bakken Formation rather than the Three Forks. As a common misnomer, the Pronghorn is still most often referred to as the Three Forks formation; therefore, for the purpose of this report, those wells producing from the Pronghorn are included in the counts of Three Forks wells.

Several tests were performed to the south and east of current production, however all were plugged as “dry holes”, providing evidence that the defined boundary of current production is the limiting area of reserves in the Bakken and Three Forks reservoirs.

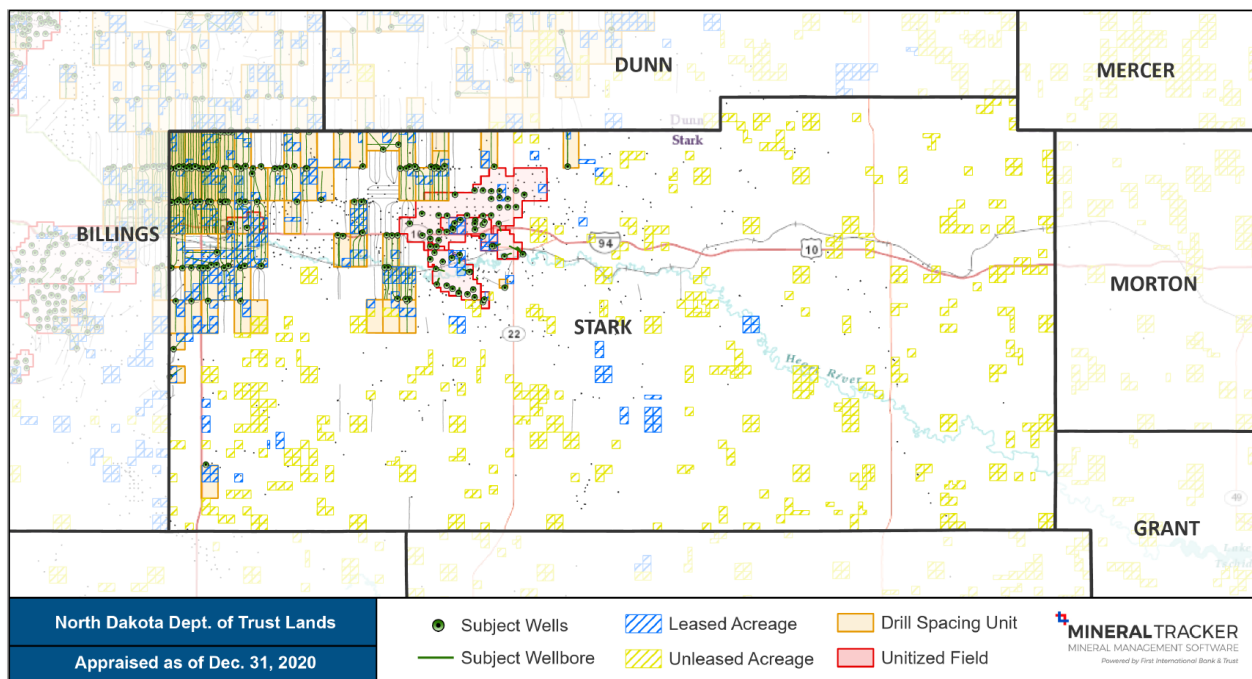


Figure 27: Stark County Map

### Other Counties

Nine other counties in the state of North Dakota contribute lower levels of oil and/or gas production from which the State realizes royalties. They include Burke, Billings, Bottineau, McLean, Renville, Golden Valley, McHenry, Ward, and Slope, totaling in an additional 373 subject wells.

The seven highest producing counties in the state—McKenzie, Mountrail, Dunn, Williams, Bowman, Divide, and Stark—account for 93.3% of the total Subject Minerals’ appraised value. The other nine counties with lower oil and/or gas production account for 6.6% of the total appraised value, and those 37 counties with no oil and/or gas production account for 0.1% of the total appraised value, most of which was evaluated with a minimum dollar per acre value.

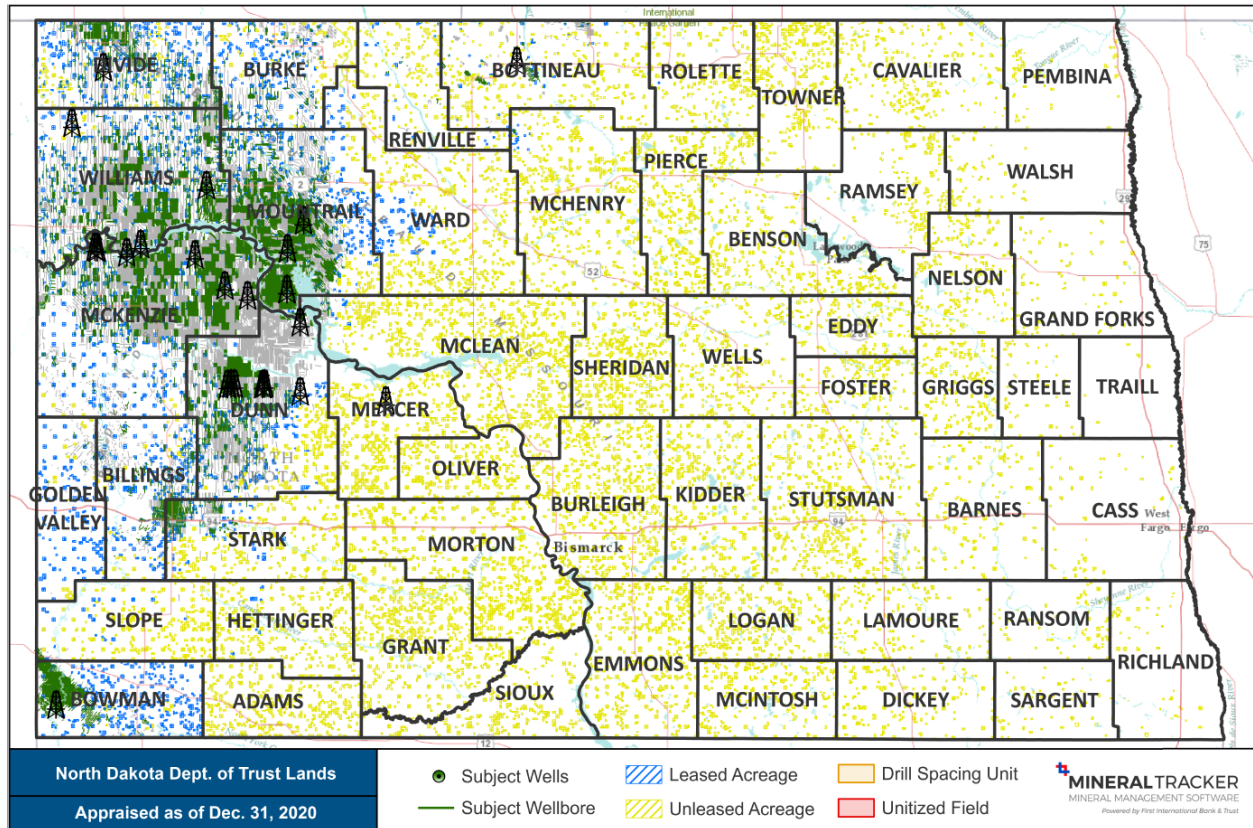


Figure 28: State Overview Map



## MINERAL ASSET SUMMARY BY OPERATOR

The State's widespread and diverse mineral asset is operated by 71 entities, however, the top 20 operators account for 89% of the current wells in which the State holds interest, and 89% of the total appraised value of all Subject Minerals.

Operator	Current Well Count*	DTL Net Mineral Acres	Appraised Value
CONTINENTAL RESOURCES	1,112	64,012	\$521,210,785
HESS	948	47,812	\$236,242,903
WHITING	1,046	42,145	\$196,702,008
CONOCOPHILLIPS	568	16,531	\$175,432,672
XTO	466	34,795	\$164,280,277
MARATHON	503	18,914	\$157,085,623
SLAWSON	347	14,499	\$118,082,295
OASIS	498	24,461	\$105,905,333
EQUINOR	361	17,343	\$101,218,312
PETRO-HUNT	307	27,479	\$69,028,522
OVINTIV	11	4,607	\$51,677,536
KRAKEN	100	8,109	\$47,273,758
QEP	198	5,896	\$46,752,880
EOG	321	13,750	\$26,008,467
LIME ROCK	160	13,389	\$25,373,372
MUREX	72	8,142	\$21,979,938
BRUIN	122	12,279	\$21,819,160
CRESCENT POINT	85	6,957	\$20,179,605
NINE POINT	109	3,912	\$13,422,395
RESOURCE ENERGY	116	6,477	\$5,822,302
OTHER	892	82,349	\$212,479,339
UNDEVELOPED	-	2,123,859	\$53,462,020
<b>GRAND TOTAL</b>	<b>8,342</b>	<b>2,597,716</b>	<b>\$2,391,439,503</b>

\*A "current" well is defined as a well which has been spud. A unitized field evaluated as a conglomerate is counted as one "well" within this table.

Table 8: Subject Minerals Breakdown by Operator

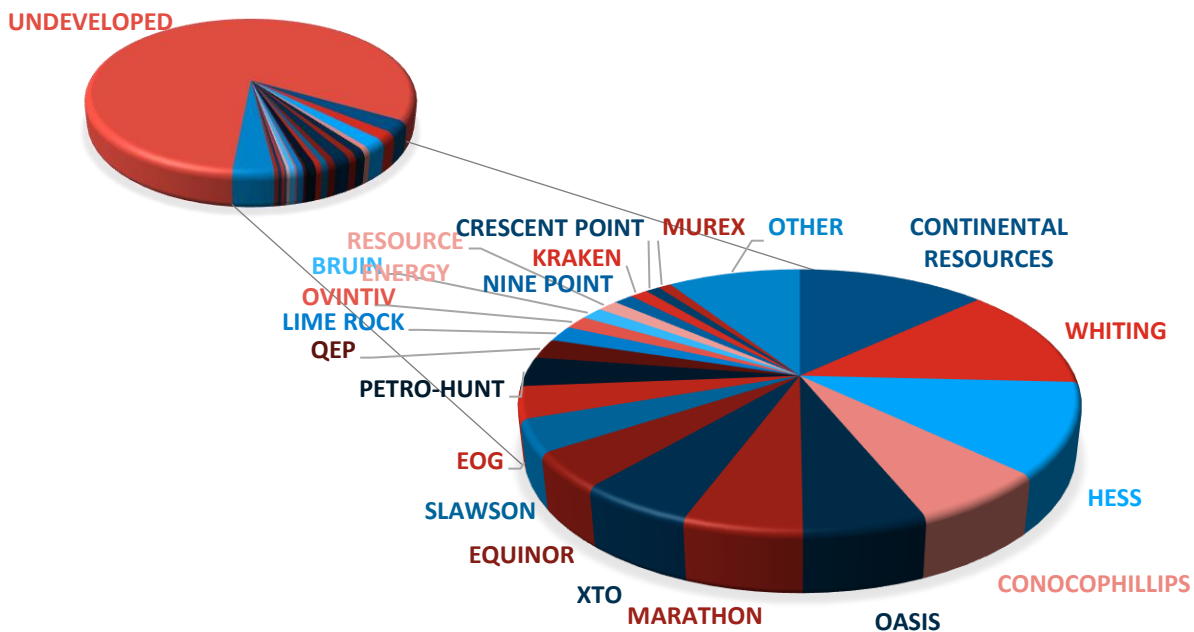


Figure 29: Net Mineral Acres per Operator

## CONCLUSION

The conclusions of the Mineral Estate Valuation report result from the analysis of pertinent data assembled and interpreted by a qualified appraiser. The intention of this report is to establish an opinion of value using fair market determinations in conjunction with directives provided by the Minerals Valuation Policy that was adopted on June 25, 2020 by the North Dakota University and School Lands Board.

The analysis employed to form the opinion of value was conducted in compliance with the SME Standards and Guidelines for the Valuation of Mineral Properties and the SPE Petroleum Resource Management System. The valuation techniques that were performed utilized both an Income Approach and a Market Approach to provide a deterministic value of all Subject Minerals, which have been more fully described herein. The data—such as oil and gas production, well information, mapping information, etc.—that was assembled for the purposes of the Mineral Estate Valuation, was obtained from reputable public sources, including the North Dakota Department of Mineral Resources. Additional information related to the ownership of the Subject Minerals was provided by the State.

In consideration of all relevant information, and the interpretation thereof, as thoroughly described in this report, it is the opinion of this qualified appraiser that the value of all Subject Minerals as of **December 31, 2020** is **\$2,391,439,503.00**.

Reserve Class & Category	PDP	PDSI	PDNP	PUD	PROB	POSS	Total
Case Count	7,586	455	301	7,826	661	622	17,451
Cumulative Royalty Interest	206.02	15.86	9.51	223.66	18.51	17.88	491
Gross Oil (BBL)	1,660,236,893	38,076,495	167,691,740	3,692,754,246	125,931,960	85,139,259	5,769,830,592
Gross Gas (Mcf)	3,954,353,796	108,154,452	339,630,472	7,053,686,017	176,227,613	112,995,544	11,745,047,895
Gross Reserve (BOE)	2,319,295,859	56,102,237	224,296,818	4,868,368,582	155,303,229	103,971,850	7,727,338,574
Net Oil (BBL)	46,692,893	1,061,465	5,527,891	107,553,051	3,506,289	2,397,023	166,738,612
Net Gas (Mcf)	79,246,774	2,342,579	10,443,370	192,161,542	4,534,378	2,902,898	291,631,540
Net Reserve (BOE)	59,900,689	1,451,894	7,268,453	139,579,974	4,262,019	2,880,839	215,343,868
Undiscounted Cash Flow	\$ 2,799,232,728	\$ 63,572,650	\$ 338,382,052	\$ 6,080,908,205	\$ 194,460,832	\$ 132,674,032	\$ 9,609,230,499
NPV10	\$ 1,448,889,137	\$ 28,750,577	\$ 179,862,608	\$ 1,669,852,978	\$ 19,519,580	\$ 11,795,087	\$ 3,358,669,968
NPV12.5	\$ 1,305,169,047	\$ 25,171,341	\$ 162,060,597	\$ 1,322,918,221	\$ 12,308,342	\$ 7,099,860	\$ 2,834,727,408
NPV15	\$ 1,191,115,045	\$ 22,362,227	\$ 147,546,694	\$ 1,071,469,043	\$ 8,090,560	\$ 4,429,812	\$ 2,445,013,380
NPV20	\$ 1,020,627,541	\$ 18,229,388	\$ 125,019,584	\$ 739,518,371	\$ 3,919,285	\$ 1,917,789	\$ 1,909,231,958
NPV25	\$ 898,147,292	\$ 15,323,799	\$ 108,083,177	\$ 536,726,380	\$ 2,163,654	\$ 957,084	\$ 1,561,401,387
NPV30	\$ 804,990,783	\$ 13,160,182	\$ 94,723,361	\$ 403,973,995	\$ 1,322,097	\$ 548,630	\$ 1,318,719,047
<b>Appraised Value Subtotal</b>	<b>\$2,363,837,827</b>						
<b>Additional Undeveloped Acreage</b>	<b>\$27,601,677</b>						
<b>Total Appraised Value</b>	<b>\$2,391,439,503</b>						

**Table 9: Valuation Summary**

MineralTracker is honored to provide this important valuation for the benefit of the state of North Dakota. Further information related to the valuation of the State's mineral asset is included in the appendices that follow.

Sincerely,



Joel Brown, Appraiser

**PROFESSIONAL QUALIFICATION STATEMENT****Joel Brown**

Mr. Brown is one of the original founders of MineralTracker and acts as the primary technical professional responsible for developing the estimates of future net reserves and income. Since the acquisition of MineralTracker by First International Bank & Trust in 2020, Mr. Brown holds the position of Mineral Services Manager with First International. Mr. Brown has significant experience evaluating non-operated assets in the Williston Basin through numerous acquisition and divestment efforts. Mr. Brown grew up in Watford City, ND and graduated with a Bachelor of Science degree in Petroleum Engineering from the University of North Dakota.

Placing a high priority on community involvement, Mr. Brown serves on several boards including, President of the McKenzie County Job Development Authority, board member of the Save the Maah Daah Hey Foundation, the UND Petroleum Engineering Advisory Committee, the Rough Rider Fund Committee, the District 39 GOP Executive Board, and the Watford City Assembly of God Board of Deacons.

## APPENDICES

Appendix A: Minerals Valuation Policy

Appendix B: Appraisal Cash Flow Summaries

Appendix C: Oil Price Sensitivity Cash Flow Summaries

Appendix D: List of Subject Mineral Rights\*

Appendix E: List of Subject Wells\*

Appendix F: Decline Curves\*

Appendix G: Well Cash Flow Forecasts\*

\*When this report is viewed in an electronic format, some appendices were provided as separate files from the main report to limit file size.

## APPENDIX A: MINERALS VALUATION POLICY

North Dakota Board of University and School Lands: Minerals

### Minerals Valuation

In order to provide a uniform and equitable leasing system for the Board's oil and gas mineral estate, the Department will conduct a Mineral Valuation Assessment (Assessment). In executing the Assessment, the Department shall consider all Proved Developed Producing wells currently under the Board's management and perform decline curve analysis to project future oil, gas, and water production for each well. For any undeveloped mineral acreage in which oil and gas reserves are prospective but unproven, the Board shall employ market rate conversions related to the recent leasing bonus payments.

As a part of the Assessment, the Board will approve the Commodity Effective Date, Commodity Price Schedule, and the Discount Rate.

#### Commodity Effective Date

The Commodity Effective Date for the Board will be set for December 31 of each year.

#### Commodity Price Schedule

Historical data from the Commodity Effective Date to the date economic reports are generated and NYMEX pricing from the date economic reports are generated forward shall be used.

#### Discount Rate

The Board shall use the Discount Rate as follows:

Proved Developed Producing (PDP) – 10.0%  
 Proved Developed Shut-In (PDSI) – 12.5%  
 Proved Developed Non-Producing (PDNP) – 15.0%  
 Proved Undeveloped (PUD) – 20.0%  
 Probable Undeveloped (PROB) – 25.0%  
 Possible Undeveloped (POSS) – 30.0%

Effective Date: June 25, 2020

Revised:

APPENDIX B: APPRAISAL CASH FLOW SUMMARIES

Date: 11/08/2021 9:51:45PM **ECONOMIC SUMMARY PROJECTION** Total

Project Name: ND Dept. Of Trust Lands As Of Date: 01/01/2021  
 Partner: All Cases Discount Rate (%): 10.00  
 Case Type: GRAND TOTAL CASE All Cases

Cum Oil (bbl): 2,825,847,877.64  
 Cum Gas (Mcf): 4,030,815,801.08

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	192,775,121.38	500,888,855.54	5,595,198.00	10,659,643.75	65.17	2.00	364,617,307.44	21,320,586.22	0.00
2022	197,851,626.00	443,052,106.64	5,706,473.93	9,822,441.69	69.86	2.15	398,640,675.90	21,086,084.41	0.00
2023	215,509,555.07	454,186,332.84	6,348,930.73	10,786,707.36	62.68	1.75	397,981,059.91	18,864,144.92	0.00
2024	227,821,669.17	471,134,169.99	6,601,380.98	11,239,255.62	57.92	1.62	382,329,213.21	18,219,864.54	0.00
2025	231,482,253.44	477,126,355.85	6,928,706.60	11,797,423.70	54.77	1.54	379,501,873.43	18,209,924.83	0.00
2026	228,721,753.19	466,934,234.61	6,832,659.00	11,742,013.33	52.87	1.52	361,217,491.31	17,797,516.04	0.00
2027	227,096,179.76	456,798,033.01	6,789,911.61	11,659,570.82	51.94	1.53	352,685,900.60	17,874,489.53	0.00
2028	223,679,622.62	444,108,271.26	6,553,596.06	11,222,961.60	51.90	1.57	340,152,455.51	17,580,252.79	0.00
2029	220,730,787.02	434,712,214.91	6,250,746.17	10,583,318.35	52.18	1.59	326,172,059.81	16,822,502.20	0.00
2030	219,277,241.47	430,199,914.30	6,283,684.88	10,478,970.67	52.48	1.64	329,773,580.61	17,162,806.97	0.00
2031	216,015,155.04	432,974,504.19	6,119,551.37	10,550,516.78	52.79	1.67	323,055,701.63	17,642,715.13	0.00
2032	211,750,511.42	422,595,566.23	5,986,776.93	10,406,003.04	53.13	1.82	318,076,692.74	18,938,925.54	0.00
2033	205,429,299.94	407,536,300.75	5,828,948.28	10,153,206.62	53.13	1.82	309,691,312.21	18,478,836.05	0.00
2034	197,646,002.54	393,249,764.30	5,534,923.15	9,688,573.64	53.13	1.82	294,069,806.60	17,633,204.02	0.00
2035	191,165,567.18	381,552,510.25	5,319,183.43	9,363,096.30	53.13	1.82	282,607,601.24	17,040,835.27	0.00
<b>Rem</b>	2,562,878,446.53	5,127,998,760.20	74,057,940.61	131,477,836.80	53.13	1.82	3,934,695,415.07	239,289,662.97	0.00
<b>Total</b>	<b>5,769,830,591.76</b>	<b>11,745,047,894.86</b>	<b>166,738,611.71</b>	<b>291,631,540.08</b>	<b>54.55</b>	<b>1.76</b>	<b>9,095,268,147.21</b>	<b>513,962,351.42</b>	<b>0.00</b>
<b>Ult</b>	<b>8,595,678,469.40</b>	<b>15,775,863,695.95</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	8,811.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	385,937,893.65	366,087,071.60
2022	9,305.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	419,726,760.31	727,706,833.11
2023	9,784.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	416,845,204.83	1,052,909,551.44
2024	10,256.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	400,549,077.74	1,335,593,162.23
2025	10,697.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	397,711,798.26	1,589,627,990.56
2026	11,104.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	379,015,007.35	1,808,971,286.70
2027	11,508.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	370,560,390.12	2,003,101,245.92
2028	11,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	357,732,708.29	2,172,755,794.63
2029	12,281.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	342,994,562.01	2,319,905,109.91
2030	12,678.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	346,936,387.58	2,454,633,675.87
2031	13,090.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	340,698,416.76	2,574,493,327.84
2032	13,491.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	337,015,618.28	2,681,748,401.03
2033	13,888.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	328,170,148.26	2,776,313,268.46
2034	14,218.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	311,703,010.62	2,857,651,831.23
2035	14,456.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	299,648,436.51	2,928,393,444.05
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,173,985,078.03	430,276,523.67
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9,609,230,498.63</b>	<b>3,358,669,967.72</b>

Present Worth Profile (\$)

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	3,358,669,967.72
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	2,834,727,408.37
Years to Payout:	0.00	PW 15.00% :	2,445,013,379.90
Internal ROR (%):	0.00	PW 20.00% :	1,909,231,957.98
		PW 25.00% :	1,561,401,386.97
		PW 30.00% :	1,318,719,047.11

Date: 11/08/2021 10:08:41 PM

### ECONOMIC SUMMARY PROJECTION

Proved Producing Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 10.00  
 All Cases

