

**Minutes of the Meeting of the
Board of University and School Lands
January 27, 2011**

The January 27, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 10:03 by Chairman, Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor	
Kelly Schmidt	State Treasurer	(Joined the meeting at 10:10 AM)
Alvin A. Jaeger	Secretary of State	
Wayne G. Sanstead	Superintendent of Public Instruction	
Wayne Stenehjem	Attorney General	

Members Absent:

None

Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Jeff Engleson	Director, Investment Division
Levi Erdman	Programmer Analyst
Drew Combs	Director, Minerals Management Division
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist
Judith F. Schell	Administrative Assistant

Others in Attendance:

Judy Silbernagel	
David Silbernagel	
Kenneth Nieuwsma	
Ray Nieuwsma	
James Landenberger	Bartlett and West

APPROVAL OF MINUTES

A motion to approve the minutes of the November 30, 2010 and the December 21, 2010 meeting was made by Wayne Stenehjem and seconded by Al Jaeger. Motion carried all members present voting aye.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt			X
Attorney General Stenehjem	X		
Governor Dalrymple	X		

Treasurer Schmidt joined the meeting at 10:10 AM.

MINERALS MANAGEMENT DIVISION

Request to Increase Contract Amount (Ordinary High Water Mark, Task Order #1) Bartlett and West has requested an increase of \$24,000 in amount for the contract to delineate the ordinary high water mark, Task Order #1 (attached letter dated October 21, 2010). Task Order #1 was effective May 18, 2009 and for a total cost of \$249,000 with 75% paid by the Lands and Minerals Trust Fund and 25% paid by the State Water Commission. The original amount of \$249,000 has been paid and the final report was received by the Board on November 30, 2010.

The reason given for increased cost was additional time spent in the field to ensure the quality of the work as contracted. The original intent was to field two teams, one on each bank of the river. They were to work independently and get together once each week to compare results and standardize techniques. It was soon apparent that the quality of the work would be significantly better if the two trained delineators worked together rather than as two separate teams. That increased the costs but also ensured a better quality product for the State. This was an unanticipated yet reasonable change in the procedures. The cost of this change is outlined in Bartlett and West's letter dated October 21, 2010.

Mike Brand, the State Land Department Director of Surface Management and Jerry Heiser, State