Cum Oil (bbl): 2,578,811,063.64  
 Cum Gas (Mcf): 3,452,917,926.08

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	190,163,849.70	496,051,047.49	5,511,869.35	10,522,248.80	65.01	1.99	358,310,548.94	20,960,011.59	0.00
2022	144,602,455.30	354,134,917.84	4,109,305.60	7,321,408.94	70.20	2.16	288,474,773.03	15,801,405.82	0.00
2023	115,974,161.56	279,312,792.30	3,290,678.10	5,654,058.42	62.79	1.75	206,636,797.99	9,913,325.76	0.00
2024	99,824,224.35	237,880,160.59	2,832,194.39	4,766,800.54	57.99	1.62	164,240,379.64	7,725,043.13	0.00
2025	88,155,423.16	208,660,258.60	2,500,146.73	4,155,729.31	54.81	1.54	137,043,431.18	6,411,414.97	0.00
2026	79,537,623.13	187,433,426.35	2,253,796.67	3,716,948.79	52.87	1.51	119,166,383.97	5,630,667.07	0.00
2027	72,625,342.40	170,704,497.00	2,056,255.05	3,374,610.83	51.94	1.53	106,811,107.12	5,174,046.45	0.00
2028	67,083,280.75	157,419,769.41	1,896,637.35	3,104,972.94	51.90	1.57	98,440,261.97	4,864,794.60	0.00
2029	61,986,367.39	145,357,115.27	1,749,882.33	2,861,121.06	52.18	1.59	91,307,556.26	4,546,697.90	0.00
2030	57,696,316.62	135,284,033.75	1,625,761.99	2,658,727.70	52.48	1.64	85,317,775.47	4,351,506.64	0.00
2031	53,831,600.89	126,209,206.83	1,514,590.16	2,478,034.25	52.79	1.67	79,955,661.38	4,144,596.11	0.00
2032	50,440,597.28	118,291,608.13	1,416,861.51	2,321,090.10	53.13	1.82	75,277,086.40	4,224,383.98	0.00
2033	46,987,845.72	110,267,187.38	1,318,249.12	2,162,572.33	53.13	1.82	70,037,865.64	3,935,881.63	0.00
2034	43,751,957.68	103,065,943.00	1,215,720.10	2,019,311.24	53.13	1.82	64,590,548.75	3,675,146.46	0.00
2035	40,826,390.66	96,346,913.10	1,128,887.42	1,886,787.79	53.13	1.82	59,977,174.31	3,433,953.78	0.00
<b>Rem</b>	446,749,456.01	1,027,934,919.18	12,272,057.05	20,242,350.93	53.13	1.82	652,011,421.24	36,841,078.69	0.00
<b>Total</b>	<b>1,660,236,892.60</b>	<b>3,954,383,796.23</b>	<b>46,692,892.91</b>	<b>79,246,773.96</b>	<b>56.92</b>	<b>1.79</b>	<b>2,657,598,773.30</b>	<b>141,633,954.60</b>	<b>0.00</b>
<b>Ult</b>	<b>4,239,047,956.24</b>	<b>7,407,271,722.31</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	379,270,560.52	359,967,667.86
2022	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	304,276,178.85	623,064,318.94
2023	8,424.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	216,550,123.75	792,343,645.78
2024	8,410.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171,965,422.77	913,950,401.39
2025	8,391.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	143,454,846.16	1,005,742,043.73
2026	8,359.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	124,797,051.05	1,078,009,716.96
2027	8,331.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	111,985,153.58	1,136,703,585.57
2028	8,272.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	103,305,056.57	1,185,703,846.81
2029	8,240.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	95,854,254.16	1,226,856,064.87
2030	8,200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	89,669,282.11	1,261,705,181.87
2031	8,170.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	84,100,257.50	1,291,293,634.14
2032	8,136.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	79,501,470.38	1,316,612,083.32
2033	8,095.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	73,973,747.27	1,337,935,811.98
2034	8,028.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	68,265,695.21	1,355,753,322.18
2035	7,849.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	63,411,128.09	1,370,733,179.04
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	688,852,499.94	78,155,957.69
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,799,232,727.90</b>	<b>1,448,889,136.72</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW	10.00% : 1,448,889,136.72
ROI Investment (disc/undisc):	0.00 / 0.00	PW	12.50% : 1,305,169,046.92
Years to Payout:	0.00	PW	15.00% : 1,191,115,044.75
Internal ROR (%):	0.00	PW	20.00% : 1,020,627,540.83
		PW	25.00% : 898,147,292.33
		PW	30.00% : 804,990,782.55

Date: 11/08/2021 10:10:48PM

**ECONOMIC SUMMARY PROJECTION**

Proved Shut-In Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 12.50  
 All Cases

**Cum Oil (bbl):** 247,036,814.00  
**Cum Gas (Mcf):** 577,897,875.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,019,678.23	2,527,521.48	29,937.70	59,915.59	71.83	2.47	2,150,281.46	148,169.65	0.00
2022	3,174,593.23	8,897,228.08	89,436.25	200,292.79	69.92	2.13	6,253,191.97	427,393.56	0.00
2023	2,848,849.25	8,212,702.04	79,222.44	181,657.03	62.79	1.75	4,974,393.54	318,403.65	0.00
2024	2,488,511.29	7,244,455.74	68,895.12	158,810.18	57.99	1.62	3,995,071.86	257,365.81	0.00
2025	2,222,480.72	6,510,148.11	61,485.59	142,087.38	54.81	1.54	3,370,186.91	219,212.57	0.00
2026	2,018,230.96	5,942,415.49	55,795.72	129,182.56	52.87	1.51	2,950,129.85	195,702.91	0.00
2027	1,851,567.53	5,471,427.94	51,158.59	118,607.23	51.94	1.53	2,657,420.64	181,855.27	0.00
2028	1,717,929.84	5,083,761.16	47,393.13	109,936.96	51.90	1.57	2,459,849.91	172,252.37	0.00
2029	1,595,161.87	4,728,574.33	43,944.64	102,056.40	52.18	1.59	2,293,028.53	162,184.56	0.00
2030	1,489,283.77	4,413,903.06	41,015.29	95,104.27	52.48	1.64	2,152,448.09	155,654.49	0.00
2031	1,389,550.11	4,114,856.61	38,181.37	88,442.88	52.79	1.67	2,015,628.10	147,931.01	0.00
2032	1,303,766.83	3,855,155.14	35,854.51	82,886.39	53.13	1.82	1,904,950.08	150,853.24	0.00
2033	1,213,316.05	3,588,494.86	33,332.21	76,938.13	53.13	1.82	1,770,940.55	140,027.40	0.00
2034	1,131,102.46	3,350,075.41	31,104.21	71,894.89	53.13	1.82	1,652,566.74	130,848.71	0.00
2035	1,057,603.88	3,128,716.49	29,136.14	67,304.14	53.13	1.82	1,548,003.38	122,493.54	0.00
<b>Rem</b>	11,555,068.75	31,085,015.64	325,571.78	657,461.98	53.13	1.82	17,297,628.74	1,196,580.80	0.00
<b>Total</b>	<b>38,076,494.77</b>	<b>108,154,451.61</b>	<b>1,061,464.69</b>	<b>2,342,578.80</b>	<b>56.00</b>	<b>1.76</b>	<b>59,445,720.37</b>	<b>4,126,929.54</b>	<b>0.00</b>
<b>Ult</b>	<b>285,113,308.77</b>	<b>686,082,326.61</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	311.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,298,451.11	2,096,878.36
2022	307.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,680,585.53	7,648,489.87
2023	299.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,292,797.19	11,540,096.69
2024	292.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,252,437.68	14,298,921.96
2025	288.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,589,399.48	16,354,261.70
2026	284.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,145,832.76	17,944,627.22
2027	278.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,839,275.91	19,211,930.94
2028	272.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,632,102.28	20,249,131.95
2029	270.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,455,213.09	21,103,330.97
2030	269.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,308,102.58	21,812,542.61
2031	265.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,163,559.12	22,399,636.44
2032	262.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,055,803.31	22,892,237.22
2033	258.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,910,967.95	23,296,581.56
2034	252.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,783,415.45	23,629,824.38
2035	246.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,670,496.92	23,905,485.01
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	18,494,209.54	1,265,856.29
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>63,572,649.91</b>	<b>25,171,341.31</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	28,750,577.44
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	25,171,341.31
Years to Payout:	0.00	PW 15.00% :	22,362,227.02
Internal ROR (%):	0.00	PW 20.00% :	18,229,387.97
		PW 25.00% :	15,323,799.38
		PW 30.00% :	13,160,181.89



Date: 11/08/2021 10:13:20PM

**ECONOMIC SUMMARY PROJECTION**

Proved Non-Producing Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 15.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,582,261.21	2,300,881.70	53,374.75	77,464.34	77.85	2.74	4,155,227.23	212,363.52	0.00
2022	30,877,457.40	52,875,740.31	995,170.25	1,645,953.65	69.63	2.11	69,294,896.61	3,475,775.70	0.00
2023	20,405,848.43	41,126,889.08	671,343.73	1,286,276.35	63.00	1.76	42,292,547.52	2,263,853.26	0.00
2024	13,114,672.79	27,410,643.73	431,726.15	852,032.34	58.05	1.62	25,062,280.72	1,381,031.55	0.00
2025	9,963,322.79	21,033,892.74	328,436.33	650,032.77	54.84	1.54	18,010,834.39	1,002,911.83	0.00
2026	8,166,537.40	17,309,283.58	269,497.63	532,423.27	52.88	1.51	14,251,731.29	806,356.58	0.00
2027	6,977,299.55	14,813,844.35	230,448.87	453,906.23	51.95	1.53	11,971,220.86	695,806.86	0.00
2028	6,140,296.74	13,045,446.11	202,944.23	398,417.53	51.90	1.57	10,533,286.08	624,125.21	0.00
2029	5,477,708.12	11,639,366.08	181,148.89	354,476.54	52.18	1.59	9,452,217.31	563,238.72	0.00
2030	4,970,720.39	10,560,545.00	164,462.77	320,832.94	52.48	1.64	8,630,805.99	525,059.02	0.00
2031	4,560,283.42	9,685,168.15	150,946.73	293,609.69	52.79	1.67	7,968,579.32	491,038.95	0.00
2032	4,228,998.49	8,975,693.72	140,041.09	271,671.53	53.13	1.82	7,440,382.87	494,442.18	0.00
2033	3,917,540.06	8,308,704.80	129,774.14	251,298.56	53.13	1.82	6,894,900.26	457,363.39	0.00
2034	3,645,053.26	7,726,693.27	120,778.43	233,631.04	53.13	1.82	6,416,957.89	425,208.49	0.00
2035	3,393,169.15	7,191,281.10	112,471.70	217,421.96	53.13	1.82	5,975,621.49	395,707.97	0.00
Rem	40,270,570.44	85,626,398.40	1,345,325.46	2,603,921.59	53.13	1.82	71,477,141.88	4,739,137.29	0.00
<b>Total</b>	<b>167,691,739.64</b>	<b>339,630,472.11</b>	<b>5,527,891.16</b>	<b>10,443,370.32</b>	<b>57.86</b>	<b>1.78</b>	<b>319,828,631.71</b>	<b>18,553,420.51</b>	<b>0.00</b>
Ult	167,691,739.64	339,630,472.11							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	53.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,367,590.75	3,804,498.57
2022	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	72,770,672.31	61,852,063.61
2023	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44,556,400.78	92,840,337.32
2024	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26,443,312.28	108,623,640.97
2025	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,013,746.23	118,385,582.51
2026	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,058,087.88	125,040,642.58
2027	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,667,027.72	129,861,367.74
2028	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,157,411.29	133,517,495.35
2029	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,015,456.02	136,344,062.36
2030	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,155,865.01	138,570,057.53
2031	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,459,618.26	140,341,935.63
2032	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,934,825.05	141,773,572.34
2033	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,352,263.65	142,916,244.55
2034	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,842,166.37	143,832,451.54
2035	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,371,329.45	144,567,527.08
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	76,216,279.17	2,979,166.52
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>338,382,052.21</b>	<b>147,546,693.60</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	179,862,608.17
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	162,060,596.55
Years to Payout:	0.00	PW 15.00%:	147,546,693.60
Internal ROR (%):	0.00	PW 20.00%:	125,019,583.65
		PW 25.00%:	108,083,177.49
		PW 30.00%:	94,723,360.89

Date: 11/08/2021 10:36:20PM

**ECONOMIC SUMMARY PROJECTION**

Proved Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 20.00  
 All Cases

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	9,332.23	9,404.87	16.20	15.02	77.14	2.76	1,249.81	41.46	0.00
2022	19,197,120.07	27,144,220.42	512,561.83	654,786.31	67.54	2.11	34,617,814.28	1,381,509.34	0.00
2023	76,202,117.46	125,431,143.21	2,303,884.47	3,660,000.53	62.43	1.74	143,840,364.76	6,360,472.66	0.00
2024	112,121,255.84	197,966,714.55	3,257,543.13	5,438,602.94	57.83	1.62	188,396,819.18	8,818,645.14	0.00
2025	130,817,743.49	240,321,658.98	4,022,820.29	6,820,688.31	54.74	1.54	220,209,598.69	10,531,836.68	0.00
2026	138,788,567.03	255,833,307.24	4,242,961.99	7,343,832.97	52.86	1.52	224,288,131.63	11,135,076.35	0.00
2027	145,301,678.31	265,345,263.03	4,441,002.21	7,695,355.37	51.94	1.53	230,672,775.37	11,796,261.17	0.00
2028	147,392,502.99	267,338,484.76	4,369,481.81	7,575,201.26	51.90	1.57	226,791,610.36	11,865,360.10	0.00
2029	150,642,394.62	272,001,505.77	4,246,048.31	7,237,159.50	52.18	1.59	221,568,466.69	11,505,157.41	0.00
2030	154,345,343.21	279,151,843.60	4,430,939.76	7,382,486.46	52.48	1.64	232,544,086.67	12,094,895.30	0.00
2031	155,641,748.67	292,350,919.71	4,398,932.17	7,672,814.08	52.79	1.67	232,223,648.48	12,829,698.59	0.00
2032	155,282,878.45	290,956,110.87	4,379,727.84	7,715,248.94	53.13	1.82	232,694,940.13	14,041,753.07	0.00
2033	152,344,903.68	284,462,287.54	4,316,917.49	7,634,289.90	53.13	1.82	229,357,826.41	13,894,407.61	0.00
2034	146,650,235.48	276,443,642.77	4,102,179.34	7,298,078.29	53.13	1.82	217,948,788.15	13,282,502.49	0.00
2035	142,483,676.71	270,806,885.37	3,954,104.08	7,086,303.58	53.13	1.82	210,081,549.93	12,897,072.52	0.00
<b>Rem</b>	1,865,532,747.34	3,708,122,624.77	54,573,929.79	100,946,678.35	53.13	1.82	2,899,512,889.91	183,722,954.61	0.00
<b>Total</b>	<b>3,692,754,245.61</b>	<b>7,053,686,017.46</b>	<b>107,553,050.71</b>	<b>192,161,541.80</b>	<b>53.41</b>	<b>1.75</b>	<b>5,744,750,560.45</b>	<b>336,157,644.48</b>	<b>0.00</b>
<b>Ult</b>	<b>3,692,754,245.61</b>	<b>7,053,686,017.46</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,291.27	1,062.54
2022	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35,999,323.62	25,388,024.12
2023	777.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150,200,837.42	116,232,004.66
2024	1,261.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	197,215,464.32	214,381,408.50
2025	1,722.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	230,741,435.36	308,690,764.89
2026	2,165.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	235,423,207.98	387,890,957.04
2027	2,588.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	242,469,036.54	454,814,563.20
2028	3,003.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	238,656,970.45	508,853,496.39
2029	3,437.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	233,073,624.11	552,055,581.72
2030	3,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	244,638,981.97	589,242,051.03
2031	4,321.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	245,053,347.07	619,856,725.47
2032	4,759.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	246,736,693.20	645,091,282.12
2033	5,166.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	243,252,234.02	665,514,948.61
2034	5,540.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	231,231,290.64	681,446,522.97
2035	5,910.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	222,978,622.45	694,028,966.12
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,083,235,844.52	45,489,404.84
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,080,908,204.93</b>	<b>739,518,370.95</b>

Present Worth Profile (\$)

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	1,669,852,978.22
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	1,322,918,220.93
Years to Payout:	0.00	PW 15.00%:	1,071,469,042.82
Internal ROR (%):	0.00	PW 20.00%:	739,518,370.95
		PW 25.00%:	536,726,379.58
		PW 30.00%:	403,973,994.78

Date: 11/08/2021 10:38:49PM

## ECONOMIC SUMMARY PROJECTION

Probable Undeveloped Rsv Class &amp; Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 25.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	6,059.53	12,995.45	162.13	323.59	60.25	1.89	9,768.37	611.58	0.00
2024	158,182.23	408,420.17	7,920.83	17,814.67	57.38	1.65	454,468.13	29,367.53	0.00
2025	170,672.89	357,968.85	12,523.67	24,100.67	54.90	1.54	687,488.01	37,195.26	0.00
2026	102,611.76	235,047.33	8,224.54	15,876.04	52.90	1.51	435,080.14	24,034.62	0.00
2027	262,934.74	322,512.88	9,230.18	14,047.85	51.89	1.56	478,997.33	21,854.93	0.00
2028	1,245,000.38	1,083,361.64	35,033.20	31,539.93	51.90	1.56	1,818,110.22	49,194.45	0.00
2029	868,041.07	773,637.73	27,109.49	25,031.59	52.17	1.59	1,414,425.69	39,677.82	0.00
2030	601,344.03	546,571.92	18,889.24	18,203.49	52.47	1.64	991,208.18	29,776.43	0.00
2031	473,331.52	433,919.81	14,957.62	14,727.00	52.79	1.67	789,598.21	24,620.44	0.00
2032	398,000.86	366,179.92	12,646.26	12,593.50	53.13	1.82	671,896.01	22,920.16	0.00
2033	772,934.30	619,665.84	25,609.90	21,052.42	53.13	1.82	1,360,654.12	38,315.40	0.00
2034	1,495,040.22	1,135,586.21	44,461.00	35,861.66	53.13	1.82	2,362,212.93	65,268.23	0.00
2035	2,193,066.58	2,277,612.19	60,194.49	60,436.83	53.13	1.82	3,198,133.01	109,995.04	0.00
Rem	11,7184,739.82	167,654,133.04	3,229,326.58	4,242,768.40	53.13	1.82	171,574,120.96	7,721,838.50	0.00
<b>Total</b>	<b>125,931,959.92</b>	<b>176,227,612.97</b>	<b>3,506,289.13</b>	<b>4,534,377.63</b>	<b>53.12</b>	<b>1.81</b>	<b>186,246,161.30</b>	<b>8,214,670.39</b>	<b>0.00</b>
Ult	125,931,959.92	176,227,612.97							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,379.95	4,962.55
2024	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	483,835.66	201,490.85
2025	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	724,683.28	442,732.61
2026	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	459,114.76	561,631.08
2027	22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500,852.26	659,288.02
2028	37.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,867,304.67	954,223.45
2029	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,454,103.52	1,133,426.78
2030	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,020,984.61	1,231,539.03
2031	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	814,218.65	1,292,534.08
2032	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	694,816.17	1,333,136.38
2033	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,398,969.52	1,393,794.68
2034	77.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,427,481.16	1,479,780.43
2035	112.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,308,128.05	1,571,414.03
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	179,295,959.45	592,240.33
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>194,460,831.70</b>	<b>2,163,654.36</b>

## Present Worth Profile (\$)

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	19,519,580.38
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	12,308,342.26
Years to Payout :	0.00	PW 15.00% :	8,090,559.67
Internal ROR (%):	0.00	PW 20.00% :	3,919,285.26
		PW 25.00% :	2,163,654.36
		PW 30.00% :	1,322,097.06

Date: 11/08/2021 10:41:20PM

**ECONOMIC SUMMARY PROJECTION**

Possible Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	72,518.83	89,810.76	3,639.84	4,391.45	62.42	1.70	227,187.72	7,478.01	0.00
2024	114,822.68	223,775.21	3,101.36	5,194.96	58.10	1.62	180,193.67	8,411.37	0.00
2025	152,610.39	242,428.56	3,294.00	4,785.26	54.75	1.54	180,334.25	7,353.51	0.00
2026	108,182.91	180,754.63	2,382.44	3,749.72	52.90	1.51	126,034.42	5,678.50	0.00
2027	77,557.23	140,487.82	1,816.71	3,043.31	51.95	1.53	94,379.28	4,664.85	0.00
2028	100,611.91	137,448.17	2,106.35	2,892.98	51.91	1.56	109,336.97	4,526.06	0.00
2029	161,113.94	212,015.73	2,612.51	3,473.26	52.20	1.60	136,365.33	5,545.79	0.00
2030	174,233.45	243,016.98	2,615.83	3,615.82	52.47	1.64	137,256.22	5,915.08	0.00
2031	118,640.43	180,433.08	1,943.33	2,888.89	52.79	1.67	102,586.14	4,830.02	0.00
2032	96,269.51	150,818.45	1,645.72	2,512.59	53.13	1.82	87,437.25	4,572.91	0.00
2033	192,760.13	289,960.32	5,065.41	7,055.29	53.13	1.82	269,125.24	12,840.62	0.00
2034	972,613.45	1,527,823.63	20,680.07	29,796.52	53.13	1.82	1,098,732.13	54,229.66	0.00
2035	1,211,460.21	1,801,102.00	34,389.59	44,842.00	53.13	1.82	1,827,119.12	81,612.44	0.00
<b>Rem</b>	81,585,864.16	107,575,669.17	2,311,729.95	2,784,655.54	53.13	1.82	122,822,212.34	5,068,073.08	0.00
<b>Total</b>	<b>85,139,259.23</b>	<b>112,995,544.49</b>	<b>2,397,023.11</b>	<b>2,902,897.57</b>	<b>53.15</b>	<b>1.82</b>	<b>127,398,300.08</b>	<b>5,275,731.90</b>	<b>0.00</b>
Ult	85,139,259.23	112,995,544.49							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	234,665.73	110,708.18
2024	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	188,605.04	178,688.25
2025	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	187,687.76	228,137.49
2026	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	131,712.92	254,276.06
2027	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	99,044.13	268,844.12
2028	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	113,863.03	281,154.04
2029	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	141,911.12	292,383.99
2030	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	143,171.30	301,083.17
2031	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	107,416.16	305,909.68
2032	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	92,010.16	308,978.93
2033	27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	281,965.86	315,354.02
2034	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,152,961.79	336,779.28
2035	60.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,908,731.55	362,467.32
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	127,890,285.42	186,162.62
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>132,674,031.98</b>	<b>548,629.93</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	11,795,086.79
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	7,099,860.40
Years to Payout:	0.00	PW 15.00% :	4,429,812.05
Internal ROR (%):	0.00	PW 20.00% :	1,917,789.32
		PW 25.00% :	957,083.83
		PW 30.00% :	548,629.93

APPENDIX C: OIL PRICE SENSITIVITY CASH FLOW SUMMARIES

+ \$30 per Barrel

Date: 11/12/2021 10:17:21AM

**ECONOMIC SUMMARY PROJECTION**

Proved Producing Rsv Class & Category

Project Name: ND Dept. Of Trust Lands

As Of Date: 01/01/2021

Partner: All Cases

Discount Rate (%): 30.00

Case Type: REPORT BREAK TOTAL CASE

All Cases

Cum Oil (bb) : 2,578,811,063.64

Cum Gas (Mcf) : 3,452,917,926.08

Year	Gross Oil (bb)	Gross Gas (Mcf)	Net Oil (bb)	Net Gas (Mcf)	Oil Price (\$/bb)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	190,163,849.70	496,051,047.49	5,511,869.35	10,522,248.80	95.01	1.99	523,666,629.48	20,960,011.59	0.00
2022	144,602,455.30	354,134,917.84	4,109,305.60	7,321,408.94	100.20	2.16	411,753,941.08	15,801,405.82	0.00
2023	115,996,000.44	279,362,794.83	3,291,532.45	5,654,456.98	92.79	1.75	305,436,183.45	9,914,024.13	0.00
2024	99,859,449.51	237,955,721.02	2,833,411.82	4,767,273.06	87.99	1.62	249,313,177.40	7,725,814.62	0.00
2025	88,215,266.39	208,807,068.45	2,502,140.46	4,157,097.33	84.81	1.54	212,216,584.18	6,413,533.62	0.00
2026	79,627,946.21	187,665,871.59	2,256,600.67	3,720,262.11	82.87	1.51	187,012,517.12	5,635,711.39	0.00
2027	72,767,226.80	171,011,100.65	2,059,724.85	3,379,951.51	81.94	1.53	168,783,064.06	5,182,230.50	0.00
2028	67,251,551.27	157,785,624.61	1,900,823.54	3,111,503.64	81.90	1.57	155,682,268.20	4,875,060.04	0.00
2029	62,181,812.69	145,816,204.51	1,755,015.00	2,870,066.00	82.18	1.59	144,225,849.20	4,560,922.25	0.00
2030	57,912,551.33	135,794,089.10	1,631,863.74	2,669,124.82	82.48	1.64	134,593,929.07	4,368,555.64	0.00
2031	54,063,147.73	126,776,534.38	1,521,141.53	2,489,851.03	82.79	1.67	125,935,770.20	4,164,355.42	0.00
2032	50,687,299.32	118,879,726.79	1,423,974.09	2,333,264.65	83.13	1.82	118,374,200.75	4,246,541.66	0.00
2033	47,288,980.39	110,933,458.10	1,326,617.28	2,175,859.99	83.13	1.82	110,280,984.48	3,960,065.18	0.00
2034	44,242,763.12	103,835,797.87	1,239,711.91	2,035,366.31	83.13	1.82	103,056,590.54	3,704,366.68	0.00
2035	41,405,307.25	97,197,463.08	1,158,803.29	1,903,863.09	83.13	1.82	96,330,703.02	3,465,030.83	0.00
<b>Rem</b>	502,300,178.35	1,163,511,920.12	13,782,606.59	22,798,030.64	83.13	1.82	1,145,742,270.59	41,492,415.76	0.00
<b>Total</b>	<b>1,718,565,785.80</b>	<b>4,095,519,340.42</b>	<b>48,305,142.19</b>	<b>81,909,628.91</b>	<b>86.79</b>	<b>1.79</b>	<b>4,192,404,662.83</b>	<b>146,470,045.13</b>	<b>0.00</b>
<b>Ult</b>	<b>4,297,376,849.44</b>	<b>7,548,437,266.50</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	544,626,641.07	468,893,607.40
2022	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	427,555,346.89	746,665,333.09
2023	8,439.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	315,350,207.59	898,472,878.45
2024	8,431.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	257,038,992.02	990,320,594.06
2025	8,429.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	218,630,117.81	1,048,345,677.80
2026	8,423.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	192,648,228.51	1,086,344,301.22
2027	8,419.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	173,965,294.57	1,111,851,551.17
2028	8,407.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	160,557,328.23	1,129,345,296.08
2029	8,398.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	148,786,771.45	1,141,395,443.41
2030	8,378.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	138,962,434.72	1,149,764,670.01
2031	8,371.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	130,100,125.62	1,155,591,836.84
2032	8,352.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122,620,742.41	1,159,674,966.47
2033	8,339.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	114,241,049.67	1,162,502,945.81
2034	8,315.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	106,760,957.23	1,164,468,408.65
2035	8,258.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	99,795,733.85	1,165,834,767.03
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,187,234,686.35	3,096,453.86
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,338,874,707.96</b>	<b>1,168,931,220.89</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW	<b>10.00% : 2,147,464,548.00</b>
ROI Investment (disc/undisc):	0.00 / 0.00	PW	<b>12.50% : 1,925,741,075.90</b>
Years to Payout:		PW	<b>15.00% : 1,751,155,708.38</b>
Internal ROR (%):	0.00	PW	<b>20.00% : 1,492,367,805.59</b>
		PW	<b>25.00% : 1,308,093,777.26</b>
		PW	<b>30.00% : 1,168,931,220.89</b>

Date: 11/12/2021 10:17:21AM

**ECONOMIC SUMMARY PROJECTION**

Proved Shut-In Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
 All Cases

**Cum Oil (bb):** 247,036,814.00  
**Cum Gas (Mcf):** 577,897,875.00

Year	Gross Oil (hbl)	Gross Gas (Mcf)	Net Oil (hbl)	Net Gas (Mcf)	Oil Price (\$/hbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,021,385.14	2,527,521.48	29,952.33	59,915.59	101.83	2.47	3,049,985.60	148,169.65	0.00
2022	3,193,184.80	8,901,772.44	89,606.09	200,412.27	99.92	2.13	8,953,140.96	427,645.71	0.00
2023	2,863,269.43	8,226,333.73	79,490.63	182,423.60	92.79	1.75	7,375,920.42	319,722.77	0.00
2024	2,498,123.19	7,268,345.44	69,255.43	159,751.79	87.99	1.62	6,093,605.32	258,892.05	0.00
2025	2,235,544.17	6,543,335.70	61,850.14	143,079.59	84.81	1.54	5,245,657.65	220,741.95	0.00
2026	2,036,727.17	5,985,301.18	56,340.72	130,450.90	82.87	1.51	4,669,130.41	197,627.42	0.00
2027	1,875,806.61	5,519,967.86	51,864.42	119,623.59	81.94	1.53	4,250,014.90	183,421.55	0.00
2028	1,744,643.66	5,138,297.18	48,244.18	110,952.08	81.90	1.57	3,951,353.91	173,843.69	0.00
2029	1,620,341.74	4,776,443.54	44,834.80	103,002.66	82.18	1.59	3,684,520.81	163,687.78	0.00
2030	1,513,553.26	4,462,749.88	41,859.21	96,158.51	82.48	1.64	3,452,517.65	157,382.29	0.00
2031	1,418,400.83	4,178,769.13	39,233.14	89,932.75	82.79	1.67	3,248,148.17	150,417.24	0.00
2032	1,332,854.99	3,926,740.70	36,897.93	84,475.14	83.13	1.82	3,067,325.18	153,744.75	0.00
2033	1,244,441.83	3,666,606.54	34,420.47	78,727.89	83.13	1.82	2,861,374.06	143,284.76	0.00
2034	1,167,479.96	3,438,742.14	32,308.51	73,758.55	83.13	1.82	2,685,806.23	134,240.56	0.00
2035	1,095,682.77	3,224,453.95	30,301.81	69,065.03	83.13	1.82	2,518,989.60	125,698.36	0.00
<b>Rem</b>	13,448,020.23	36,162,457.52	375,333.97	763,069.07	83.13	1.82	31,201,513.08	1,388,785.71	0.00
<b>Total</b>	<b>40,309,459.79</b>	<b>113,947,838.43</b>	<b>1,121,793.78</b>	<b>2,464,799.02</b>	<b>85.85</b>	<b>1.76</b>	<b>96,309,003.94</b>	<b>4,347,306.24</b>	<b>0.00</b>
<b>Ult</b>	<b>287,346,273.79</b>	<b>691,845,713.43</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	311.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,198,155.24	2,582,448.49
2022	310.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,380,786.67	8,624,073.96
2023	306.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,695,643.19	12,327,560.31
2024	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,352,497.36	14,596,769.08
2025	299.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,466,399.60	16,047,146.66
2026	297.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,866,757.84	17,006,838.52
2027	295.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,433,436.45	17,656,753.50
2028	293.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,125,197.60	18,106,128.43
2029	291.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,848,208.58	18,417,742.92
2030	288.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,609,899.94	18,635,129.41
2031	286.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,398,565.41	18,787,325.98
2032	286.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,221,069.94	18,894,572.63
2033	283.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,004,658.81	18,968,948.26
2034	277.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,820,046.78	19,020,860.53
2035	276.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,644,687.96	19,057,068.42
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	32,590,298.80	82,846.02
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>100,656,310.18</b>	<b>19,139,914.44</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	43,077,742.34
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	37,487,931.21
Years to Payout :	0.00	PW 15.00% :	33,140,601.68
Internal ROR (%):	0.00	PW 20.00% :	26,806,175.03
		PW 25.00% :	22,397,212.07
		PW 30.00% :	19,139,914.44

Date: 11/12/2021 10:17:21AM

### ECONOMIC SUMMARY PROJECTION

Proved Non-Producing Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%) :** 30.00  
**All Cases**

**Cum Oil (bbl) :** 0.00  
**Cum Gas (Mcf) :** 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,582,261.21	2,300,881.70	53,374.75	77,464.34	107.85	2.74	5,756,469.67	212,363.52	0.00
2022	30,877,457.40	52,875,740.31	995,170.25	1,645,953.65	99.63	2.11	99,150,004.04	3,475,775.70	0.00
2023	20,405,848.43	41,126,889.08	671,343.73	1,286,276.35	93.00	1.76	62,432,859.52	2,263,853.26	0.00
2024	13,114,672.79	27,410,643.73	431,726.15	852,032.34	88.05	1.62	38,014,065.36	1,381,031.55	0.00
2025	9,963,322.79	21,033,892.74	328,436.33	650,032.77	84.84	1.54	27,863,924.37	1,002,911.83	0.00
2026	8,166,537.40	17,309,283.58	269,497.63	532,423.27	82.88	1.51	22,336,660.31	806,356.58	0.00
2027	6,977,299.55	14,813,844.35	230,448.87	453,906.23	81.95	1.53	18,884,686.86	695,806.86	0.00
2028	6,140,296.74	13,045,446.11	202,944.23	398,417.53	81.90	1.57	16,621,612.90	624,125.21	0.00
2029	5,477,708.12	11,639,366.08	181,148.89	354,476.54	82.18	1.59	14,886,683.97	563,238.72	0.00
2030	4,970,720.39	10,560,545.00	164,462.77	320,832.94	82.48	1.64	13,564,689.16	525,059.02	0.00
2031	4,560,283.42	9,685,168.15	150,946.73	293,609.69	82.79	1.67	12,496,981.24	491,038.95	0.00
2032	4,228,998.49	8,975,693.72	140,041.09	271,671.53	83.13	1.82	11,641,615.44	494,442.18	0.00
2033	3,917,540.06	8,308,704.80	129,774.14	251,298.56	83.13	1.82	10,788,124.58	457,363.39	0.00
2034	3,645,053.26	7,726,693.27	120,778.43	233,631.04	83.13	1.82	10,040,310.73	425,208.49	0.00
2035	3,393,169.15	7,191,281.10	112,471.70	217,421.96	83.13	1.82	9,349,772.52	395,707.97	0.00
<b>Rem</b>	41,697,082.85	88,639,781.10	1,389,629.04	2,690,433.61	83.13	1.82	115,519,862.36	4,896,589.16	0.00
<b>Total</b>	<b>169,118,252.05</b>	<b>342,643,854.81</b>	<b>5,572,194.74</b>	<b>10,529,882.34</b>	<b>87.82</b>	<b>1.78</b>	<b>489,348,323.03</b>	<b>18,710,872.38</b>	<b>0.00</b>
<b>Ult</b>	<b>169,118,252.05</b>	<b>342,643,854.81</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	53.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,968,833.19	4,536,761.27
2022	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	102,625,779.74	70,070,028.44
2023	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64,696,712.78	101,538,302.79
2024	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39,395,096.91	115,680,594.21
2025	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28,866,836.21	123,363,285.66
2026	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23,143,016.89	127,936,663.10
2027	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,580,493.72	130,811,424.28
2028	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,245,738.11	132,692,273.87
2029	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,449,922.68	133,944,413.84
2030	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,089,748.18	134,793,395.71
2031	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,988,020.19	135,375,291.58
2032	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,136,057.62	135,779,474.47
2033	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,245,487.96	136,057,881.78
2034	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,465,519.22	136,250,570.31
2035	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,745,480.49	136,384,013.42
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	120,416,451.53	300,779.18
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>508,059,195.41</b>	<b>136,684,792.60</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	263,783,551.20
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	236,974,186.00
Years to Payout :	0.00	PW 15.00% :	215,200,249.87
Internal ROR (%):	0.00	PW 20.00% :	181,564,799.81
		PW 25.00% :	156,420,585.63
		PW 30.00% :	136,684,792.60



Date: 11/12/2021 10:17:21AM

**ECONOMIC SUMMARY PROJECTION**

Proved Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands As Of Date: 01/01/2021  
 Partner: All Cases Discount Rate (%): 30.00  
 Case Type: REPORT BREAK TOTAL CASE All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	9,332.23	9,404.87	16.20	15.02	107.14	2.76	1,735.86	41.46	0.00
2022	19,197,120.07	27,144,220.42	512,561.83	654,786.31	97.54	2.11	49,994,669.24	1,381,509.34	0.00
2023	76,202,117.46	125,431,143.21	2,303,884.47	3,660,000.53	92.43	1.74	212,956,899.01	6,360,472.66	0.00
2024	112,121,255.84	197,966,714.55	3,257,543.13	5,438,602.94	87.83	1.62	286,123,112.94	8,818,645.14	0.00
2025	130,817,743.49	240,321,658.98	4,022,820.29	6,820,688.31	84.74	1.54	340,894,207.25	10,531,836.68	0.00
2026	138,788,567.03	255,833,307.24	4,242,961.99	7,343,832.97	82.86	1.52	351,576,991.44	11,135,076.35	0.00
2027	145,301,678.31	265,345,263.03	4,441,002.21	7,695,355.37	81.94	1.53	363,902,841.76	11,796,261.17	0.00
2028	147,392,502.99	267,338,484.76	4,369,481.81	7,575,201.26	81.90	1.57	357,876,064.53	11,865,360.10	0.00
2029	150,642,394.62	272,001,505.77	4,246,048.31	7,237,159.50	82.18	1.59	348,949,915.98	11,505,157.41	0.00
2030	154,345,343.21	279,151,843.60	4,430,939.76	7,382,486.46	82.48	1.64	365,472,279.38	12,094,895.30	0.00
2031	155,641,748.67	292,350,919.71	4,398,932.17	7,672,814.08	82.79	1.67	364,191,613.46	12,829,698.59	0.00
2032	155,282,878.45	290,956,110.87	4,379,727.84	7,715,248.94	83.13	1.82	364,086,775.33	14,041,753.07	0.00
2033	152,344,903.68	284,462,287.54	4,316,917.49	7,634,289.90	83.13	1.82	358,865,351.20	13,894,407.61	0.00
2034	146,650,235.48	276,443,642.77	4,102,179.34	7,298,078.29	83.13	1.82	341,014,168.25	13,282,502.49	0.00
2035	142,483,676.71	270,806,885.37	3,954,104.08	7,086,303.58	83.13	1.82	328,704,672.42	12,897,072.52	0.00
Rem	1,883,920,201.49	3,745,989,406.19	55,066,687.98	101,895,113.56	83.13	1.82	4,577,693,771.65	185,449,106.68	0.00
<b>Total</b>	<b>3,711,141,699.75</b>	<b>7,091,552,798.88</b>	<b>108,045,808.90</b>	<b>193,109,977.01</b>	<b>83.41</b>	<b>1.75</b>	<b>9,012,305,069.70</b>	<b>337,883,796.56</b>	<b>0.00</b>
Ult	3,711,141,699.75	7,091,552,798.88							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,777.32	1,328.25
2022	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51,376,178.58	30,500,094.67
2023	777.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	219,317,371.67	134,033,440.71
2024	1,261.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	294,941,758.08	238,104,504.07
2025	1,722.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	351,426,043.93	330,518,582.14
2026	2,165.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	362,712,067.79	401,839,280.86
2027	2,588.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	375,699,102.93	456,811,935.99
2028	3,003.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	369,741,424.62	497,065,401.75
2029	3,437.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	360,455,073.39	526,165,256.27
2030	3,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	377,567,174.68	548,830,113.44
2031	4,321.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	377,021,312.05	565,713,177.31
2032	4,759.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	378,128,528.40	578,270,091.22
2033	5,166.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	372,759,758.81	587,488,467.36
2034	5,540.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	354,296,670.74	594,009,688.99
2035	5,910.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	341,601,744.94	598,675,752.79
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,763,142,878.34	11,613,066.82
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9,350,188,866.26</b>	<b>610,288,819.60</b>

Present Worth Profile (\$)

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	2,548,847,488.37
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	2,016,902,020.66
Years to Payout:	0.00	PW 15.00% :	1,631,560,564.78
Internal ROR (%):	0.00	PW 20.00% :	1,123,209,712.26
		PW 25.00% :	813,027,354.76
		PW 30.00% :	610,288,819.60

Date: 11/12/2021 10:17:21AM

**ECONOMIC SUMMARY PROJECTION**

Probable Undeveloped Rsv Class &amp; Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	6,059.53	12,995.45	162.13	323.59	90.25	1.89	14,632.29	611.58	0.00
2024	158,182.23	408,420.17	7,920.83	17,814.67	87.38	1.65	692,092.97	29,367.53	0.00
2025	170,672.89	357,968.85	12,523.67	24,100.67	84.90	1.54	1,063,197.99	37,195.26	0.00
2026	102,611.76	235,047.33	8,224.54	15,876.04	82.90	1.51	681,816.36	24,034.62	0.00
2027	262,934.74	322,512.88	9,230.18	14,047.85	81.89	1.56	755,902.87	21,854.93	0.00
2028	1,245,000.38	1,083,361.64	35,033.20	31,539.93	81.90	1.56	2,869,106.28	49,194.45	0.00
2029	868,041.07	773,637.73	27,109.49	25,031.59	82.17	1.59	2,227,710.53	39,677.82	0.00
2030	601,344.03	546,571.92	18,889.24	18,203.49	82.47	1.64	1,557,885.27	29,776.43	0.00
2031	473,331.52	433,919.81	14,957.62	14,727.00	82.79	1.67	1,238,326.67	24,620.44	0.00
2032	398,000.86	366,179.92	12,646.26	12,593.50	83.13	1.82	1,051,283.93	22,920.16	0.00
2033	772,934.30	619,665.84	25,609.90	21,052.42	83.13	1.82	2,128,951.19	38,315.40	0.00
2034	1,495,040.22	1,135,586.21	44,461.00	35,861.66	83.13	1.82	3,696,042.93	65,268.23	0.00
2035	2,193,066.58	2,277,612.19	60,194.49	60,436.83	83.13	1.82	5,003,967.57	109,995.04	0.00
<b>Rem</b>	119,170,902.82	170,464,129.44	3,278,836.71	4,307,964.06	83.13	1.82	272,569,695.89	7,840,494.59	0.00
<b>Total</b>	<b>12,7918,122.92</b>	<b>179,037,609.37</b>	<b>3,555,799.26</b>	<b>4,599,573.28</b>	<b>83.12</b>	<b>1.81</b>	<b>295,550,612.75</b>	<b>8,333,326.49</b>	<b>0.00</b>
<b>Ult</b>	<b>12,7918,122.92</b>	<b>179,037,609.37</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,243.87	6,299.32
2024	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	721,460.50	251,571.72
2025	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,100,393.25	546,407.85
2026	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	705,850.99	686,441.16
2027	22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	777,757.80	796,271.64
2028	37.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,918,300.73	1,116,586.31
2029	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,267,388.36	1,301,482.93
2030	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,587,661.70	1,397,595.48
2031	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,262,947.11	1,454,335.05
2032	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,074,204.10	1,490,176.62
2033	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,167,266.59	1,540,753.21
2034	77.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,761,311.16	1,609,670.12
2035	112.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,113,962.61	1,679,465.78
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	280,410,190.48	354,094.93
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>303,883,939.24</b>	<b>2,033,560.71</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	30,147,685.75
ROIvestment (disc/undisc):	0.00 / 0.00	PW 12.50% :	18,998,110.49
Years to Payout :	0.00	PW 15.00% :	12,482,970.10
Internal ROR (%):	0.00	PW 20.00% :	6,042,901.23
		PW 25.00% :	3,332,657.08
		PW 30.00% :	2,033,560.71

Date: 11/12/2021 10:17:21AM

### ECONOMIC SUMMARY PROJECTION

Possible Undeveloped Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
 All Cases

**Cum Oil (bbl):** 0.00  
**Cum Gas (Mcf):** 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	72,518.83	89,810.76	3,639.84	4,391.45	92.42	1.70	336,383.00	7,478.01	0.00
2024	114,822.68	223,775.21	3,101.36	5,194.96	88.10	1.62	273,234.49	8,411.37	0.00
2025	152,610.39	242,428.56	3,294.00	4,785.26	84.75	1.54	279,154.22	7,353.51	0.00
2026	108,182.91	180,754.63	2,382.44	3,749.72	82.90	1.51	197,507.72	5,678.50	0.00
2027	77,557.23	140,487.82	1,816.71	3,043.31	81.95	1.53	148,880.58	4,664.85	0.00
2028	100,611.91	137,448.17	2,106.35	2,892.98	81.91	1.56	172,527.37	4,526.06	0.00
2029	161,113.94	212,015.73	2,612.51	3,473.26	82.20	1.60	214,740.49	5,545.79	0.00
2030	174,233.45	243,016.98	2,615.83	3,615.82	82.47	1.64	215,731.12	5,915.08	0.00
2031	118,640.43	180,433.08	1,943.33	2,888.89	82.79	1.67	160,885.93	4,830.02	0.00
2032	96,269.51	150,818.45	1,645.72	2,512.59	83.13	1.82	136,808.93	4,572.91	0.00
2033	192,760.13	289,960.32	5,065.41	7,055.29	83.13	1.82	421,087.54	12,840.62	0.00
2034	972,613.45	1,527,823.63	20,680.07	29,796.52	83.13	1.82	1,719,134.24	54,229.66	0.00
2035	1,211,460.21	1,801,102.00	34,389.59	44,842.00	83.13	1.82	2,858,806.93	81,612.44	0.00
<b>Rem</b>	84,582,908.71	111,845,581.37	2,396,008.75	2,892,820.75	83.13	1.82	199,180,207.49	5,264,933.77	0.00
<b>Total</b>	<b>88,136,303.78</b>	<b>117,265,456.69</b>	<b>2,481,301.91</b>	<b>3,011,062.78</b>	<b>83.15</b>	<b>1.82</b>	<b>206,315,090.06</b>	<b>5,472,592.58</b>	<b>0.00</b>
<b>Ult</b>	<b>88,136,303.78</b>	<b>117,265,456.69</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	343,861.01	162,153.54
2024	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	281,645.86	263,625.64
2025	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	286,507.73	339,082.40
2026	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	203,186.22	379,398.44
2027	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	153,545.43	401,981.76
2028	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	177,053.43	421,122.64
2029	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	220,286.28	438,554.72
2030	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	221,646.20	452,023.47
2031	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	165,715.96	459,469.99
2032	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	141,381.84	464,186.21
2033	27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	433,928.16	473,996.46
2034	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,773,363.90	506,951.01
2035	60.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,940,419.37	546,520.98
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	204,445,141.26	287,484.12
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>211,787,682.65</b>	<b>834,005.10</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	18,270,883.70
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	10,967,465.55
Years to Payout :	0.00	PW 15.00% :	6,828,042.97
Internal ROR (%):	0.00	PW 20.00% :	2,944,339.39
		PW 25.00% :	1,462,668.65
		PW 30.00% :	834,005.10

+ \$20 per Barrel

Date: 11/11/2021 10:47:39PM

### ECONOMIC SUMMARY PROJECTION

Proved Producing Rsv Class & Category

Project Name: ND Dept. Of Trust Lands As Of Date: 01/01/2021  
 Partner: All Cases Discount Rate (%): 30.00  
 Case Type: REPORT BREAK TOTAL CASE All Cases

Cum Oil (bbl): **2,578,811,063.64**  
 Cum Gas (Mcf): **3,452,917,926.08**

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	190,163,849.70	496,051,047.49	5,511,869.35	10,522,248.80	85.01	1.99	468,547,935.97	20,960,011.59	0.00
2022	144,602,455.30	354,134,917.84	4,109,305.60	7,321,408.94	90.20	2.16	370,660,885.06	15,801,405.82	0.00
2023	115,992,144.71	279,346,920.76	3,291,434.03	5,654,323.93	82.79	1.75	272,512,727.66	9,913,791.86	0.00
2024	99,855,155.64	237,950,032.74	2,833,261.67	4,767,227.69	77.99	1.62	220,967,411.75	7,725,740.88	0.00
2025	88,209,052.61	208,795,193.88	2,501,782.81	4,156,945.89	74.81	1.54	187,168,404.13	6,413,302.76	0.00
2026	79,612,578.78	187,617,244.67	2,256,208.21	3,719,920.94	72.87	1.51	164,417,948.58	5,635,198.87	0.00
2027	72,751,142.67	170,965,029.27	2,059,204.19	3,379,597.65	71.94	1.53	148,148,362.83	5,181,688.46	0.00
2028	67,235,126.36	157,743,754.15	1,900,249.39	3,110,742.94	71.90	1.57	136,632,748.44	4,873,874.88	0.00
2029	62,162,144.53	145,772,159.24	1,754,452.47	2,869,473.10	72.18	1.59	126,635,099.10	4,559,978.38	0.00
2030	57,886,826.82	135,724,558.01	1,631,190.90	2,667,860.85	72.48	1.64	118,226,516.33	4,366,482.45	0.00
2031	54,033,054.16	126,680,475.53	1,520,298.51	2,487,867.48	72.79	1.67	110,662,984.46	4,161,034.33	0.00
2032	50,642,507.97	118,778,384.90	1,422,971.53	2,331,027.98	73.13	1.82	104,061,142.27	4,242,470.92	0.00
2033	47,234,051.40	110,823,002.02	1,325,502.04	2,173,201.71	73.13	1.82	96,933,253.99	3,955,227.11	0.00
2034	44,193,403.71	103,714,127.60	1,238,391.56	2,032,823.48	73.13	1.82	90,562,914.11	3,699,738.73	0.00
2035	41,349,925.02	97,046,056.28	1,156,978.90	1,901,164.94	73.13	1.82	84,609,253.08	3,460,120.19	0.00
Rem	489,245,036.40	1,131,033,069.68	13,423,019.07	22,187,868.19	73.13	1.82	981,620,094.32	40,381,920.10	0.00
<b>Total</b>	<b>1,705,168,455.77</b>	<b>4,062,175,974.06</b>	<b>47,936,120.23</b>	<b>81,283,704.48</b>	<b>76.82</b>	<b>1.79</b>	<b>3,682,367,682.08</b>	<b>145,331,987.32</b>	<b>0.00</b>
Ult	4,283,979,519.42	7,515,093,900.15							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	489,507,947.55	421,072,309.79
2022	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	386,462,290.88	672,214,044.55
2023	8,434.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	282,426,519.52	808,196,811.25
2024	8,427.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	228,693,152.62	889,926,399.16
2025	8,422.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	193,581,706.89	941,308,158.86
2026	8,417.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	170,053,147.46	974,851,738.60
2027	8,401.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	153,330,051.29	997,333,797.28
2028	8,392.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	141,506,623.32	1,012,751,647.65
2029	8,380.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	131,195,077.47	1,023,376,876.51
2030	8,356.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122,592,998.78	1,030,760,160.51
2031	8,341.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	114,824,018.80	1,035,903,083.49
2032	8,317.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	108,303,613.19	1,039,509,481.22
2033	8,265.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100,888,481.10	1,042,006,926.88
2034	8,241.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	94,262,652.84	1,043,742,312.60
2035	8,205.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	88,069,373.27	1,044,948,127.70
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,022,002,014.43	2,720,022.32
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,827,669,669.40</b>	<b>1,047,668,150.02</b>

**Present Worth Profile (\$)**

Disc. Initial Invest (\$):	0.00	PW 10.00% :	1,915,132,343.51
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	1,719,246,950.69
Years to Payout:	0.00	PW 15.00% :	1,564,732,145.93
Internal ROR (%):	0.00	PW 20.00% :	1,335,258,865.59
		PW 25.00% :	1,171,525,511.99
		PW 30.00% :	1,047,668,150.02

Date: 11/11/2021 10:47:39PM

**ECONOMIC SUMMARY PROJECTION**

Proved Shut-In Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
 All Cases

**Cum Oil (bbl):** 247,036,814.00  
**Cum Gas (Mcf):** 577,897,875.00

Year	Gross Oil (hbl)	Gross Gas (Mcf)	Net Oil (hbl)	Net Gas (Mcf)	Oil Price (\$/hbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,021,385.14	2,527,521.48	29,952.33	59,915.59	91.83	2.47	2,750,462.28	148,169.65	0.00
2022	3,190,968.21	8,901,202.05	89,593.84	200,412.26	89.92	2.13	8,056,024.83	427,645.70	0.00
2023	2,852,000.29	8,223,566.51	79,371.61	182,298.16	82.79	1.75	6,571,143.95	319,509.51	0.00
2024	2,497,472.60	7,268,106.84	69,190.96	159,750.99	77.99	1.62	5,396,005.44	258,890.67	0.00
2025	2,233,123.68	6,534,816.36	61,785.61	142,660.32	74.81	1.54	4,622,343.12	220,107.22	0.00
2026	2,034,051.10	5,973,078.47	56,252.87	129,691.99	72.87	1.51	4,099,321.19	196,482.05	0.00
2027	1,871,523.18	5,510,435.74	51,732.89	119,365.79	71.94	1.53	3,721,913.27	183,021.11	0.00
2028	1,739,842.04	5,129,125.32	48,095.67	110,901.88	71.90	1.57	3,458,234.01	173,765.03	0.00
2029	1,616,299.23	4,766,412.36	44,690.67	102,854.62	72.18	1.59	3,225,768.82	163,453.48	0.00
2030	1,509,238.69	4,453,602.51	41,754.52	95,999.85	72.48	1.64	3,026,337.42	157,121.73	0.00
2031	1,410,180.17	4,164,391.22	38,982.92	89,542.81	72.79	1.67	2,837,602.06	149,766.54	0.00
2032	1,325,793.23	3,913,637.26	36,661.73	84,050.51	73.13	1.82	2,681,072.50	152,971.93	0.00
2033	1,239,395.97	3,657,322.71	34,253.14	78,492.68	73.13	1.82	2,504,932.39	142,856.68	0.00
2034	1,161,755.49	3,425,068.98	31,978.99	73,412.57	73.13	1.82	2,338,623.60	133,610.87	0.00
2035	1,089,365.27	3,206,254.05	29,993.44	68,605.16	73.13	1.82	2,193,420.21	124,861.40	0.00
Rem	12,984,081.16	34,876,752.39	363,208.09	736,476.76	73.13	1.82	26,561,407.78	1,340,387.70	0.00
<b>Total</b>	<b>39,776,475.45</b>	<b>112,531,294.27</b>	<b>1,107,499.29</b>	<b>2,434,431.94</b>	<b>75.89</b>	<b>1.76</b>	<b>84,044,612.86</b>	<b>4,292,621.29</b>	<b>0.00</b>
Ult	286,813,289.45	690,429,169.27							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	311.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,898,631.93	2,338,668.44
2022	310.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,483,670.53	7,803,901.34
2023	302.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,890,653.46	11,120,532.52
2024	299.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,654,896.11	13,140,758.73
2025	298.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,842,450.34	14,425,737.68
2026	293.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,295,803.24	15,272,877.66
2027	291.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,904,934.38	15,845,350.40
2028	287.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,631,999.04	16,240,991.91
2029	287.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,389,222.30	16,515,437.45
2030	284.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,183,459.15	16,707,142.06
2031	281.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,987,368.60	16,840,927.88
2032	277.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,834,044.43	16,935,292.45
2033	275.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,647,789.07	17,000,832.20
2034	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,472,234.48	17,046,346.15
2035	270.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,318,281.61	17,078,084.67
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	27,901,795.48	72,649.60
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>88,337,234.15</b>	<b>17,150,734.26</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	38,321,835.51
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	33,397,575.00
Years to Payout:	0.00	PW 15.00%:	29,559,721.69
Internal ROR (%):	0.00	PW 20.00%:	23,955,092.10
		PW 25.00%:	20,044,927.73
		PW 30.00%:	17,150,734.26

Date: 11/11/2021 10:47:39PM

**ECONOMIC SUMMARY PROJECTION**

Proved Non-Producing Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (hbl)	Gross Gas (Mcf)	Net Oil (hbl)	Net Gas (Mcf)	Oil Price (\$/hbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,582,261.21	2,300,881.70	53,374.75	77,464.34	97.85	2.74	5,222,722.19	212,363.52	0.00
2022	30,877,457.40	52,875,740.31	995,170.25	1,645,953.65	89.63	2.11	89,198,301.57	3,475,775.70	0.00
2023	20,405,848.43	41,126,889.08	671,343.73	1,286,276.35	83.00	1.76	55,719,422.19	2,263,853.26	0.00
2024	13,114,672.79	27,410,643.73	431,726.15	852,032.34	78.05	1.62	33,696,803.81	1,381,031.55	0.00
2025	9,963,322.79	21,033,892.74	328,436.33	650,032.77	74.84	1.54	24,579,561.05	1,002,911.83	0.00
2026	8,166,537.40	17,309,283.58	269,497.63	532,423.27	72.88	1.51	19,641,683.97	806,356.58	0.00
2027	6,977,299.55	14,813,844.35	230,448.87	453,906.23	71.95	1.53	16,580,198.19	695,806.66	0.00
2028	6,140,296.74	13,045,446.11	202,944.23	398,417.53	71.90	1.57	14,592,170.63	624,125.21	0.00
2029	5,477,708.12	11,639,366.08	181,148.89	354,476.54	72.18	1.59	13,075,195.08	563,238.72	0.00
2030	4,970,720.39	10,560,545.00	164,462.77	320,832.94	72.48	1.64	11,920,061.44	525,059.02	0.00
2031	4,560,283.42	9,685,168.15	150,946.73	293,609.69	72.79	1.67	10,987,513.93	491,038.95	0.00
2032	4,228,998.49	8,975,693.72	140,041.09	271,671.53	73.13	1.82	10,241,204.58	494,442.18	0.00
2033	3,917,540.06	8,308,704.80	129,774.14	251,298.56	73.13	1.82	9,490,383.14	457,363.39	0.00
2034	3,645,053.26	7,726,693.27	120,778.43	233,631.04	73.13	1.82	8,832,526.45	425,208.49	0.00
2035	3,393,169.15	7,191,281.10	112,471.70	217,421.96	73.13	1.82	8,225,055.51	395,707.97	0.00
<b>Rem</b>	41,449,130.51	88,117,714.25	1,381,646.07	2,674,461.98	73.13	1.82	101,039,777.00	4,367,520.81	0.00
<b>Total</b>	<b>168,870,299.71</b>	<b>342,121,787.96</b>	<b>5,564,211.76</b>	<b>10,513,910.71</b>	<b>77.83</b>	<b>1.78</b>	<b>433,042,580.72</b>	<b>18,681,804.03</b>	<b>0.00</b>
<b>Ult</b>	<b>168,870,299.71</b>	<b>342,121,787.96</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	53.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,435,085.71	4,131,102.47
2022	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	92,674,077.26	63,321,916.67
2023	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,983,275.44	91,529,645.98
2024	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35,077,835.37	104,123,690.97
2025	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,582,472.88	110,932,880.93
2026	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,448,040.55	114,973,878.41
2027	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,276,005.05	117,510,340.09
2028	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,216,295.84	119,169,832.13
2029	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,638,433.79	120,275,144.28
2030	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,445,120.46	121,025,017.36
2031	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,478,552.88	121,539,278.78
2032	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,735,646.76	121,896,822.08
2033	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,947,746.53	122,143,100.92
2034	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,257,734.93	122,313,552.05
2035	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,620,763.48	122,431,594.62
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	105,907,297.81	266,061.61
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>451,724,384.74</b>	<b>122,697,656.23</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	235,814,313.48
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	212,004,767.82
Years to Payout:	0.00	PW 15.00%:	192,649,807.47
Internal ROR (%):	0.00	PW 20.00%:	162,716,538.46
		PW 25.00%:	140,308,147.76
		PW 30.00%:	122,697,656.23

Date: 11/11/2021 10:47:39PM

**ECONOMIC SUMMARY PROJECTION**

Proved Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	9,332.23	9,404.87	16.20	15.02	97.14	2.76	1,573.84	41.46	0.00
2022	19,197,120.07	27,144,220.42	512,561.83	654,786.31	87.54	2.11	44,869,050.92	1,381,509.34	0.00
2023	76,202,117.46	125,431,143.21	2,303,884.47	3,660,000.53	82.43	1.74	189,918,054.26	6,360,472.66	0.00
2024	112,121,255.84	197,966,714.55	3,257,543.13	5,438,602.94	77.83	1.62	253,547,681.69	8,818,645.14	0.00
2025	130,817,743.49	240,321,658.98	4,022,820.29	6,820,688.31	74.74	1.54	300,666,004.40	10,531,836.68	0.00
2026	138,788,567.03	255,833,307.24	4,242,961.99	7,343,832.97	72.86	1.52	309,147,371.50	11,135,076.35	0.00
2027	145,301,678.31	265,345,263.03	4,441,002.21	7,695,355.37	71.94	1.53	319,492,819.63	11,796,261.17	0.00
2028	147,392,502.99	267,338,484.76	4,369,481.81	7,575,201.26	71.90	1.57	314,181,246.47	11,865,360.10	0.00
2029	150,642,394.62	272,001,505.77	4,246,048.31	7,237,159.50	72.18	1.59	306,489,432.88	11,505,157.41	0.00
2030	154,345,343.21	279,151,843.60	4,430,939.76	7,382,486.46	72.48	1.64	321,162,881.81	12,094,895.30	0.00
2031	155,641,748.67	292,350,919.71	4,398,932.17	7,672,814.08	72.79	1.67	320,202,291.80	12,829,698.59	0.00
2032	155,282,878.45	290,956,110.87	4,379,727.84	7,715,248.94	73.13	1.82	320,289,496.93	14,041,753.07	0.00
2033	152,344,903.68	284,462,287.54	4,316,917.49	7,634,289.90	73.13	1.82	315,696,176.27	13,894,407.61	0.00
2034	146,650,235.48	276,443,642.77	4,102,179.34	7,298,078.29	73.13	1.82	299,992,374.89	13,282,502.49	0.00
2035	142,483,676.71	270,806,885.37	3,954,104.08	7,086,303.58	73.13	1.82	289,163,631.59	12,897,072.52	0.00
<b>Rem</b>	1,882,142,627.59	3,742,160,833.99	55,018,643.15	101,801,021.03	73.13	1.82	4,023,513,373.89	185,277,858.27	0.00
<b>Total</b>	<b>3,709,364,125.85</b>	<b>7,087,724,226.68</b>	<b>107,997,764.07</b>	<b>193,015,884.47</b>	<b>73.41</b>	<b>1.75</b>	<b>7,928,333,462.76</b>	<b>337,712,548.14</b>	<b>0.00</b>
<b>Ult</b>	<b>3,709,364,125.85</b>	<b>7,087,724,226.68</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,615.30	1,207.17
2022	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	46,250,560.26	27,459,077.44
2023	777.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	196,278,526.92	120,130,551.90
2024	1,261.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	262,366,326.82	212,718,201.59
2025	1,722.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	311,197,841.07	294,560,151.45
2026	2,165.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	320,282,447.86	357,540,950.37
2027	2,588.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	331,289,080.80	406,016,191.33
2028	3,003.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	326,046,606.57	441,511,985.34
2029	3,437.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	317,994,590.30	467,183,798.04
2030	3,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	333,257,777.11	487,188,473.49
2031	4,321.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	333,031,990.39	502,101,499.56
2032	4,759.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	334,331,250.00	513,203,932.23
2033	5,166.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	329,590,583.88	521,354,746.24
2034	5,540.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	313,274,877.37	527,120,910.29
2035	5,910.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	302,060,704.11	531,246,861.67
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,208,791,232.15	10,270,365.72
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>8,266,046,010.90</b>	<b>541,517,227.38</b>

Present Worth Profile (\$)

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	2,255,906,170.59
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	1,785,592,716.09
Years to Payout:	0.00	PW 15.00%:	1,444,869,603.90
Internal ROR (%):	0.00	PW 20.00%:	995,313,340.08
		PW 25.00%:	720,927,130.22
		PW 30.00%:	541,517,227.38

Date: 11/11/2021 10:47:39PM

### ECONOMIC SUMMARY PROJECTION

Probable Undeveloped Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
 All Cases

Cum Oil (bbl) : 0.00  
 Cum Gas (Mcf) : 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	6,059.53	12,995.45	162.13	323.59	80.25	1.89	13,010.98	611.58	0.00
2024	158,182.23	408,420.17	7,920.83	17,814.67	77.38	1.65	612,884.69	29,367.53	0.00
2025	170,672.89	357,968.85	12,523.67	24,100.67	74.90	1.54	937,961.33	37,195.26	0.00
2026	102,611.76	235,047.33	8,224.54	15,876.04	72.90	1.51	599,570.96	24,034.62	0.00
2027	262,934.74	322,512.88	9,230.18	14,047.85	71.89	1.56	663,601.02	21,854.93	0.00
2028	1,245,000.38	1,083,361.64	35,033.20	31,539.93	71.90	1.56	2,518,774.26	49,194.45	0.00
2029	868,041.07	773,637.73	27,109.49	25,031.59	72.17	1.59	1,956,615.59	39,677.82	0.00
2030	601,344.03	546,571.92	18,889.24	18,203.49	72.47	1.64	1,368,992.91	29,776.43	0.00
2031	473,331.52	433,919.81	14,957.62	14,727.00	72.79	1.67	1,088,750.51	24,620.44	0.00
2032	398,000.86	366,179.92	12,646.26	12,593.50	73.13	1.82	924,821.29	22,920.16	0.00
2033	772,934.30	619,665.84	25,609.90	21,052.42	73.13	1.82	1,872,852.16	38,315.40	0.00
2034	1,495,040.22	1,135,586.21	44,461.00	35,861.66	73.13	1.82	3,251,432.93	65,268.23	0.00
2035	2,193,066.58	2,277,612.19	60,194.49	60,436.83	73.13	1.82	4,402,022.72	109,995.04	0.00
<b>Rem</b>	118,920,796.29	170,143,996.49	3,272,244.21	4,300,024.61	73.13	1.82	239,299,219.11	7,826,044.78	0.00
<b>Total</b>	<b>127,668,016.39</b>	<b>178,717,476.42</b>	<b>3,549,206.76</b>	<b>4,591,633.83</b>	<b>73.12</b>	<b>1.81</b>	<b>259,510,510.46</b>	<b>8,318,876.68</b>	<b>0.00</b>
<b>Ult</b>	<b>127,668,016.39</b>	<b>178,717,476.42</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,622.56	5,629.33
2024	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	642,252.22	224,008.12
2025	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	975,156.59	485,312.12
2026	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	623,605.58	609,034.67
2027	22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	685,455.95	705,840.28
2028	37.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,567,968.71	987,698.55
2029	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,996,293.41	1,150,486.24
2030	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,398,769.34	1,235,162.57
2031	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,113,370.95	1,285,181.68
2032	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	947,741.46	1,316,803.72
2033	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,911,167.57	1,361,404.81
2034	77.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,316,701.16	1,422,175.12
2035	112.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,512,017.75	1,483,754.96
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	247,125,263.89	312,655.75
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>267,829,387.14</b>	<b>1,796,410.71</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	26,610,021.48
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	16,769,930.55
Years to Payout :	0.00	PW 15.00% :	11,019,483.32
Internal ROR (%):	0.00	PW 20.00% :	5,335,118.31
		PW 25.00% :	2,943,006.30
		PW 30.00% :	1,796,410.71



Date: 11/11/2021 10:47:39PM

**ECONOMIC SUMMARY PROJECTION**

Possible Undeveloped Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
 All Cases

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	72,518.83	89,810.76	3,639.84	4,391.45	82.42	1.70	299,984.57	7,478.01	0.00
2024	114,822.68	223,775.21	3,101.36	5,194.96	78.10	1.62	242,220.88	8,411.37	0.00
2025	152,610.39	242,428.56	3,294.00	4,785.26	74.75	1.54	246,214.23	7,353.51	0.00
2026	108,182.91	180,754.63	2,382.44	3,749.72	72.90	1.51	173,683.28	5,678.50	0.00
2027	77,557.23	140,487.82	1,816.71	3,043.31	71.95	1.53	130,713.48	4,664.85	0.00
2028	100,611.91	137,448.17	2,106.35	2,892.98	71.91	1.56	151,463.91	4,526.06	0.00
2029	161,113.94	212,015.73	2,612.51	3,473.26	72.20	1.60	188,615.44	5,545.79	0.00
2030	174,233.45	243,016.98	2,615.83	3,615.82	72.47	1.64	189,572.82	5,915.08	0.00
2031	118,640.43	180,433.08	1,943.33	2,888.89	72.79	1.67	141,452.67	4,830.02	0.00
2032	96,269.51	150,818.45	1,645.72	2,512.59	73.13	1.82	120,351.70	4,572.91	0.00
2033	192,760.13	289,960.32	5,065.41	7,055.29	73.13	1.82	370,433.44	12,840.62	0.00
2034	972,613.45	1,527,823.63	20,680.07	29,796.52	73.13	1.82	1,512,333.54	54,229.66	0.00
2035	1,211,460.21	1,801,102.00	34,389.59	44,842.00	73.13	1.82	2,514,910.99	81,612.44	0.00
<b>Rem</b>	84,017,611.69	111,044,375.15	2,380,573.15	2,873,193.24	73.13	1.82	174,091,314.31	5,229,211.70	0.00
<b>Total</b>	<b>87,571,006.75</b>	<b>116,464,250.48</b>	<b>2,465,866.31</b>	<b>2,991,435.27</b>	<b>73.15</b>	<b>1.82</b>	<b>180,373,265.27</b>	<b>5,436,870.52</b>	<b>0.00</b>
<b>Ult</b>	<b>87,571,006.75</b>	<b>116,464,250.48</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	307,462.59	145,005.09
2024	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	250,632.25	235,313.18
2025	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	253,567.74	302,100.76
2026	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	179,361.78	337,690.98
2027	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	135,378.33	357,602.55
2028	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	155,989.97	374,466.44
2029	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	194,161.23	389,831.14
2030	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	195,487.90	401,710.04
2031	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	146,282.69	408,283.22
2032	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	124,924.61	412,450.45
2033	27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	383,274.06	421,115.65
2034	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,566,563.20	450,227.10
2035	60.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,396,523.43	485,169.76
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	179,320,526.01	253,716.09
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>185,810,135.79</b>	<b>738,885.85</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	16,120,043.26
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	9,681,231.86
Years to Payout :	0.00	PW 15.00% :	6,029,782.81
Internal ROR (%):	0.00	PW 20.00% :	2,602,337.32
		PW 25.00% :	1,294,171.33
		PW 30.00% :	738,885.85

+ \$10 per Barrel

Date: 11/11/2021 9:40:50PM

**ECONOMIC SUMMARY PROJECTION**

Proved Producing Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bb) : 2,578,811,063.64  
 Cum Gas (Mcf) : 3,452,917,926.08

Year	Gross Oil (bb)	Gross Gas (Mcf)	Net Oil (bb)	Net Gas (Mcf)	Oil Price (\$/bb)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	190,163,849.70	496,051,047.49	5,511,869.35	10,522,248.80	75.01	1.99	413,429,242.45	20,960,011.59	0.00
2022	144,602,455.30	354,134,917.84	4,109,305.60	7,321,408.94	80.20	2.16	329,567,829.05	15,801,405.82	0.00
2023	115,986,887.91	279,336,134.58	3,291,246.63	5,654,214.86	72.79	1.75	239,584,756.15	9,913,598.02	0.00
2024	99,844,918.71	237,931,259.79	2,832,769.93	4,767,076.10	67.99	1.62	192,601,441.93	7,725,496.63	0.00
2025	88,189,561.59	208,740,026.99	2,501,255.63	4,156,616.84	64.81	1.54	162,116,515.34	6,412,794.04	0.00
2026	79,592,585.50	187,563,899.29	2,255,535.03	3,719,436.16	62.87	1.51	141,813,556.04	5,634,460.09	0.00
2027	72,722,399.01	170,898,117.36	2,058,435.36	3,378,248.48	61.94	1.53	127,508,698.94	5,179,627.18	0.00
2028	67,198,068.79	157,644,440.89	1,899,250.13	3,108,978.54	61.90	1.57	117,568,391.80	4,871,115.97	0.00
2029	62,117,338.09	145,641,789.17	1,753,168.06	2,866,648.74	62.18	1.59	109,010,705.12	4,555,492.01	0.00
2030	57,813,773.01	135,586,763.53	1,629,802.44	2,665,138.90	62.48	1.64	101,827,855.15	4,362,008.10	0.00
2031	53,955,068.16	126,518,476.65	1,518,680.10	2,484,335.38	62.79	1.67	95,358,373.15	4,155,137.49	0.00
2032	50,567,704.66	118,594,692.05	1,420,961.93	2,327,383.55	63.13	1.82	89,704,560.90	4,235,838.06	0.00
2033	47,157,544.32	110,621,119.98	1,323,118.74	2,169,529.26	63.13	1.82	83,527,775.91	3,948,543.25	0.00
2034	44,112,070.28	103,493,678.92	1,235,633.95	2,028,254.30	63.13	1.82	78,004,910.85	3,691,422.82	0.00
2035	41,239,806.82	96,840,445.78	1,152,782.65	1,896,852.23	63.13	1.82	72,774,554.24	3,452,271.06	0.00
Rem	471,431,688.64	1,087,611,556.93	12,932,115.81	21,368,056.08	63.13	1.82	816,400,007.93	38,889,862.07	0.00
<b>Total</b>	<b>1,686,695,520.46</b>	<b>4,017,208,367.24</b>	<b>47,425,931.35</b>	<b>80,434,427.15</b>	<b>66.86</b>	<b>1.79</b>	<b>3,170,799,174.95</b>	<b>143,789,084.18</b>	<b>0.00</b>
Ult	4,265,806,584.11	7,470,126,293.32							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	434,389,254.04	373,251,012.17
2022	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	345,369,234.87	597,762,756.00
2023	8,426.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	249,498,354.17	717,918,561.27
2024	8,424.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200,326,938.56	789,522,733.73
2025	8,411.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	168,529,309.38	834,260,390.51
2026	8,396.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	147,448,016.13	863,346,844.31
2027	8,380.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	132,688,326.12	882,802,744.73
2028	8,364.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122,439,507.77	896,142,958.05
2029	8,345.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	113,566,197.13	905,340,326.42
2030	8,278.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	106,189,863.25	911,735,605.00
2031	8,258.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	99,513,510.64	916,192,732.56
2032	8,227.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	93,940,398.96	919,320,890.04
2033	8,202.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	87,476,319.16	921,486,352.73
2034	8,166.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	81,696,333.67	922,990,402.01
2035	8,130.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	76,226,825.30	924,034,259.03
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	855,289,869.99	2,336,179.53
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,314,888,259.13</b>	<b>926,370,438.56</b>

Present Worth Profile (\$)

PW	10.00% : 1,682,389,755.37
PW	12.50% : 1,512,477,135.05
PW	15.00% : 1,378,118,329.46
PW	20.00% : 1,178,051,534.53
PW	25.00% : 1,034,901,148.46
PW	30.00% : 926,370,438.56

Disc. Initial Invest. (\$) : 0.00  
 ROI Investment (disc/undisc) : 0.00 / 0.00  
 Years to Payout : 0.00  
 Internal ROR (%) : 0.00

Date: 11/11/2021 9:40:50PM

**ECONOMIC SUMMARY PROJECTION**

Proved Shut-In Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 247,036,814.00  
 Cum Gas (Mcf): 577,897,875.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,021,385.14	2,527,521.48	29,952.33	59,915.59	81.83	2.47	2,450,938.97	148,169.65	0.00
2022	3,178,421.45	8,898,118.62	89,482.78	200,292.80	79.92	2.13	7,151,311.63	427,393.57	0.00
2023	2,851,500.38	8,223,127.06	79,302.98	182,268.93	72.79	1.75	5,772,385.70	319,446.97	0.00
2024	2,494,339.93	7,256,974.73	69,109.27	159,154.39	67.99	1.62	4,698,594.37	257,932.25	0.00
2025	2,228,526.28	6,523,215.46	61,619.23	142,192.27	64.81	1.54	3,993,734.18	219,372.63	0.00
2026	2,028,927.68	5,962,821.46	56,087.40	129,607.88	62.87	1.51	3,526,388.92	196,350.59	0.00
2027	1,866,468.95	5,498,505.22	51,605.73	119,198.28	61.94	1.53	3,196,706.05	182,765.08	0.00
2028	1,732,003.90	5,112,152.94	47,878.44	110,520.07	61.90	1.57	2,963,825.04	173,160.65	0.00
2029	1,606,493.11	4,749,160.10	44,400.23	102,391.41	62.18	1.59	2,760,803.56	162,717.13	0.00
2030	1,498,790.99	4,433,933.22	41,381.22	95,430.20	62.48	1.64	2,585,468.09	156,193.48	0.00
2031	1,402,788.72	4,149,429.15	38,683.12	89,255.15	62.79	1.67	2,428,945.06	149,283.36	0.00
2032	1,317,529.91	3,898,820.92	36,322.14	83,856.46	63.13	1.82	2,293,016.99	152,618.75	0.00
2033	1,231,543.26	3,634,813.60	33,906.45	77,935.05	63.13	1.82	2,140,514.06	141,841.79	0.00
2034	1,151,955.47	3,397,618.12	31,686.05	72,814.16	63.13	1.82	2,000,340.03	132,521.78	0.00
2035	1,078,401.28	3,176,423.75	29,675.74	68,091.28	63.13	1.82	1,873,429.47	123,926.13	0.00
<b>Rem</b>	12,374,352.41	33,231,093.98	347,088.32	702,109.72	63.13	1.82	21,911,685.58	1,277,839.68	0.00
<b>Total</b>	<b>39,063,428.86</b>	<b>110,673,729.82</b>	<b>1,088,181.42</b>	<b>2,395,033.62</b>	<b>65.93</b>	<b>1.76</b>	<b>71,748,087.71</b>	<b>4,221,533.48</b>	<b>0.00</b>
<b>Ult</b>	<b>286,100,242.86</b>	<b>688,571,604.82</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	311.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,599,108.62	2,094,888.39
2022	310.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,578,705.20	6,978,739.48
2023	299.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,091,832.68	9,911,438.04
2024	299.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,956,526.61	11,682,567.23
2025	293.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,213,106.81	12,800,729.48
2026	288.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,722,739.50	13,534,900.12
2027	287.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,379,471.13	14,030,342.12
2028	283.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,136,985.69	14,372,104.47
2029	278.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,923,520.69	14,608,827.35
2030	277.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,741,661.57	14,773,926.75
2031	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,578,228.42	14,889,404.84
2032	270.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,445,635.74	14,970,830.43
2033	270.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,282,355.86	15,027,328.55
2034	264.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,132,861.81	15,066,593.21
2035	260.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,997,355.60	15,093,940.34
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	23,189,525.27	62,303.83
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>75,969,621.19</b>	<b>15,156,244.17</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	33,546,325.36
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	29,291,753.00
Years to Payout :	0.00	PW 15.00% :	25,966,289.14
Internal ROR (%):	0.00	PW 20.00% :	21,095,142.25
		PW 25.00% :	17,685,942.91
		PW 30.00% :	15,156,244.17

Date: 11/11/2021 9:40:50PM

**ECONOMIC SUMMARY PROJECTION**

Proved Non-Producing Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
**All Cases**

**Cum Oil (bbl):** 0.00  
**Cum Gas (Mcf):** 0.00

Year	Gross Oil (hbl)	Gross Gas (Mcf)	Net Oil (hbl)	Net Gas (Mcf)	Oil Price (\$/hbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,582,261.21	2,300,881.70	53,374.75	77,464.34	87.85	2.74	4,688,974.71	212,363.52	0.00
2022	30,877,457.40	52,875,740.31	995,170.25	1,645,953.65	79.63	2.11	79,246,599.09	3,475,775.70	0.00
2023	20,405,848.43	41,126,889.08	671,343.73	1,286,276.35	73.00	1.76	49,005,984.85	2,263,853.26	0.00
2024	13,114,672.79	27,410,643.73	431,726.15	852,032.34	68.05	1.62	29,379,542.27	1,381,031.55	0.00
2025	9,963,322.79	21,033,892.74	328,436.33	650,032.77	64.84	1.54	21,295,197.72	1,002,911.83	0.00
2026	8,166,537.40	17,309,283.58	269,497.63	532,423.27	62.88	1.51	16,946,707.63	806,356.58	0.00
2027	6,977,299.55	14,813,844.35	230,448.87	453,906.23	61.95	1.53	14,275,709.52	695,806.86	0.00
2028	6,140,296.74	13,045,446.11	202,944.23	398,417.53	61.90	1.57	12,562,728.35	624,125.21	0.00
2029	5,477,708.12	11,639,366.08	181,148.89	354,476.54	62.18	1.59	11,263,706.19	563,238.72	0.00
2030	4,970,720.39	10,560,545.00	164,462.77	320,832.94	62.48	1.64	10,275,433.71	525,059.02	0.00
2031	4,560,283.42	9,685,168.15	150,946.73	293,609.69	62.79	1.67	9,478,046.62	491,038.95	0.00
2032	4,228,998.49	8,975,693.72	140,041.09	271,671.53	63.13	1.82	8,840,793.73	494,442.18	0.00
2033	3,917,540.06	8,308,704.80	129,774.14	251,298.56	63.13	1.82	8,192,641.70	457,363.39	0.00
2034	3,645,053.26	7,726,693.27	120,778.43	233,631.04	63.13	1.82	7,624,742.17	425,208.49	0.00
2035	3,393,169.15	7,191,281.10	112,471.70	217,421.96	63.13	1.82	7,100,338.50	395,707.97	0.00
<b>Rem</b>	41,010,483.88	87,181,208.13	1,368,130.69	2,647,961.10	63.13	1.82	86,370,090.76	4,319,289.19	0.00
<b>Total</b>	<b>168,431,653.07</b>	<b>341,185,281.84</b>	<b>5,550,696.39</b>	<b>10,487,409.83</b>	<b>67.84</b>	<b>1.78</b>	<b>376,547,237.54</b>	<b>18,633,572.41</b>	<b>0.00</b>
<b>Ult</b>	<b>168,431,653.07</b>	<b>341,185,281.84</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	53.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,901,338.23	3,725,443.67
2022	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	82,722,374.79	56,573,804.89
2023	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51,269,838.11	81,520,989.16
2024	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,760,573.82	92,566,787.73
2025	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22,298,109.55	98,502,476.20
2026	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,753,064.21	102,011,093.73
2027	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,971,516.38	104,209,255.89
2028	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,186,853.57	105,647,390.39
2029	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,826,944.91	106,605,874.71
2030	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,800,492.73	107,256,639.02
2031	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,969,085.57	107,703,265.98
2032	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,335,235.91	108,014,169.69
2033	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,650,005.09	108,228,320.07
2034	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,049,950.65	108,376,533.79
2035	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,496,046.47	108,479,175.82
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	91,189,379.96	231,339.16
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>395,180,809.95</b>	<b>108,710,514.98</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	207,841,457.64
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	187,033,932.85
Years to Payout:	0.00	PW 15.00%:	170,098,790.01
Internal ROR (%):	0.00	PW 20.00%:	143,868,171.90
		PW 25.00%:	124,195,688.19
		PW 30.00%:	108,710,514.98

Date: 11/11/2021 9:40:50PM

**ECONOMIC SUMMARY PROJECTION**

Proved Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	9,332.23	9,404.87	16.20	15.02	87.14	2.76	1,411.82	41.46	0.00
2022	19,197,120.07	27,144,220.42	512,561.83	654,786.31	77.54	2.11	39,743,432.60	1,381,509.34	0.00
2023	76,202,117.46	125,431,143.21	2,303,884.47	3,660,000.53	72.43	1.74	166,879,209.51	6,360,472.66	0.00
2024	112,121,255.84	197,966,714.55	3,257,543.13	5,438,602.94	67.83	1.62	220,972,250.43	8,818,645.14	0.00
2025	130,817,743.49	240,321,658.98	4,022,820.29	6,820,688.31	64.74	1.54	260,437,801.54	10,531,836.68	0.00
2026	138,788,567.03	255,833,307.24	4,242,961.99	7,343,832.97	62.86	1.52	266,717,751.57	11,135,076.35	0.00
2027	145,301,678.31	265,345,263.03	4,441,002.21	7,695,355.37	61.94	1.53	275,082,797.50	11,796,261.17	0.00
2028	147,392,502.99	267,338,484.76	4,369,481.81	7,575,201.26	61.90	1.57	270,486,428.41	11,865,360.10	0.00
2029	150,642,394.62	272,001,505.77	4,246,048.31	7,237,159.50	62.18	1.59	264,028,949.79	11,505,157.41	0.00
2030	154,345,343.21	279,151,843.60	4,430,939.76	7,382,486.46	62.48	1.64	276,853,484.24	12,094,895.30	0.00
2031	155,641,748.67	292,350,919.71	4,398,932.17	7,672,814.08	62.79	1.67	276,212,970.14	12,829,698.59	0.00
2032	155,282,878.45	290,956,110.87	4,379,727.84	7,715,248.94	63.13	1.82	276,492,218.53	14,041,753.07	0.00
2033	152,344,903.68	284,462,287.54	4,316,917.49	7,634,289.90	63.13	1.82	272,527,001.34	13,894,407.61	0.00
2034	146,650,235.48	276,443,642.77	4,102,179.34	7,298,078.29	63.13	1.82	258,970,581.52	13,282,502.49	0.00
2035	142,483,676.71	270,806,885.37	3,954,104.08	7,086,303.58	63.13	1.82	249,622,590.76	12,897,072.52	0.00
Rem	1,877,759,028.58	3,733,122,356.69	54,901,620.79	101,575,282.71	63.13	1.82	3,465,939,320.42	184,867,014.53	0.00
<b>Total</b>	<b>3,704,980,526.84</b>	<b>7,078,685,749.38</b>	<b>107,880,741.71</b>	<b>192,790,146.16</b>	<b>63.41</b>	<b>1.75</b>	<b>6,840,968,200.12</b>	<b>337,301,704.40</b>	<b>0.00</b>
Ult	3,704,980,526.84	7,078,685,749.38							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,453.28	1,086.09
2022	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41,124,941.94	24,418,060.21
2023	777.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	173,239,682.17	106,227,663.09
2024	1,261.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	229,790,895.57	187,331,899.11
2025	1,722.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	270,969,638.22	258,601,720.76
2026	2,165.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	277,852,827.92	313,242,619.89
2027	2,588.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	286,879,058.67	355,220,446.66
2028	3,003.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	282,351,788.51	385,958,568.93
2029	3,437.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	275,534,107.20	408,202,339.81
2030	3,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	288,948,379.54	425,546,833.53
2031	4,321.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	289,042,668.73	438,489,821.81
2032	4,759.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	290,533,971.60	448,137,773.25
2033	5,166.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	286,421,408.95	455,221,025.13
2034	5,540.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	272,253,084.00	460,232,131.60
2035	5,910.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	262,519,663.28	463,817,970.55
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,650,806,334.95	8,927,654.72
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,178,269,904.53</b>	<b>472,745,625.27</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	1,962,928,508.14
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	1,554,271,527.13
Years to Payout :	0.00	PW 15.00% :	1,258,174,689.00
Internal ROR (%):	0.00	PW 20.00% :	867,416,498.47
		PW 25.00% :	628,826,842.60
		PW 30.00% :	472,745,625.27

Date: 11/11/2021 9:40:50PM

**ECONOMIC SUMMARY PROJECTION**

Probable Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	6,059.53	12,995.45	162.13	323.59	70.25	1.89	11,389.68	611.58	0.00
2024	158,182.23	408,420.17	7,920.83	17,814.67	67.38	1.65	533,676.41	29,367.53	0.00
2025	170,672.89	357,968.85	12,523.67	24,100.67	64.90	1.54	812,724.67	37,195.26	0.00
2026	102,611.76	235,047.33	8,224.54	15,876.04	62.90	1.51	517,325.55	24,034.62	0.00
2027	262,934.74	322,512.88	9,230.18	14,047.85	61.89	1.56	571,299.18	21,854.93	0.00
2028	1,245,000.38	1,083,361.64	35,033.20	31,539.93	61.90	1.56	2,168,442.24	49,194.45	0.00
2029	868,041.07	773,637.73	27,109.49	25,031.59	62.17	1.59	1,685,520.64	39,677.82	0.00
2030	601,344.03	546,571.92	18,889.24	18,203.49	62.47	1.64	1,180,100.54	29,776.43	0.00
2031	473,331.52	433,919.81	14,957.62	14,727.00	62.79	1.67	939,174.36	24,620.44	0.00
2032	398,000.86	366,179.92	12,646.26	12,593.50	63.13	1.82	798,358.65	22,920.16	0.00
2033	772,934.30	619,665.84	25,609.90	21,052.42	63.13	1.82	1,616,753.14	38,315.40	0.00
2034	1,495,040.22	1,135,586.21	44,461.00	35,861.66	63.13	1.82	2,806,822.93	65,268.23	0.00
2035	2,193,066.58	2,277,612.19	60,194.49	60,436.83	63.13	1.82	3,800,077.86	109,995.04	0.00
<b>Rem</b>	11,840,173.49	169,427,245.59	3,259,760.74	4,283,719.83	63.13	1.82	205,788,695.77	7,796,370.08	0.00
<b>Total</b>	<b>127,150,393.59</b>	<b>178,000,725.52</b>	<b>3,536,723.29</b>	<b>4,575,329.05</b>	<b>63.12</b>	<b>1.81</b>	<b>223,230,361.62</b>	<b>8,289,201.98</b>	<b>0.00</b>
<b>Ult</b>	<b>127,150,393.59</b>	<b>178,000,725.52</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,001.25	4,959.34
2024	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	563,043.94	196,444.53
2025	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	849,919.94	424,216.39
2026	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	541,360.17	531,628.19
2027	22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	593,154.11	615,408.91
2028	37.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,217,636.69	858,810.78
2029	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,725,198.46	999,489.56
2030	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,209,876.97	1,072,729.66
2031	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	963,794.80	1,116,028.32
2032	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	821,278.82	1,143,430.83
2033	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,655,068.54	1,182,056.42
2034	77.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,872,091.16	1,234,680.11
2035	112.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,910,072.90	1,288,044.13
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	213,585,065.85	271,213.21
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>231,519,563.60</b>	<b>1,559,257.34</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	23,069,116.81
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	14,540,618.69
Years to Payout :	0.00	PW 15.00% :	9,555,530.14
Internal ROR (%):	0.00	PW 20.00% :	4,627,275.61
		PW 25.00% :	2,553,343.75
		PW 30.00% :	1,559,257.34

Date: 11/11/2021 9:40:50PM

### ECONOMIC SUMMARY PROJECTION

Possible Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	72,518.83	89,810.76	3,639.84	4,391.45	72.42	1.70	263,586.15	7,478.01	0.00
2024	114,822.68	223,775.21	3,101.36	5,194.96	68.10	1.62	211,207.28	8,411.37	0.00
2025	152,610.39	242,428.56	3,294.00	4,785.26	64.75	1.54	213,274.24	7,353.51	0.00
2026	108,182.91	180,754.63	2,382.44	3,749.72	62.90	1.51	149,858.85	5,678.50	0.00
2027	77,557.23	140,487.82	1,816.71	3,043.31	61.95	1.53	112,546.38	4,664.85	0.00
2028	100,611.91	137,448.17	2,106.35	2,892.98	61.91	1.56	130,400.44	4,526.06	0.00
2029	161,113.94	212,015.73	2,612.51	3,473.26	62.20	1.60	162,490.39	5,545.79	0.00
2030	174,233.45	243,016.98	2,615.83	3,615.82	62.47	1.64	163,414.52	5,915.08	0.00
2031	118,640.43	180,433.08	1,943.33	2,888.89	62.79	1.67	122,019.40	4,830.02	0.00
2032	96,269.51	150,818.45	1,645.72	2,512.59	63.13	1.82	103,894.48	4,572.91	0.00
2033	192,760.13	289,960.32	5,065.41	7,055.29	63.13	1.82	319,779.34	12,840.62	0.00
2034	972,613.45	1,527,823.63	20,680.07	29,796.52	63.13	1.82	1,305,532.84	54,229.66	0.00
2035	1,211,460.21	1,801,102.00	34,389.59	44,842.00	63.13	1.82	2,171,015.06	81,612.44	0.00
<b>Rem</b>	83,090,332.47	109,699,323.76	2,354,374.96	2,838,908.19	63.13	1.82	148,631,691.54	5,166,812.91	0.00
<b>Total</b>	<b>86,643,727.54</b>	<b>115,119,199.09</b>	<b>2,439,668.13</b>	<b>2,957,150.22</b>	<b>63.15</b>	<b>1.82</b>	<b>154,060,710.89</b>	<b>5,374,471.73</b>	<b>0.00</b>
<b>Ult</b>	<b>86,643,727.54</b>	<b>115,119,199.09</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	271,064.16	127,856.64
2024	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	219,618.65	207,000.71
2025	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	220,627.75	265,119.13
2026	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	155,537.35	295,983.52
2027	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	117,211.23	313,223.34
2028	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	134,926.50	327,810.24
2029	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	168,036.17	341,107.57
2030	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	169,329.60	351,396.61
2031	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	126,849.43	357,096.45
2032	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	108,467.38	360,714.69
2033	27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	332,619.96	368,234.83
2034	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,359,762.50	393,503.19
2035	60.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,252,627.49	423,818.54
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	153,798,504.45	219,944.35
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>159,435,182.62</b>	<b>643,762.89</b>

Present Worth Profile (\$)

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	13,962,616.07
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	8,392,573.72
Years to Payout :	0.00	PW 15.00% :	5,230,617.60
Internal ROR (%):	0.00	PW 20.00% :	2,260,202.50
		PW 25.00% :	1,125,652.86
		PW 30.00% :	643,762.89

-\$10 per Barrel

Date: 11/11/2021 7:33:52PM

**ECONOMIC SUMMARY PROJECTION**

Proved Producing Rsv Class &amp; Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 Custom Selection

Cum Oil (bbl): 2,578,811,063.64  
 Cum Gas (Mcf): 3,452,917,926.08

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	190,163,849.70	496,051,047.49	5,511,869.35	10,522,248.80	55.01	1.99	303,191,855.42	20,960,011.59	0.00
2022	144,602,455.30	354,134,917.84	4,109,305.60	7,321,408.94	60.20	2.16	247,381,717.02	15,801,405.82	0.00
2023	115,950,245.69	279,265,282.94	3,289,736.33	5,653,817.88	52.79	1.75	173,680,369.60	9,912,900.19	0.00
2024	99,771,818.49	237,770,035.83	2,830,579.88	4,765,615.83	47.99	1.62	135,841,400.19	7,723,141.23	0.00
2025	88,017,374.64	208,421,110.85	2,497,251.88	4,151,925.92	44.81	1.54	111,912,499.84	6,405,591.28	0.00
2026	79,339,423.31	187,026,191.30	2,249,081.57	3,709,410.47	42.87	1.51	96,426,608.61	5,619,268.99	0.00
2027	72,428,570.73	170,241,832.56	2,050,333.79	3,364,971.50	41.94	1.53	86,000,267.29	5,159,263.47	0.00
2028	66,866,352.39	156,920,167.61	1,890,166.78	3,094,113.34	41.90	1.57	79,202,736.43	4,847,823.24	0.00
2029	61,744,359.88	144,823,042.15	1,742,707.96	2,850,617.83	42.18	1.59	73,506,089.81	4,530,020.87	0.00
2030	57,417,372.61	134,675,171.53	1,618,142.41	2,647,344.36	42.48	1.64	68,736,463.27	4,332,908.52	0.00
2031	53,519,007.72	125,550,998.72	1,505,937.20	2,465,764.43	42.79	1.67	64,439,461.67	4,124,068.57	0.00
2032	49,916,669.63	117,577,604.67	1,390,424.99	2,306,967.77	43.13	1.82	59,968,264.06	4,198,681.35	0.00
2033	46,360,821.52	109,478,093.66	1,283,284.27	2,148,041.49	43.13	1.82	55,347,340.67	3,909,435.51	0.00
2034	43,262,105.16	102,155,812.46	1,196,483.11	2,003,504.62	43.13	1.82	51,603,656.27	3,646,378.41	0.00
2035	40,349,464.76	95,179,186.01	1,115,112.07	1,866,746.40	43.13	1.82	48,094,714.08	3,397,478.44	0.00
Rem	410,765,257.31	942,837,876.87	11,315,145.26	18,632,891.71	43.13	1.82	488,022,215.09	33,911,862.91	0.00
Total	1,620,475,148.84	3,862,108,372.49	45,595,562.45	77,505,391.26	47.01	1.79	2,143,355,659.34	138,480,240.35	0.00
Ult	4,199,286,212.49	7,315,026,298.58							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	324,151,867.01	277,608,416.94
2022	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	263,183,122.84	448,860,178.91
2023	8,406.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	183,593,269.79	537,338,895.20
2024	8,385.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	143,564,541.42	588,681,788.67
2025	8,345.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	118,318,091.12	620,103,228.34
2026	8,252.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	102,045,877.60	640,238,351.38
2027	8,200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	91,159,530.76	653,606,247.78
2028	8,157.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	84,050,559.66	662,763,515.86
2029	8,109.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	78,036,110.68	669,083,258.15
2030	8,047.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	73,069,371.79	673,483,685.35
2031	8,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	68,563,530.24	676,554,519.70
2032	7,944.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64,166,945.40	678,692,750.50
2033	7,763.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	59,256,776.18	680,159,679.41
2034	7,693.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55,250,034.68	681,176,914.00
2035	7,553.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51,492,192.52	681,881,974.09
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	521,934,078.00	1,574,859.74
Total		0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,281,835,899.69	683,456,833.83

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	1,214,218,336.02
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	1,096,997,941.81
Years to Payout:	0.00	PW 15.00%:	1,003,467,235.61
Internal ROR (%):	0.00	PW 20.00%:	862,825,918.08
		PW 25.00%:	761,158,017.96
		PW 30.00%:	683,456,833.83

TRC Eco Detailed.rpt

1



Date: 11/11/2021 7:33:52PM

**ECONOMIC SUMMARY PROJECTION**

Proved Shut-In Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 Custom Selection

Cum Oil (bbl): 247,036,814.00  
 Cum Gas (Mcf): 577,897,875.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,019,678.23	2,527,521.48	29,937.70	59,915.59	61.83	2.47	1,850,904.48	148,169.65	0.00
2022	3,173,714.01	8,894,621.44	89,393.05	200,167.91	59.92	2.13	5,356,380.52	427,126.32	0.00
2023	2,842,248.09	8,199,184.12	79,000.87	181,301.42	52.79	1.75	4,170,495.86	317,755.80	0.00
2024	2,477,786.78	7,224,376.10	68,642.26	158,563.51	47.99	1.62	3,294,077.94	256,968.09	0.00
2025	2,205,722.77	6,479,586.89	61,015.08	141,471.87	44.81	1.54	2,734,315.00	218,265.87	0.00
2026	2,000,297.73	5,906,804.12	55,133.89	128,439.67	42.87	1.51	2,363,843.83	194,578.46	0.00
2027	1,829,995.37	5,428,831.17	50,329.47	117,753.84	41.94	1.53	2,111,061.76	180,555.34	0.00
2028	1,697,064.70	5,047,835.34	46,746.00	109,336.50	41.90	1.57	1,958,806.61	171,312.28	0.00
2029	1,566,267.08	4,656,222.16	43,024.62	100,485.83	42.18	1.59	1,814,765.77	159,696.67	0.00
2030	1,454,759.78	4,331,960.49	39,932.79	93,350.76	42.48	1.64	1,696,312.43	152,793.02	0.00
2031	1,358,735.64	4,050,617.24	37,348.06	87,242.63	42.79	1.67	1,598,157.15	145,916.29	0.00
2032	1,273,884.17	3,794,676.62	35,095.72	81,840.55	43.13	1.82	1,513,678.55	148,949.80	0.00
2033	1,188,501.85	3,530,440.01	32,839.97	76,392.40	43.13	1.82	1,416,388.12	139,034.16	0.00
2034	1,108,464.76	3,280,854.59	30,616.83	70,970.25	43.13	1.82	1,320,503.93	129,165.86	0.00
2035	1,036,472.31	3,066,885.14	28,646.17	66,136.80	43.13	1.82	1,235,509.26	120,368.98	0.00
Rem	10,389,789.07	28,125,887.32	294,966.38	595,493.30	43.13	1.82	12,721,899.82	1,083,797.81	0.00
<b>Total</b>	<b>36,623,382.34</b>	<b>104,546,304.22</b>	<b>1,022,668.86</b>	<b>2,268,862.82</b>	<b>46.11</b>	<b>1.76</b>	<b>47,157,101.02</b>	<b>3,994,454.39</b>	<b>0.00</b>
Ult	283,660,196.34	682,444,179.22							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	311.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,999,074.13	1,606,582.04
2022	307.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,783,506.84	5,336,943.50
2023	294.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,488,251.66	7,499,274.58
2024	287.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,551,046.03	8,768,913.59
2025	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,952,580.87	9,552,877.57
2026	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,558,422.29	10,057,685.82
2027	267.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,291,617.10	10,393,675.02
2028	261.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,130,118.88	10,625,703.44
2029	259.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,974,462.44	10,785,615.40
2030	251.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,849,105.45	10,896,968.52
2031	245.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,744,073.44	10,975,067.99
2032	243.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,662,628.35	11,030,426.14
2033	240.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,555,422.28	11,068,927.60
2034	236.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,449,669.79	11,095,618.80
2035	232.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,355,878.23	11,114,182.42
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,805,697.63	41,377.08
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>51,151,555.41</b>	<b>11,155,559.51</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	23,914,914.77
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	21,019,113.22
Years to Payout:	0.00	PW 15.00% :	18,732,591.85
Internal ROR (%):	0.00	PW 20.00% :	15,346,409.85
		PW 25.00% :	12,949,697.41
		PW 30.00% :	11,155,559.51

Date: 11/11/2021 7:33:52PM

**ECONOMIC SUMMARY PROJECTION**

Proved Non-Producing Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 Custom Selection

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,582,261.21	2,300,881.70	53,374.75	77,464.34	67.85	2.74	3,621,479.75	212,363.52	0.00
2022	30,877,457.40	52,875,740.31	995,170.25	1,645,953.65	59.63	2.11	59,343,194.13	3,475,775.70	0.00
2023	20,405,848.43	41,126,889.08	671,343.73	1,286,276.35	53.00	1.76	35,579,110.19	2,263,853.26	0.00
2024	13,114,672.79	27,410,643.73	431,726.15	852,032.34	48.05	1.62	20,745,019.18	1,381,031.55	0.00
2025	9,963,322.79	21,033,892.74	328,436.33	650,032.77	44.84	1.54	14,726,471.07	1,002,911.83	0.00
2026	8,166,537.40	17,309,283.58	269,497.63	532,423.27	42.88	1.51	11,556,754.95	806,356.58	0.00
2027	6,977,299.55	14,813,844.35	230,448.87	453,906.23	41.95	1.53	9,666,732.19	695,806.86	0.00
2028	6,140,296.74	13,045,446.11	202,944.23	398,417.53	41.90	1.57	8,503,843.81	624,125.21	0.00
2029	5,477,708.12	11,639,366.08	181,148.89	354,476.54	42.18	1.59	7,640,728.42	563,238.72	0.00
2030	4,970,720.39	10,560,545.00	164,462.77	320,832.94	42.48	1.64	6,986,178.26	525,059.02	0.00
2031	4,560,283.42	9,685,168.15	150,946.73	293,609.69	42.79	1.67	6,459,112.01	491,038.95	0.00
2032	4,228,998.49	8,975,693.72	140,041.09	271,671.53	43.13	1.82	6,039,972.02	494,442.18	0.00
2033	3,917,540.06	8,308,704.80	129,774.14	251,298.56	43.13	1.82	5,597,158.82	457,363.39	0.00
2034	3,645,053.26	7,726,693.27	120,778.43	233,631.04	43.13	1.82	5,209,173.60	425,208.49	0.00
2035	3,393,169.15	7,191,281.10	112,471.70	217,421.96	43.13	1.82	4,850,904.47	395,707.97	0.00
Rem	39,095,947.65	83,181,666.56	1,309,016.65	2,534,530.81	43.13	1.82	56,457,887.92	4,612,846.08	0.00
<b>Total</b>	<b>166,517,116.85</b>	<b>337,185,740.26</b>	<b>5,491,582.34</b>	<b>10,373,979.54</b>	<b>47.89</b>	<b>1.78</b>	<b>262,983,720.81</b>	<b>18,427,129.29</b>	<b>0.00</b>
Ult	166,517,116.85	337,185,740.26							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	53.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,833,843.27	2,914,126.07
2022	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	62,818,969.83	43,077,581.35
2023	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37,842,963.45	61,503,675.53
2024	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22,126,050.73	69,452,981.24
2025	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,729,382.90	73,641,666.74
2026	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,363,111.54	76,085,524.36
2027	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,362,539.05	77,607,087.50
2028	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,127,969.02	78,602,506.92
2029	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,203,967.14	79,267,335.58
2030	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,511,237.28	79,719,882.33
2031	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,950,150.96	80,031,240.37
2032	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,534,414.20	80,248,864.90
2033	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,054,522.21	80,398,758.36
2034	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,634,382.09	80,502,497.27
2035	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,246,612.44	80,574,338.22
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	61,070,734.00	161,827.75
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>281,410,850.10</b>	<b>80,736,165.97</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	151,874,201.04
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	137,082,766.54
Years to Payout :	0.00	PW 15.00% :	124,992,447.35
Internal ROR (%):	0.00	PW 20.00% :	106,170,468.74
		PW 25.00% :	91,970,525.44
		PW 30.00% :	80,736,165.97

Date: 11/11/2021 7:33:52PM

**ECONOMIC SUMMARY PROJECTION**

Proved Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 Custom Selection

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	9,332.23	9,404.87	16.20	15.02	67.14	2.76	1,087.79	41.46	0.00
2022	19,197,120.07	27,144,220.42	512,561.83	654,786.31	57.54	2.11	29,492,195.96	1,381,509.34	0.00
2023	76,202,117.46	125,431,143.21	2,303,884.47	3,660,000.53	52.43	1.74	120,801,520.01	6,360,472.66	0.00
2024	112,121,255.84	197,966,714.55	3,257,543.13	5,438,602.94	47.83	1.62	155,821,387.93	8,818,645.14	0.00
2025	130,817,743.49	240,321,658.98	4,022,820.29	6,820,688.31	44.74	1.54	179,981,395.83	10,531,836.68	0.00
2026	138,788,567.03	255,833,307.24	4,242,961.99	7,343,832.97	42.86	1.52	181,858,511.69	11,135,076.35	0.00
2027	145,301,678.31	265,345,263.03	4,441,002.21	7,695,355.37	41.94	1.53	186,262,753.24	11,796,261.17	0.00
2028	147,392,502.99	267,338,484.76	4,369,481.81	7,575,201.26	41.90	1.57	183,096,792.30	11,865,360.10	0.00
2029	150,642,394.62	272,001,505.77	4,246,048.31	7,237,159.50	42.18	1.59	179,107,983.60	11,505,157.41	0.00
2030	154,345,343.21	279,151,843.60	4,430,939.76	7,382,486.46	42.48	1.64	188,234,689.10	12,094,895.30	0.00
2031	155,641,748.67	292,350,919.71	4,398,932.17	7,672,814.08	42.79	1.67	188,234,326.82	12,829,698.59	0.00
2032	155,282,878.45	290,956,110.87	4,379,727.84	7,715,248.94	43.13	1.82	188,897,661.74	14,041,753.07	0.00
2033	152,344,903.68	284,462,287.54	4,316,917.49	7,634,289.90	43.13	1.82	186,188,651.48	13,894,407.61	0.00
2034	146,650,235.48	276,443,642.77	4,102,179.34	7,298,078.29	43.13	1.82	176,926,994.79	13,282,502.49	0.00
2035	142,483,676.71	270,806,885.37	3,954,104.08	7,086,303.58	43.13	1.82	170,540,509.10	12,897,072.52	0.00
<b>Rem</b>	1,840,415,954.51	3,657,795,013.75	53,887,923.65	99,669,508.11	43.13	1.82	2,324,186,146.83	181,398,504.75	0.00
<b>Total</b>	<b>3,667,637,452.77</b>	<b>7,003,388,406.44</b>	<b>106,867,044.56</b>	<b>190,884,371.55</b>	<b>43.41</b>	<b>1.75</b>	<b>4,639,632,608.19</b>	<b>333,833,194.63</b>	<b>0.00</b>
<b>Ult</b>	<b>3,667,637,452.77</b>	<b>7,003,388,406.44</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,129.25	843.93
2022	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,873,705.30	18,336,025.74
2023	777.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	127,161,992.67	78,421,885.48
2024	1,261.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	164,640,033.07	136,559,294.15
2025	1,722.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	190,513,232.51	186,684,859.38
2026	2,165.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	192,993,588.05	224,645,958.92
2027	2,588.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	198,059,014.41	253,628,957.32
2028	3,003.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	194,962,152.40	274,851,736.11
2029	3,437.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	190,613,141.01	290,239,423.34
2030	3,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200,329,584.40	302,263,553.63
2031	4,321.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	201,064,025.41	311,266,466.31
2032	4,759.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	202,939,414.80	318,005,455.27
2033	5,166.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200,083,059.09	322,953,582.90
2034	5,540.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	190,209,497.27	326,454,574.20
2035	5,910.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	183,437,581.62	328,960,188.31
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,505,584,651.58	6,242,088.10
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,973,465,802.82</b>	<b>335,202,276.42</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00
ROI Investment (disc/undisc):	0.00 / 0.00
Years to Payout:	0.00
Internal ROR (%):	0.00

PW 10.00%:	1,376,622,035.61
PW 12.50%:	1,091,508,927.66
PW 15.00%:	884,742,920.04
PW 20.00%:	611,617,326.19
PW 25.00%:	444,625,448.51
PW 30.00%:	335,202,276.42

Date: 11/11/2021 7:33:52PM

**ECONOMIC SUMMARY PROJECTION**

Probable Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 Custom Selection

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	6,059.53	12,995.45	162.13	323.59	50.25	1.89	8,147.07	611.58	0.00
2024	158,182.23	408,420.17	7,920.83	17,814.67	47.38	1.65	375,259.85	29,367.53	0.00
2025	170,672.89	357,968.85	12,523.67	24,100.67	44.90	1.54	562,251.35	37,195.26	0.00
2026	102,611.76	235,047.33	8,224.54	15,876.04	42.90	1.51	352,834.73	24,034.62	0.00
2027	262,934.74	322,512.88	9,230.18	14,047.85	41.89	1.56	386,695.48	21,854.93	0.00
2028	1,245,000.38	1,083,361.64	35,033.20	31,539.93	41.90	1.56	1,467,778.20	49,194.45	0.00
2029	868,041.07	773,637.73	27,109.49	25,031.59	42.17	1.59	1,143,330.75	39,677.82	0.00
2030	601,344.03	546,571.92	18,889.24	18,203.49	42.47	1.64	802,315.81	29,776.43	0.00
2031	473,331.52	433,919.81	14,957.62	14,727.00	42.79	1.67	640,022.05	24,620.44	0.00
2032	398,000.86	366,179.92	12,646.26	12,593.50	43.13	1.82	545,433.37	22,920.16	0.00
2033	772,934.30	619,665.84	25,609.90	21,052.42	43.13	1.82	1,104,555.09	38,315.40	0.00
2034	1,495,040.22	1,135,586.21	44,461.00	35,861.66	43.13	1.82	1,917,602.93	65,268.23	0.00
2035	2,192,942.67	2,274,851.85	60,191.39	60,373.44	43.13	1.82	2,596,054.76	109,879.67	0.00
<b>Rem</b>	114,786,179.40	164,211,104.76	3,167,566.05	4,160,075.68	43.13	1.82	136,617,123.66	7,571,337.74	0.00
<b>Total</b>	<b>123,533,275.59</b>	<b>172,781,824.35</b>	<b>3,444,525.51</b>	<b>4,451,621.52</b>	<b>43.12</b>	<b>1.81</b>	<b>148,519,405.10</b>	<b>8,064,054.27</b>	<b>0.00</b>
<b>Ult</b>	<b>123,533,275.59</b>	<b>172,781,824.35</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,758.64	3,619.37
2024	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	404,627.38	141,317.33
2025	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	599,446.62	302,024.93
2026	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	376,869.36	376,815.21
2027	22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	408,550.41	434,546.19
2028	37.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,516,972.65	601,035.26
2029	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,183,008.57	697,496.18
2030	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	832,092.24	747,863.84
2031	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	664,642.49	777,721.60
2032	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	568,353.53	796,685.04
2033	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,142,870.49	823,359.64
2034	77.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,982,871.16	859,690.11
2035	112.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,705,934.43	896,619.43
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	144,188,461.40	188,300.05
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>156,883,459.37</b>	<b>1,084,919.48</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	15,955,752.28
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	10,070,679.70
Years to Payout :	0.00	PW 15.00% :	6,623,511.71
Internal ROR (%):	0.00	PW 20.00% :	3,210,954.19
		PW 25.00% :	1,773,897.39
		PW 30.00% :	1,084,919.48

Date: 11/11/2021 7:33:52PM

**ECONOMIC SUMMARY PROJECTION**

Possible Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 Custom Selection

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	72,518.83	89,810.76	3,639.84	4,391.45	52.42	1.70	190,789.29	7,478.01	0.00
2024	114,822.68	223,775.21	3,101.36	5,194.96	48.10	1.62	149,180.07	8,411.37	0.00
2025	152,610.39	242,428.56	3,294.00	4,785.26	44.75	1.54	147,394.26	7,353.51	0.00
2026	108,182.91	180,754.63	2,382.44	3,749.72	42.90	1.51	102,209.99	5,678.50	0.00
2027	77,557.23	140,487.82	1,816.71	3,043.31	41.95	1.53	76,212.17	4,664.85	0.00
2028	100,611.91	137,448.17	2,106.35	2,892.98	41.91	1.56	88,273.51	4,526.06	0.00
2029	161,113.94	212,015.73	2,612.51	3,473.26	42.20	1.60	110,240.28	5,545.79	0.00
2030	174,233.45	243,016.98	2,615.83	3,615.82	42.47	1.64	111,097.92	5,915.08	0.00
2031	118,640.43	180,433.08	1,943.33	2,888.89	42.79	1.67	83,152.88	4,830.02	0.00
2032	96,269.51	150,818.45	1,645.72	2,512.59	43.13	1.82	70,980.02	4,572.91	0.00
2033	192,760.13	289,960.32	5,065.41	7,055.29	43.13	1.82	218,471.14	12,840.62	0.00
2034	972,613.45	1,527,823.63	20,680.07	29,796.52	43.13	1.82	891,931.43	54,229.66	0.00
2035	1,211,460.21	1,801,102.00	34,389.59	44,842.00	43.13	1.82	1,483,223.18	81,612.44	0.00
Rem	78,679,383.15	103,506,694.66	2,227,229.39	2,676,405.56	43.13	1.82	96,060,403.74	4,871,058.11	0.00
<b>Total</b>	<b>82,232,778.21</b>	<b>108,926,569.98</b>	<b>2,312,522.55</b>	<b>2,794,647.59</b>	<b>43.15</b>	<b>1.82</b>	<b>99,783,559.87</b>	<b>5,078,716.93</b>	<b>0.00</b>
Ult	82,232,778.21	108,926,569.98							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	198,267.31	93,559.73
2024	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157,591.44	150,375.79
2025	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	154,747.77	191,155.86
2026	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	107,888.49	212,568.60
2027	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	80,877.02	224,464.91
2028	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	92,799.57	234,497.83
2029	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	115,786.07	243,660.42
2030	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	117,013.00	250,769.74
2031	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	87,982.90	254,722.91
2032	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	75,552.93	257,243.17
2033	27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	231,311.76	262,473.21
2034	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	946,161.09	280,055.36
2035	60.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,564,835.62	301,116.09
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	100,931,461.86	152,346.83
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>104,862,276.81</b>	<b>453,462.92</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	9,603,317.06
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	5,797,236.99
Years to Payout :	0.00	PW 15.00% :	3,624,877.02
Internal ROR (%):	0.00	PW 20.00% :	1,574,614.34
		PW 25.00% :	788,361.26
		PW 30.00% :	453,462.92

-\$20 per Barrel

Date: 11/11/2021 8:41:49PM

**ECONOMIC SUMMARY PROJECTION**

Proved Shut-In Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bb): 247,036,814.00  
 Cum Gas (Mcf): 577,897,875.00

Year	Gross Oil (bb)	Gross Gas (Mcf)	Net Oil (bb)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,019,678.23	2,527,521.48	29,937.70	59,915.59	51.83	2.47	1,551,527.49	148,169.65	0.00
2022	3,170,377.12	8,887,298.34	89,312.98	199,942.75	49.92	2.13	4,458,678.52	426,653.75	0.00
2023	2,826,752.57	8,170,705.96	78,640.89	180,972.04	42.79	1.75	3,365,166.78	317,187.51	0.00
2024	2,456,393.75	7,183,581.78	67,966.96	157,786.49	37.99	1.62	2,582,314.29	255,714.46	0.00
2025	2,170,136.30	6,416,023.00	59,795.69	140,272.70	34.81	1.54	2,081,744.95	216,419.20	0.00
2026	1,955,546.79	5,822,519.90	53,696.38	126,879.52	32.87	1.51	1,765,267.70	192,203.02	0.00
2027	1,781,729.39	5,325,066.50	48,980.27	115,802.40	31.95	1.53	1,564,676.70	177,556.39	0.00
2028	1,642,746.49	4,919,687.74	45,239.49	107,085.95	31.90	1.57	1,443,284.10	167,786.80	0.00
2029	1,521,487.93	4,540,439.20	42,000.19	99,069.86	32.18	1.59	1,351,562.08	157,442.66	0.00
2030	1,413,007.05	4,219,838.20	39,061.41	91,581.54	32.48	1.64	1,268,677.74	149,897.11	0.00
2031	1,306,933.17	3,921,610.58	36,143.44	84,780.47	32.79	1.67	1,185,173.29	141,807.77	0.00
2032	1,220,886.47	3,667,153.06	33,851.06	79,309.40	33.13	1.82	1,121,485.48	144,343.11	0.00
2033	1,133,906.00	3,409,893.87	31,585.63	73,869.76	33.13	1.82	1,046,431.81	134,442.97	0.00
2034	1,054,768.29	3,171,276.83	29,475.04	68,894.39	33.13	1.82	976,508.17	125,387.79	0.00
2035	971,942.58	2,931,470.17	27,200.65	63,948.40	33.13	1.82	901,157.62	116,386.08	0.00
Rem	8,675,738.42	23,920,267.51	248,491.35	507,675.01	33.13	1.82	8,232,518.42	923,968.53	0.00
<b>Total</b>	<b>34,322,030.55</b>	<b>99,034,354.12</b>	<b>961,379.12</b>	<b>2,157,786.27</b>	<b>36.30</b>	<b>1.76</b>	<b>34,896,175.15</b>	<b>3,795,366.80</b>	<b>0.00</b>
Ult	281,388,844.55	676,932,229.12							

Year	Well Count	Net Tax Production (\$)	Net Tax AdValorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	311.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,699,697.14	1,362,912.52
2022	307.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,885,332.27	4,516,311.93
2023	287.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,682,354.28	6,291,455.41
2024	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,838,028.75	7,306,943.43
2025	267.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,298,164.15	7,917,382.27
2026	256.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,957,470.72	8,303,716.09
2027	245.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,742,233.10	8,559,200.34
2028	240.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,611,070.90	8,734,681.46
2029	235.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,509,004.74	8,856,859.70
2030	233.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,418,574.84	8,942,295.22
2031	226.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,326,981.06	9,001,724.81
2032	220.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,265,828.59	9,043,880.56
2033	215.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,180,874.78	9,073,108.70
2034	213.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,101,895.96	9,093,402.16
2035	203.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,017,543.70	9,107,332.96
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,156,486.95	29,901.98
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>38,691,541.95</b>	<b>9,137,234.94</b>

Present Worth Profile (\$)

Disc. Initial Invest (\$):	0.00	PW 10.00% :	19,023,152.66
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	16,822,093.47
Years to Payout:	0.00	PW 15.00% :	15,066,895.10
Internal ROR (%):	0.00	PW 20.00% :	12,439,064.76
		PW 25.00% :	10,557,719.49
		PW 30.00% :	9,137,234.94

Date: 11/11/2021 8:41:49PM

**ECONOMIC SUMMARY PROJECTION**

Proved Non-Producing Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	1,582,261.21	2,300,881.70	53,374.75	77,464.34	57.85	2.74	3,087,732.27	212,363.52	0.00
2022	30,877,457.40	52,875,740.31	995,170.25	1,645,953.65	49.63	2.11	49,391,491.65	3,475,775.70	0.00
2023	20,405,848.43	41,126,889.08	671,343.73	1,286,276.35	43.00	1.76	28,865,672.86	2,263,853.26	0.00
2024	13,114,672.79	27,410,643.73	431,726.15	852,032.34	38.05	1.62	16,427,757.63	1,381,031.55	0.00
2025	9,963,322.79	21,033,892.74	328,436.33	650,032.77	34.84	1.54	11,442,107.74	1,002,911.83	0.00
2026	8,166,537.40	17,309,283.58	269,497.63	532,423.27	32.88	1.51	8,861,778.61	806,356.58	0.00
2027	6,977,299.55	14,813,844.35	230,448.87	453,906.23	31.95	1.53	7,362,243.52	695,806.86	0.00
2028	6,140,296.74	13,045,446.11	202,944.23	398,417.53	31.90	1.57	6,474,401.53	624,125.21	0.00
2029	5,477,708.12	11,639,366.08	181,148.89	354,476.54	32.18	1.59	5,829,239.54	563,238.72	0.00
2030	4,970,720.39	10,560,545.00	164,462.77	320,832.94	32.48	1.64	5,341,550.54	525,059.02	0.00
2031	4,560,283.42	9,685,168.15	150,946.73	293,609.69	32.79	1.67	4,949,644.70	491,038.95	0.00
2032	4,228,998.49	8,975,693.72	140,041.09	271,671.53	33.13	1.82	4,639,561.16	494,442.18	0.00
2033	3,917,540.06	8,308,704.80	129,774.14	251,298.56	33.13	1.82	4,299,417.39	457,363.39	0.00
2034	3,645,053.26	7,726,693.27	120,778.43	233,631.04	33.13	1.82	4,001,389.32	425,208.49	0.00
2035	3,393,169.15	7,191,281.10	112,471.70	217,421.96	33.13	1.82	3,726,187.46	395,707.97	0.00
Rem	37,130,873.49	79,118,558.92	1,247,740.99	2,418,142.09	33.13	1.82	41,337,659.12	4,401,018.60	0.00
<b>Total</b>	<b>164,552,042.69</b>	<b>333,122,632.62</b>	<b>5,430,306.69</b>	<b>10,257,590.82</b>	<b>37.94</b>	<b>1.78</b>	<b>206,037,835.05</b>	<b>18,215,301.81</b>	<b>0.00</b>
Ult	164,552,042.69	333,122,632.62							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	53.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,300,095.79	2,508,467.27
2022	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52,867,267.35	36,329,469.58
2023	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,129,526.12	51,495,018.71
2024	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,808,789.19	57,896,078.00
2025	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,445,019.58	61,211,262.01
2026	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,668,135.20	63,122,739.67
2027	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,058,050.38	64,306,003.31
2028	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,098,526.74	65,080,065.18
2029	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,392,478.25	65,598,066.02
2030	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,866,609.56	65,951,503.99
2031	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,440,683.65	66,195,227.57
2032	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,134,003.34	66,366,212.50
2033	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,756,780.77	66,483,977.50
2034	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,426,597.81	66,565,479.01
2035	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,121,895.43	66,621,919.42
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	45,738,677.71	126,876.38
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>224,253,136.87</b>	<b>66,748,795.80</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	123,865,450.93
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	112,094,420.92
Years to Payout :	0.00	PW 15.00% :	102,432,695.41
Internal ROR (%):	0.00	PW 20.00% :	87,319,748.25
		PW 25.00% :	75,887,361.94
		PW 30.00% :	66,748,795.80

Date: 11/11/2021 8:41:49PM

**ECONOMIC SUMMARY PROJECTION**

Proved Undeveloped Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 0.00  
 Cum Gas (Mcf): 0.00

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	9,332.23	9,404.87	16.20	15.02	57.14	2.76	925.77	41.46	0.00
2022	19,197,120.07	27,144,220.42	512,561.83	654,786.31	47.54	2.11	24,366,577.64	1,381,509.34	0.00
2023	76,202,117.46	125,431,143.21	2,303,884.47	3,660,000.53	42.43	1.74	97,762,675.26	6,360,472.66	0.00
2024	112,121,255.84	197,966,714.55	3,257,543.13	5,438,602.94	37.83	1.62	123,245,956.68	8,818,645.14	0.00
2025	130,817,743.49	240,321,658.98	4,022,820.29	6,820,688.31	34.74	1.54	139,753,192.98	10,531,836.68	0.00
2026	138,788,567.03	255,833,307.24	4,242,961.99	7,343,832.97	32.86	1.52	139,428,891.76	11,135,076.35	0.00
2027	145,301,678.31	265,345,263.03	4,441,002.21	7,695,355.37	31.94	1.53	141,852,731.11	11,796,261.17	0.00
2028	147,392,502.99	267,338,484.76	4,369,481.81	7,575,201.26	31.90	1.57	139,401,974.24	11,865,360.10	0.00
2029	150,642,394.62	272,001,505.77	4,246,048.31	7,237,159.50	32.18	1.59	136,647,500.51	11,505,157.41	0.00
2030	154,345,343.21	279,151,843.60	4,430,939.76	7,382,486.46	32.48	1.64	143,925,291.53	12,094,895.30	0.00
2031	155,641,748.67	292,350,919.71	4,398,932.17	7,672,814.08	32.79	1.67	144,245,005.16	12,829,698.59	0.00
2032	155,282,878.45	290,956,110.87	4,379,727.84	7,715,248.94	33.13	1.82	145,100,383.34	14,041,753.07	0.00
2033	152,344,903.68	284,462,287.54	4,316,917.49	7,634,289.90	33.13	1.82	143,019,476.54	13,894,407.61	0.00
2034	146,650,235.48	276,443,642.77	4,102,179.34	7,298,078.29	33.13	1.82	135,905,201.42	13,282,502.49	0.00
2035	142,483,676.71	270,806,885.37	3,954,104.08	7,086,303.58	33.13	1.82	130,999,468.27	12,897,072.52	0.00
Rem	1,788,013,232.20	3,557,796,373.06	52,409,734.27	97,072,169.91	33.13	1.82	1,736,334,496.27	176,671,349.23	0.00
<b>Total</b>	<b>3,615,234,730.46</b>	<b>6,903,389,765.75</b>	<b>105,388,855.18</b>	<b>188,287,033.35</b>	<b>33.42</b>	<b>1.75</b>	<b>3,521,989,748.46</b>	<b>329,106,039.11</b>	<b>0.00</b>
Ult	3,615,234,730.46	6,903,389,765.75							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	967.23	722.85
2022	273.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,748,086.98	15,295,008.51
2023	777.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	104,123,147.92	64,518,996.67
2024	1,261.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	132,064,601.82	111,172,991.67
2025	1,722.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150,285,029.65	150,726,428.70
2026	2,165.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150,563,968.11	180,347,628.44
2027	2,588.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	153,648,992.27	202,833,212.66
2028	3,003.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	151,267,334.34	219,298,319.69
2029	3,437.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	148,152,657.92	231,257,965.10
2030	3,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	156,020,186.82	240,621,913.67
2031	4,321.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157,074,703.75	247,654,788.56
2032	4,759.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	159,142,136.41	252,939,296.29
2033	5,166.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	156,913,884.16	256,819,861.78
2034	5,540.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	149,187,703.91	259,565,795.51
2035	5,910.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	143,896,540.79	261,531,297.19
Rem.		0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,913,005,845.50	4,898,889.95
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,851,095,787.57</b>	<b>266,430,187.15</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	1,083,058,864.25
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	859,968,953.61
Years to Payout:	0.00	PW 15.00%:	697,964,650.10
Internal ROR (%):	0.00	PW 20.00%:	483,707,452.65
		PW 25.00%:	352,522,839.25
		PW 30.00%:	266,430,187.15



Date: 11/11/2021 8:41:49PM

### ECONOMIC SUMMARY PROJECTION

Probable Undeveloped Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	6,059.53	12,995.45	162.13	323.59	40.25	1.89	6,525.76	611.58	0.00
2024	158,182.23	408,420.17	7,920.83	17,814.67	37.38	1.65	296,051.57	29,367.53	0.00
2025	170,672.89	357,968.85	12,523.67	24,100.67	34.90	1.54	437,014.69	37,195.26	0.00
2026	102,611.76	235,047.33	8,224.54	15,876.04	32.90	1.51	270,589.32	24,034.62	0.00
2027	262,934.74	322,512.88	9,230.18	14,047.85	31.89	1.56	294,393.63	21,854.93	0.00
2028	1,245,000.38	1,083,361.64	35,033.20	31,539.93	31.90	1.56	1,117,446.19	49,194.45	0.00
2029	868,041.07	773,637.73	27,109.49	25,031.59	32.17	1.59	872,235.80	39,677.82	0.00
2030	601,344.03	546,571.92	18,889.24	18,203.49	32.47	1.64	613,423.45	29,776.43	0.00
2031	473,331.52	433,919.81	14,957.62	14,727.00	32.79	1.67	490,445.90	24,620.44	0.00
2032	398,000.86	366,179.92	12,646.26	12,593.50	33.13	1.82	418,970.73	22,920.16	0.00
2033	772,934.30	619,665.84	25,609.90	21,052.42	33.13	1.82	848,456.07	38,315.40	0.00
2034	1,494,652.02	1,132,230.37	44,448.79	35,772.87	33.13	1.82	1,472,588.31	65,106.62	0.00
2035	2,191,698.88	2,262,264.70	60,153.13	60,051.21	33.13	1.82	1,992,873.32	109,293.20	0.00
<b>Rem</b>	109,125,159.20	156,155,114.80	3,009,822.99	3,951,980.45	33.13	1.82	99,715,435.69	7,192,604.42	0.00
<b>Total</b>	<b>11,787,623.41</b>	<b>164,709,891.39</b>	<b>3,286,731.98</b>	<b>4,243,115.25</b>	<b>33.12</b>	<b>1.81</b>	<b>108,846,450.42</b>	<b>7,684,572.87</b>	<b>0.00</b>
<b>Ult</b>	<b>11,787,623.41</b>	<b>164,709,891.39</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,137.33	2,949.38
2024	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325,419.10	113,753.74
2025	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	474,209.96	240,929.20
2026	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	294,623.95	299,408.73
2027	22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	316,248.56	344,114.83
2028	37.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,166,640.63	472,147.50
2029	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	911,913.63	546,499.50
2030	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	643,199.88	585,430.93
2031	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	515,066.34	608,568.24
2032	39.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	441,890.89	623,312.14
2033	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	886,771.47	644,011.25
2034	77.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,537,694.93	672,185.78
2035	110.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,102,166.52	700,873.90
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	106,908,040.10	146,803.47
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>116,531,023.29</b>	<b>847,677.36</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	12,351,505.92
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	7,817,235.51
Years to Payout :	0.00	PW 15.00% :	5,150,120.49
Internal ROR (%):	0.00	PW 20.00% :	2,501,482.95
		PW 25.00% :	1,383,895.64
		PW 30.00% :	847,677.36

Date: 11/11/2021 8:41:49PM

**ECONOMIC SUMMARY PROJECTION**

Possible Undeveloped Rsv Class & Category

**Project Name:** ND Dept. Of Trust Lands  
**Partner:** All Cases  
**Case Type:** REPORT BREAK TOTAL CASE

**As Of Date:** 01/01/2021  
**Discount Rate (%):** 30.00  
 All Cases

Year	Gross Oil (hbl)	Gross Gas (Mcf)	Net Oil (hbl)	Net Gas (Mcf)	Oil Price (\$/hbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	72,518.83	89,810.76	3,639.84	4,391.45	42.42	1.70	154,390.87	7,478.01	0.00
2024	114,822.68	223,775.21	3,101.36	5,194.96	38.10	1.62	118,166.46	8,411.37	0.00
2025	152,610.39	242,428.56	3,294.00	4,785.26	34.75	1.54	114,454.27	7,353.51	0.00
2026	108,182.91	180,754.63	2,382.44	3,749.72	32.90	1.51	78,385.56	5,678.50	0.00
2027	77,557.23	140,487.82	1,816.71	3,043.31	31.95	1.53	58,045.07	4,664.85	0.00
2028	100,611.91	137,448.17	2,106.35	2,892.98	31.91	1.56	67,210.04	4,526.06	0.00
2029	161,113.94	212,015.73	2,612.51	3,473.26	32.20	1.60	84,115.22	5,545.79	0.00
2030	174,233.45	243,016.98	2,615.83	3,615.82	32.47	1.64	84,939.62	5,915.08	0.00
2031	118,640.43	180,433.08	1,943.33	2,888.89	32.79	1.67	63,719.61	4,830.02	0.00
2032	96,269.51	150,818.45	1,645.72	2,512.59	33.13	1.82	54,522.79	4,572.91	0.00
2033	192,760.13	289,960.32	5,065.41	7,055.29	33.13	1.82	167,817.04	12,840.62	0.00
2034	972,613.45	1,527,823.63	20,680.07	29,796.52	33.13	1.82	685,130.73	54,229.66	0.00
2035	1,209,702.36	1,797,987.61	34,385.47	44,835.28	33.13	1.82	1,139,190.71	81,600.21	0.00
<b>Rem</b>	72,979,541.01	95,490,722.17	2,062,029.74	2,464,743.86	33.13	1.82	68,315,045.26	4,485,833.83	0.00
<b>Total</b>	<b>76,531,178.22</b>	<b>100,907,483.11</b>	<b>2,147,318.78</b>	<b>2,582,979.18</b>	<b>33.15</b>	<b>1.82</b>	<b>71,185,133.25</b>	<b>4,695,480.42</b>	<b>0.00</b>
<b>Ult</b>	<b>76,531,178.22</b>	<b>100,907,483.11</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2023	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	161,868.88	76,411.27
2024	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	126,577.83	122,063.33
2025	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	121,807.78	154,174.23
2026	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	84,064.06	170,861.13
2027	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	62,709.92	180,085.70
2028	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	71,736.10	187,841.63
2029	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	89,661.01	194,936.84
2030	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	90,854.70	200,456.31
2031	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	68,549.63	203,536.13
2032	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	59,095.70	205,507.41
2033	27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	180,657.66	209,592.40
2034	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	739,360.39	223,331.45
2035	60.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,220,790.92	239,763.03
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	72,800,879.09	118,374.20
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>75,878,613.67</b>	<b>358,137.23</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00% :	7,358,528.15
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50% :	4,470,312.95
Years to Payout :	0.00	PW 15.00% :	2,808,699.33
Internal ROR (%):	0.00	PW 20.00% :	1,228,929.62
		PW 25.00% :	619,035.19
		PW 30.00% :	358,137.23

Date: 11/11/2021 8:41:49PM

**ECONOMIC SUMMARY PROJECTION**

Proved Producing Rsv Class & Category

Project Name: ND Dept. Of Trust Lands  
 Partner: All Cases  
 Case Type: REPORT BREAK TOTAL CASE

As Of Date: 01/01/2021  
 Discount Rate (%): 30.00  
 All Cases

Cum Oil (bbl): 2,578,811,063.64  
 Cum Gas (Mcf): 3,452,917,926.08

Year	Gross Oil (bbl)	Gross Gas (Mcf)	Net Oil (bbl)	Net Gas (Mcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil Revenue (\$)	Gas Revenue (\$)	Misc. Revenue (\$)
2021	190,163,849.70	496,051,047.49	5,511,869.35	10,522,248.80	45.01	1.99	248,073,161.91	20,960,011.59	0.00
2022	144,602,455.30	354,134,917.84	4,109,305.60	7,321,408.94	50.20	2.16	206,288,661.01	15,801,405.82	0.00
2023	115,861,003.27	279,120,373.39	3,287,983.15	5,652,391.16	42.79	1.75	140,709,027.33	9,910,436.89	0.00
2024	99,538,281.08	237,335,691.90	2,825,202.37	4,758,873.16	37.99	1.62	107,332,726.04	7,712,251.41	0.00
2025	87,697,646.06	207,704,241.18	2,488,136.15	4,138,094.36	34.82	1.54	86,624,890.62	6,384,303.09	0.00
2026	78,892,006.45	186,055,863.94	2,235,994.29	3,690,626.53	32.87	1.51	73,507,215.38	5,590,872.29	0.00
2027	71,816,473.80	168,983,472.93	2,033,387.21	3,342,513.22	31.95	1.53	64,957,008.37	5,124,875.36	0.00
2028	66,186,332.41	155,478,718.72	1,871,088.24	3,070,395.19	31.90	1.57	59,693,403.20	4,810,622.04	0.00
2029	60,853,782.15	143,186,325.04	1,708,001.46	2,824,017.93	32.18	1.59	54,962,019.83	4,487,697.18	0.00
2030	56,218,699.67	132,815,692.55	1,558,903.95	2,615,685.05	32.48	1.64	50,631,887.72	4,281,142.91	0.00
2031	52,277,006.58	123,473,507.89	1,448,723.46	2,430,132.45	32.79	1.67	47,504,793.87	4,064,520.30	0.00
2032	48,856,218.10	115,461,629.66	1,352,769.86	2,272,158.40	33.13	1.82	44,817,265.53	4,135,328.28	0.00
2033	45,364,890.52	107,229,142.90	1,255,634.22	2,111,686.98	33.13	1.82	41,599,161.81	3,843,270.30	0.00
2034	42,161,358.27	99,702,370.44	1,166,273.88	1,964,211.70	33.13	1.82	38,638,653.72	3,574,865.30	0.00
2035	39,152,632.53	92,592,382.75	1,082,193.23	1,823,257.30	33.13	1.82	35,853,061.59	3,318,328.29	0.00
<b>Rem</b>	355,493,936.08	815,429,116.78	9,831,454.13	16,199,004.46	33.13	1.82	325,716,075.47	29,482,188.12	0.00
<b>Total</b>	<b>1,555,136,571.98</b>	<b>3,714,754,495.40</b>	<b>43,766,920.55</b>	<b>74,736,705.62</b>	<b>37.17</b>	<b>1.79</b>	<b>1,626,909,013.39</b>	<b>133,482,119.16</b>	<b>0.00</b>
<b>Ult</b>	<b>4,133,947,635.62</b>	<b>7,167,672,421.48</b>							

Year	Well Count	Net Tax Production (\$)	Net Tax Ad Valorem (\$)	Net Investment (\$)	Net Lease Costs (\$)	Net Well Costs (\$)	Other Costs (\$)	Net Profits (\$)	Annual Cash Flow (\$)	Cum Disc. Cash Flow (\$)
2021	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	269,033,173.49	229,787,119.33
2022	8,446.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	222,090,066.83	374,408,890.36
2023	8,384.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150,619,464.21	447,039,684.72
2024	8,286.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	115,044,977.46	488,203,583.58
2025	8,197.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	93,009,193.71	512,913,441.70
2026	8,079.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	79,098,087.67	528,524,019.72
2027	7,984.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	70,081,883.73	538,802,448.87
2028	7,879.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64,504,025.24	545,829,989.11
2029	7,812.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	59,449,717.01	550,648,000.11
2030	7,603.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	54,913,030.63	553,954,850.35
2031	7,525.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51,569,314.17	556,264,529.12
2032	7,419.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	48,952,593.81	557,894,738.98
2033	7,295.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45,442,432.10	559,019,782.64
2034	7,181.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	42,213,519.02	559,797,065.45
2035	7,022.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39,171,389.88	560,333,466.81
<b>Rem.</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00	355,198,263.59	1,163,261.08
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,760,391,132.55</b>	<b>561,496,727.89</b>

**Present Worth Profile (\$)**

Disc. Initial Invest. (\$):	0.00	PW 10.00%:	976,878,563.23
ROI Investment (disc/undisc):	0.00 / 0.00	PW 12.50%:	886,772,624.01
Years to Payout:	0.00	PW 15.00%:	814,228,236.27
Internal ROR (%):	0.00	PW 20.00%:	704,039,149.01
		PW 25.00%:	623,532,306.60
		PW 30.00%:	561,496,727.89

## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

**RE: Acreage Adjustment Survey - T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36**

Under North Dakota law, the Board of University and School Lands (Board) is vested with the authority to manage state-owned minerals including the oil, gas, and related hydrocarbons within the beds of the State's navigable waters. On behalf of the State, the Board oversees the Strategic Investment and Improvements Fund (SIIF) which collects the revenues from these sovereign minerals.

### Timeline of State Activity Related to Sovereign Lands

- The 1977 Legislature defined "sovereign lands" as "those beds, islands, accretions, and relictions lying within the ordinary high watermark of navigable lakes and streams." 1977 N.D. Sess. Laws, ch. 144, § 1, codified as N.D.C.C. § 15-08.2-02 (repealed 1989 N.D. Sess. Laws, ch. 552, § 4).
- From 1977 to 1989, the Board had authority over both the surface and subsurface of sovereign lands, including the power to convey interests.
- In 1989, the Legislature again defined state title as "those beds, islands, accretions, and relictions lying within the ordinary high watermark of navigable lakes and streams." 1989 N.D. Sess. Laws, ch. 552, § 3, codified as N.D.C.C. § 61-33-01.
- The 1989 Legislature gave the State Engineer's Office authority to manage the surface and the Board authority over the oil, gas, and related hydrocarbons within the subsurface, with each agency having the power to convey interests.
- In 2007, the Office of the State Engineer issued the North Dakota Sovereign Land Management Plan and Ordinary High Water (OHWM) Delineation Guidelines.
- In 2009, the Board and the State Engineer engaged Bartlett & West, a private engineering company, to undertake a comprehensive study of the OHWM along the Yellowstone River and the Missouri River from the Montana border to river mile marker 1549 near Williston (Phase I Delineation).
- In 2010, the Board again contracted with Bartlett & West to approximate the location of the OHWM for the historic Missouri River under Lake Sakakawea from river mile marker 1574 near the Furlong Loop to river mile marker 1482, the border of the Fort Berthold Reservation (Phase II). This study was completed using historical aerial photography, elevation data, and topographic maps.
- In 2010, the Board authorized Phase III to investigate specific and isolated sections of the Missouri and Yellowstone Rivers between Williston to the Montana border that could not be fully completed under Phase I due to location and complexity (this includes the Trenton Lake area.)
- In 2012, the Board initiated the review of the estimated historic OHWM between the Four Bears Bridge and the Garrison Dam (Phase IV) using the same techniques as Phase II.
- In 2013, the North Dakota Supreme Court issued decisions in *Reep v. State* and *Brigham v. State* holding that the State owns the mineral interests up to the OHWM of navigable rivers and water bodies.
- In 2017, the Sixty-Fifth Legislative Assembly's adoption of Senate Bill 2134 (SB 2134), codified as N.D.C.C. ch. 61-33.1, sought to establish state ownership of minerals below the OHWM of the historical Missouri riverbed channel (Historical OHWM) inundated by Pick-Sloan Missouri basin project dams.
- In 2019, the Sixty-Sixth Legislative Assembly amended N.D.C.C. ch. 61-33.1 relating to the ownership of mineral rights of land subject to inundation by Pick-Sloan Missouri basin project dams. Under N.D.C.C. § 61-33.1-03(8), the Board contracted with Kadmas, Lee & Jackson, Inc. (KLJ) "to analyze the final review findings and determine the acreage on

a quarter-quarter basis or government lot basis above and below the [Historical OHWM] as delineated by the final review findings of the industrial commission.”

On June 25, 2020, the Board formally requested the North Dakota Industrial Commission complete further review of T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36. The North Dakota Industrial Commission entered Order No. 31104 providing the Department of Trust Lands (Department) with necessary information to complete the acreage adjustment survey in T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36.

The Department consulted with the State Engineer as to the State’s sovereign land ownership in Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36 of Township 153 North, Range 102 West, Williams/McKenzie Counties, North Dakota (more commonly referred to as the Trenton Lake area.) On November 24, 2020, the State Engineer presented a technical memorandum to the Board. The Board requested the Department provide an outline of options for the Board to review.

On January 28, 2021, the Board was presented with options relating to T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36. The Board requested the Department work with the State Engineer’s Office to provide additional insight.

On July 29, 2021, the Board authorized the Commissioner to request that KLJ complete the Acreage Adjustment Survey for T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36.

KLJ is available to review the methodology they used to calculate the acreage adjustments and answer any questions the Board may have regarding the acreage adjustment results. KLJ has provided the Department with a Final Report for Acreage Determination along the Ordinary High Water Mark for T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36 as adopted by the North Dakota Industrial Commission Order No. 29129 which will be available on the Department’s website.

Upon the Board’s adoption of the Acreage Adjustment Survey for T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36 as prepared by KLJ, the Department will promptly begin updating records to satisfy the Board’s duty under N.D.C.C. § 61-33.1-04(2)(a).

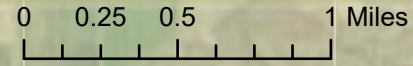
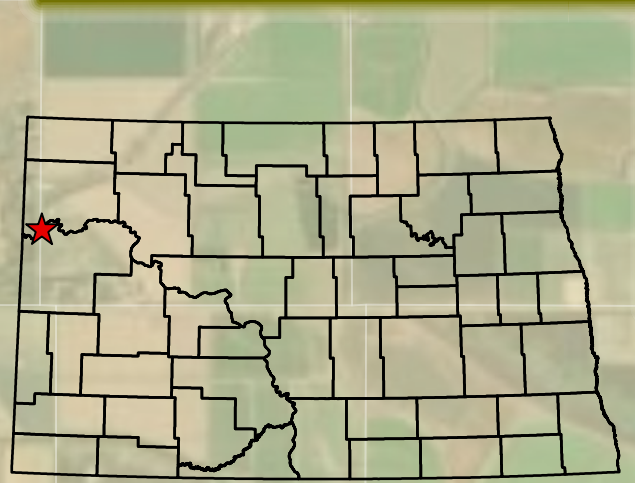
**Recommendation: The Board adopts the acreage adjustment survey on a quarter-quarter basis or government lot basis above and below the ordinary high water mark as delineated by the final review findings of the North Dakota Industrial Commission for T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36.**

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Stenehjem					
Governor Burgum					

Attachment 1 – Map T153N, R102W Sections 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33, 34, and 36

# Attachment 1

Township: 153 North, Range: 102 West



## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

November 29, 2021

---

### **RE: Repayment of Unpaid Gas Royalties Update**

The Board of University and School Lands (Board) manages land, minerals, and proceeds as trustee for the exclusive benefit of constitutionally identified beneficiaries, with much of the income going towards funding North Dakota schools and institutions. The Board also manages oil, gas and other hydrocarbons underlying sovereign lands for the State of North Dakota.

The Department of Trust Lands (Department) has persistently worked with operators to collect payment or establish escrow accounts for royalties from the production of minerals, in accordance with the Board's lease, rules, and policies. Royalty audits began in the late 1980's and a Revenue Compliance Division was created in 2011 to ensure that royalty and other collections made on behalf of the trusts and other funds are complete and accurate.

A letter regarding Formal Notification of Gas Royalty Repayment Obligations dated February 11, 2020 (February 2020 Letter), was sent to all entities required to pay royalties to the Board pursuant to the Board's lease. The February 2020 Letter advised all entities who have been deducting post production costs from royalty payments made to the Department that they have been underpaying royalties, contrary to the terms of the Board's lease. Entities were advised that penalties and interest continue to accrue on any unpaid amounts in accordance with the February 2020 Letter until payment is received. On April 8, 2020, the Board extended the date to come into compliance with gas royalty payments, as outlined in the February 2020 Letter, to September 30, 2020. At the August 27, 2020, Board meeting, the Board extended the date to come into compliance with gas royalty payments, as outlined in the February 2020 Letter, to April 30, 2020.

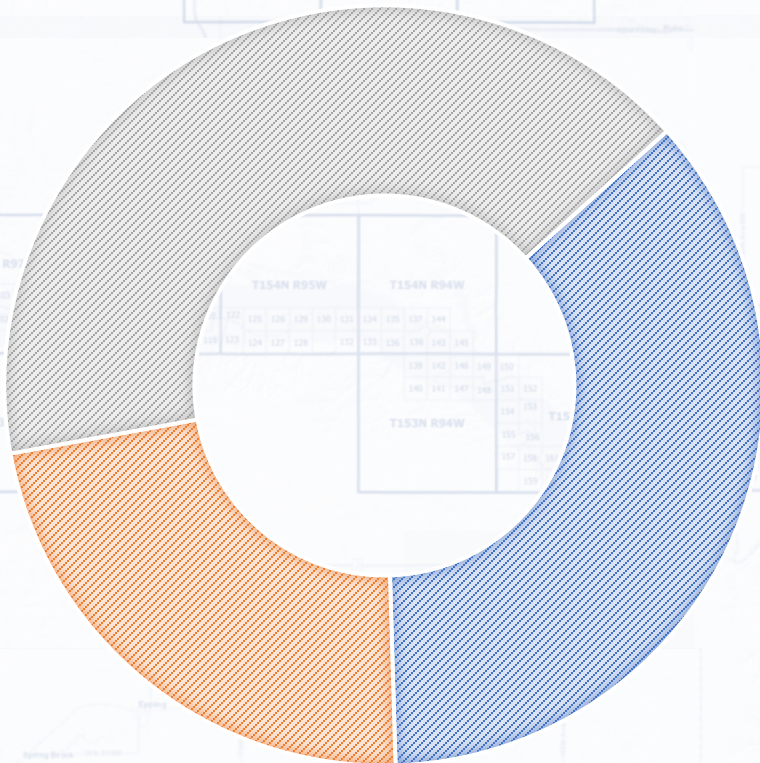
Since the issuance of the February 2020 Letter, the Department has been working with payors who have been deducting post production costs from royalty payments made to the Department to ensure that they are in compliance with the terms of the Board's lease.

The Department has several royalty repayment offers prepared to present to the Board in executive session pursuant to N.D.C.C. §§ 44-04-19.1 and 44-04-19.2.

# OCTOBER ACREAGE ADJUSTMENT SURVEY REPORT

**500**

Total Leases Under Review





## STATUS OF 181 REVIEWED LEASES

**66** Awaiting  
Operator  
Execution

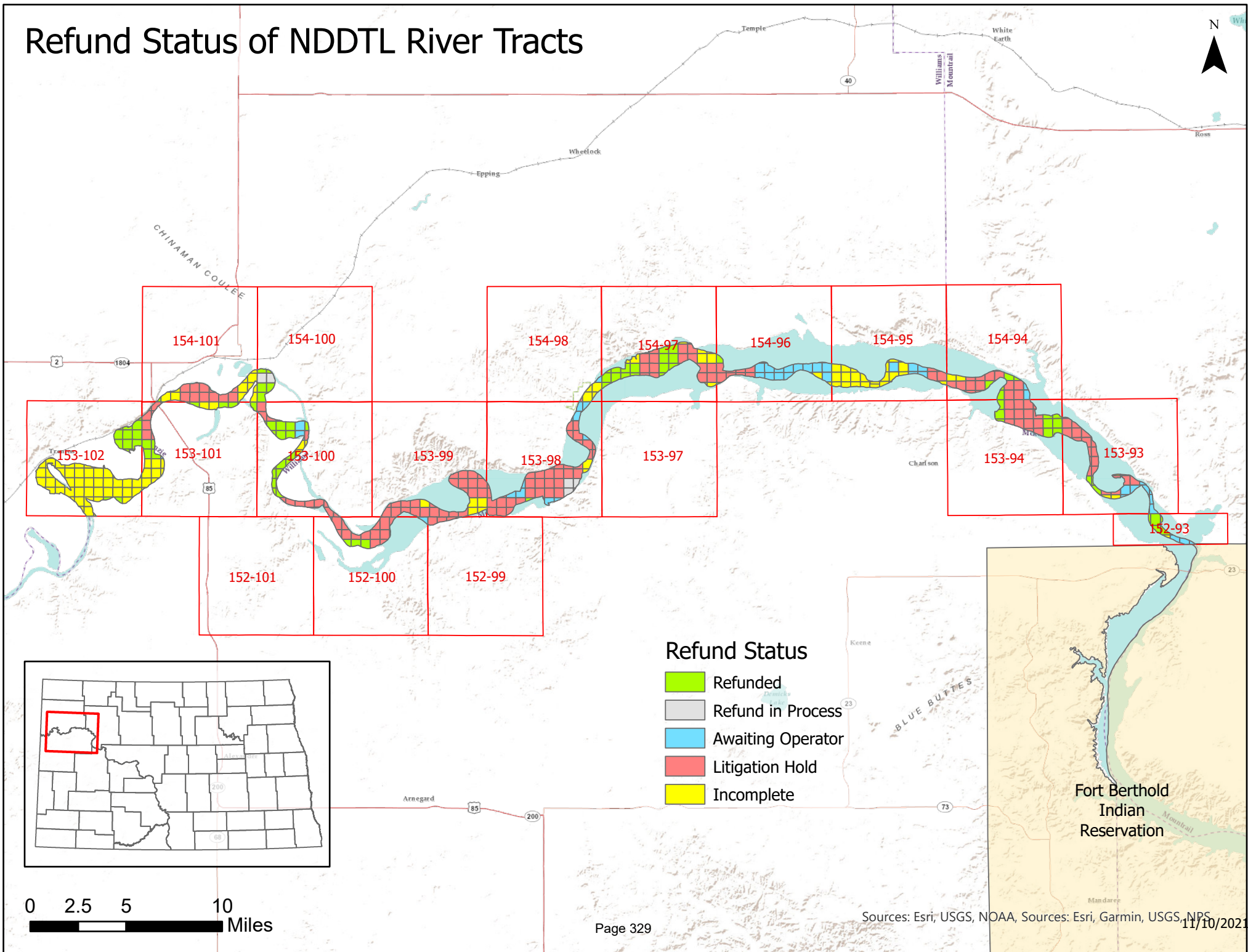
**9** Refund in  
Process

**106** Refunded  
\$10,670,653  
Paid  
\$2,997,805  
Received

-  Reviewed (181)
-  Incomplete (113)
-  Litigation Hold (206)



# Refund Status of NDDTL River Tracts



**Outstanding Requests for Acreage Adjustment Stipulation and Lease Correction**

LEASE #	LESSEE	DATE LEASE CORRECTION AND ADJUSTMENT STIPULATION SENT	CERTIFIED LETTER SENT TO LESSEE
OG1003025	H KERMIT ANDERSON	11/20/2020	YES
OG1002992	PETROGULF CORPORATION	11/20/2020	YES
OG1002993	PETROGULF CORPORATION	11/20/2020	YES
OG1003093	RIVERBEND OIL & GAS	12/8/2020	YES
OG1003094	RIVERBEND OIL & GAS	12/8/2020	YES
OG1200547	RIVERBEND OIL & GAS	12/9/2020	YES
OG1003099	RIVERBEND OIL & GAS	12/9/2020	YES
OG1003005	RIVERBEND OIL AND GAS	4/6/2021	YES
OG1003051	HESS BAKKEN	4/9/2021	
OG1003052	HESS BAKKEN	4/9/2021	
OG1003053	HESS BAKKEN	4/9/2021	
OG1500774	NORTHERN OIL AND GAS	4/16/2021	YES
OG1500775	NORTHERN OIL AND GAS	4/16/2021	YES
OG1003012	HESS BAKKEN	4/16/2021	
OG1003013	HESS BAKKEN	4/16/2021	
OG1003014	HESS BAKKEN	4/16/2021	
OG0900935	XTO ENERGY INC.	5/11/2021	YES
OG0900936	XTO ENERGY INC.	5/11/2021	YES
OG0900937	XTO ENERGY INC.	5/11/2021	YES
OG0900219	XTO ENERGY INC.	5/17/2021	YES
OG0900221	XTO ENERGY INC.	5/17/2021	YES
OG0900232	XTO ENERGY INC.	8/16/2021	YES
OG0900234	XTO ENERGY INC.	8/16/2021	YES
OG0900235	XTO ENERGY INC.	8/16/2021	YES
OG0900230	XTO ENERGY INC.	8/18/2021	YES
OG0900229	XTO ENERGY INC.	8/18/2021	YES
OG1200556	HESS BAKKEN	6/17/2021	
OG1200557	HESS BAKKEN	6/17/2021	
OG1200546	RIVERBEND OIL & GAS VI LLC	9/14/2021	YES
OG1000840	RIVERBEND OIL & GAS VI LLC	9/24/2021	YES
OG1003063	HESS BAKKEN INVESTMENTS II LLC	10/21/2021	
OG1003064	HESS BAKKEN INVESTMENTS II LLC	10/21/2021	
OG1200559	XTO ENERGY INC.	11/8/2021	
OG1201260	CONTINENTAL RESOURCES	11/8/2021	

OG1201261	CONTINENTAL RESOURCES	11/8/2021	
OG1201262	CONTINENTAL RESOURCES	11/8/2021	
OG1101130	WHITING OIL AND GAS CORPORATION	11/19/2021	
OG1101131	WHITING OIL AND GAS CORPORATION	11/19/2021	
OG1101129	THE TED WYOMING TRUST	11/19/2021	
OG1600253	NORTHERN OIL AND GAS	9/29/2021	YES
OG1600253	DAVIS EXPLORATION LLC	9/29/2021	
OG1600254	NORTHERN OIL AND GAS	9/29/2021	YES
OG1600254	DAVIS EXPLORATION LLC	9/29/2021	
OG1600255	NORTHERN OIL AND GAS	9/29/2021	YES
OG1600255	DAVIS EXPLORATION LLC	9/29/2021	
OG1600256	NORTHERN OIL AND GAS	9/29/2021	YES
OG1600256	DAVIS EXPLORATION LLC	9/29/2021	
OG0900942	HESS BAKKEN INVESTMENTS II LLC	9/30/2021	
OG1100797	MISSOURI RIVER ROYALTY CORPORATION	10/25/2021	
OG1100797	VITESSE ENERGY LLC	10/25/2021	
OG1100797	NORTHERN OIL AND GAS	10/25/2021	
OG1100797	NORTHERN ENERGY CORPORATION	10/25/2021	
OG1003464	BLACK BEAR RESOURCES III LLC	10/25/2021	
OG1003464	OIL, GAS & OTHER MINERALS LLC	10/25/2021	
OG1003464	RAPTOR RESOURCES LLC	10/25/2021	
OG1003464	TRINITY WESTERN	10/25/2021	
OG1003139	DEEP ROCK RESOURCES LLC	11/8/2021	
OG1003139	RED RHINO RESOURCES LLC	11/8/2021	
OG1003139	AVALON NORTH LLC	11/8/2021	
OG0900227	DAVIS EXPLORATION LLC	11/15/2021	
OG0900227	CRAIG & BARBARA EGELAND	11/15/2021	
OG0900228	DAVIS EXPLORATION LLC	11/15/2021	
OG0900228	CRAIG & BARBARA EGELAND	11/15/2021	

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**  
**November 29, 2021**

---

**RE: Newfield Litigation**  
(No Action Requested)

**Case: Newfield Exploration Company, Newfield Production Company, and Newfield RMI LLC v. State of North Dakota, ex rel. the North Dakota Board of University and School Lands and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands, Civ. No. 27-2018-CV-00143**

Date Filed: March 7, 2018

Court: District Court/McKenzie County

Attorneys: David Garner

Opposing

Counsel: Lawrence Bender - Fredrikson & Byron, P.A. and Michelle P. Scheffler – Haynes and Boone, LLP

Judge: Robin Schmidt

Issues: Plaintiff is seeking a Declaratory Judgment that it is currently paying gas royalties properly under the Board's lease. Specifically, Plaintiff is asking the Court to order that gas royalty payments made by the Plaintiff be based on the gross amount received by the Plaintiff from an unaffiliated third-party purchaser, not upon the gross amount paid to a third party by a downstream purchaser, and that Plaintiff does not owe the Defendants any additional gas royalty payments based on previous payments.

History: A Complaint and Answer with Counterclaims have been filed. Newfield filed an Answer to Counterclaims. A Scheduling conference was held July 27, 2018. Plaintiffs' filed a Motion for Summary Judgment on August 13, 2018 and Defendants filed a Cross-Motion for Summary Judgment. Plaintiffs' Response was filed October 19, 2018 and Defendants' Reply was filed November 9, 2018. A hearing on the Motions for Summary Judgment was held on January 4, 2019 at 1:30 p.m., McKenzie County. An Order on Cross Motions for Summary Judgment was issued on February 14, 2019, granting Plaintiff's motion for summary judgment and denying Defendants' motion for summary judgment. The Judgment was entered March 1, 2019, and the Notice of Entry of Judgment was filed March 4, 2019. Defendants have filed a Notice of Appeal to the North Dakota Supreme Court (Supreme Court). The trial scheduled in McKenzie County District Court for September 10 and 11, 2019 has been cancelled. Defendants/Appellants' Brief to the Supreme Court was filed April 29, 2019. Plaintiffs/Appellees filed their Brief of Appellees and Appendix of Appellees on June 7, 2019. Defendants/Appellants filed a reply brief on June 18, 2019. Oral Argument before the Supreme Court was held on June 20, 2019. On July 11, 2019, the Supreme Court entered its Judgment reversing the Judgment of the McKenzie County District Court. On July 25, 2019 Newfield filed Appellee's Petition for Rehearing. Also on July 25, 2019, a Motion for Leave to File Amicus Curiae Brief by Western Energy Alliance in Support of Newfield was filed with the Supreme Court. On July 26, 2019, a Motion for Leave to File Amicus Curiae Brief by North Dakota Petroleum Council in Support of Newfield was filed with the Supreme Court. On August 20, 2019, the North Dakota Supreme Court requested Defendants file a Response to the Petition for Rehearing and the two Amicus Curiae Briefs no later than September 4, 2019.

Defendants/Appellants filed their Response to Petition for Rehearing on September 4, 2019. A Corrected Opinion was filed by the North Dakota Supreme Court on September 9, 2019, changing the page number of a citation. On September 12, 2019, the North Dakota Supreme Court entered an order denying Newfield's Petition for Rehearing. On September 20, 2019, the opinion and mandate of the Supreme Court was filed with McKenzie County District Court. A Telephonic Status Conference was held October 8, 2019. On October 9, 2019, the District Court issued an Order Setting Briefing Schedule which ordered "the parties to file a brief regarding how they suggest the case proceed after the Supreme Court's decision." The parties filed briefs with the District Court on November 6, 2019. Notice of Appearance for Michelle P. Scheffler of Hayes and Boone, LLP on behalf of Plaintiffs was filed November 7, 2019. Telephonic Status Conference scheduled for March 17, 2020 before the District Court. On May 14, 2020, the Court scheduled a five-day Court Trial to start on October 4, 2021, McKenzie County Courthouse. On July 28, 2020, a Stipulated Scheduling Order was entered, setting dates for various deadlines. On April 1, 2021, the State served Defendants State of North Dakota, ex re. the North Dakota Board of University and School Lands, and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands' Interrogatories, Requests for Production of Documents, and Requests for Admissions to Plaintiff. On April 1, 2021, the Plaintiffs served the following on the State: Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of a Representative of the North Dakota Department of Trust Lands; Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of Lance Gaebe; Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of Taylor K. Lee; Plaintiffs' Notice of Intention to Take Oral and Videotaped Deposition of Jodi Smith; and Plaintiffs' First Set of Interrogatories, Requests for Production, and Requests for Admission to all Defendants. On July 1, 2021, Defendants filed their Motion for Summary Judgment and Plaintiffs filed their Motion for Partial Summary Judgment. On August 2, 2021, Plaintiffs filed a Motion to Admit Garrett S. Martin Pro Hac Vice and their Response Brief in Opposition to Motion for Summary Judgment. Also on August 2, 2021, Defendants filed their Brief in Response to Plaintiffs' Motion for Partial Summary Judgment. On August 4, 2021, the parties filed an Expedited Joint Motion for Extension of Time to Reply to Briefs in Opposition/Response to Motions for Summary Judgment and the Joint Motion to Exceed Volume Limitations. On August 5, 2021, the Court issued its Order Granting Expedited Joint Motion for Extension of Time to Reply to Briefs in Opposition/Response to motions for Summary Judgment and the Order Granting Joint Motion to Exceed Volume Limitations. The parties now have until August 30, 2021 to file their opposition/response briefs and the page limit was extended from 12 pages to 30 pages for both parties. On August 9, 2021, Plaintiffs requested a hearing on Plaintiff's Motion for Partial Summary Judgment and Defendants Motion for Summary Judgment and scheduled that hearing for September 16, 2021, at 10 a.m. Also on August 9, 2021, a Pretrial Conference was scheduled for 10 a.m. on October 1, 2021. Mediation was held September 2, 2021. The Deposition of Adam Otteson was held August 31, 2021; Jodi Smith's deposition was held September 14, 2021; the deposition of Kelly Vandamme was held September 22, 2021; and the deposition of John Kemmerer was held for September 23, 2021. On September 3, 2021, Plaintiffs filed a Motion to Compel which was later withdrawn on September 16, 2021. On September 8, 2021, Plaintiffs submitted a Motion to Admit Ryan Pitts Pro Hac Vice. The Order of Admission was signed September 9, 2021. On September 10, 2021, Plaintiffs filed a Motion to Exclude Evidence Attached to Defendants Summary Judgment Brief. They also filed an Emergency Motion for

Expedited Briefing Schedule and a request for the hearing on both of these motions be held with the motions for summary judgment. Judge Schmidt sent an email to the parties on September 10, 2021 regarding the status. On September 14, 2021, the Order Extending Deadline to Submit Motions in Limine and Pretrial Statements to be due September 20, 2021 was signed. On September 15, 2021, Defendants filed a Motion to Exclude Evidence and Response to Plaintiffs' Motion to Exclude. The parties attending the oral argument on September 16, 2021 and an Order on Cross Motions for Summary Judgment was issued that date. On September 17, 2021, the parties filed a Stipulation regarding Trial Witnesses and the Order Adopting the Stipulation was signed on September 20, 2021. On September 20, 2021, the Defendants filed an Expedited Motion to Supplement Exhibits and Plaintiffs filed a Motion in Limine or to Exclude and Limit Anticipated Testimony. The parties also filed their Pretrial Statements and a Combined Exhibit list. On September 23, 2021, Plaintiffs filed their Response in Opposition to Defendants' Expedited Motion to Supplement Exhibits and the Court entered the Order Granting Expedited Motion to Supplement Exhibits filed by Defendants. On September 24, 2021, Plaintiffs filed their Response in Opposition to Defendants' Motion to Exclude Evidence, an Expedited Motion to Take Joy Barnett's Testimony by Reliable Electronic Means, and a Special Motion to Exclude and Motion in Limine. Defendants filed a Supplemented Exhibit List. On September 27, 2021, the Court entered its order Granting Plaintiffs' Expedited Motion to Take Joy Barnett's Testimony by Reliable Electronic Means. Defendants filed a Second Supplemented Exhibit List and their response to Plaintiff's Special Motion to Exclude and Motion in Limine. On September 28, 2021, Defendants filed their response to Plaintiff's Motion in Limine or to Exclude and Limit Anticipated Testimony. A pretrial conference was held on October 1, 2021. The trial was held on October 4, 5 & 6. The Court issued its Memorandum Opinion, Findings of Fact, Conclusions of Law and Order for Judgment on October 13, 2021. On October 22, 2021, Plaintiffs filed their Statement of Costs and Disbursements of Lawrence Bender, Statement of Costs and Disbursements of Michelle P. Scheffler, and proposed Judgment.

**Current  
Status:**

- **On October 27, 2021, the State sent a letter to the Honorable Robin A. Schmidt advising that the State intended to submit a response to the proposed Judgment filed by Plaintiffs.**
- **On November 5, 2021, the State filed its Objection to Plaintiff's Proposed Judgment.**
- **On November 12, 2021, Plaintiffs filed a Notice of Motion, Motion, and Brief in Support of Motion for Leave to File a Response to Defendants Objections to the Proposed Judgment.**
- **Order for Judgment was entered on November 16, 2021.**
- **The Notice of Entry of Judgment and Judgment were entered on November 17, 2021.**

## **Procedures for Executive Session regarding Attorney Consultation and Consideration of Closed Records**

### Overview

- 1) The governing body must first meet in open session.
- 2) During the meeting's open session the governing body must announce the topics to be discussed in executive session and the legal authority to hold it.
- 3) If the executive session's purpose is attorney consultation, the governing body must pass a motion to hold an executive session. If executive session's purpose is to review confidential records a motion is not needed, though one could be entertained and acted on. The difference is that attorney consultation is not necessarily confidential but rather has "exempt" status, giving the governing body the option to consult with its attorney either in open session or in executive session. Confidential records, on the other hand, cannot be opened to the public and so the governing body is obligated to review them in executive session.
- 4) The executive session must be recorded (electronically, audio, or video) and the recording maintained for 6 months.
- 5) Only topics announced in open session may be discussed in executive session.
- 6) When the governing body returns to open session, it is not obligated to discuss or even summarize what occurred in executive session. But if "final action" is to be taken, the motion on the decision must be made and voted on in open session. If, however, the motion would reveal "too much," then the motion can be abbreviated. A motion can be made and voted on in executive session so long as it is repeated and voted on in open session. "Final actions" DO NOT include guidance given by the governing body to its attorney or other negotiator regarding strategy, litigation, negotiation, etc. (See NDCC §44-04-19.2(2)(e) for further details.)

Recommended Motion to be made in open session:

**Under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, the Board close the meeting to the public and go into executive session for purposes of attorney consultation relating to:**

- **Acreage Adjustment Survey**
- **Royalty Offers**
- **Newfield Exploration Company et al Civ. No. 27-2018-CV-00143**

<b>Action Record</b>	<b>Motion</b>	<b>Second</b>	<b>Aye</b>	<b>Nay</b>	<b>Absent</b>
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Stenehjem					
Governor Burgum					

**Statement:**

“This executive session will be recorded and all Board members are reminded that the discussion during executive session must be limited to the announced purpose for entering into executive session, which is anticipated to last approximately one hour.

The Board is meeting in executive session to provide guidance or instructions to its attorneys regarding the identified litigation. Any formal action by the Board will occur after it reconvenes in open session.

Board members, their staff, employees of the Department of Trust Lands and counsel with the Attorney General staff will remain, but the public is asked to leave the room.

The executive session will begin at: \_\_\_\_\_AM, and will commence with a new audio recording device. When the executive session ends the Board will reconvene in open session.”



Statements upon return to open session:

State the time at which the executive session adjourned and that the public has been invited to return to the meeting room.

State that the Board is back in open session.

State that during its executive session, the Board provided its attorney with guidance regarding litigation relating to the sovereign lands' minerals claims.

[The guidance or instructions to attorney does not have to be announced or voted upon.]

State that no final action will be taken at this time as a result of the executive session discussion

**-or- .**

Ask for a formal motion and a vote on it.

**Move to the next agenda item.**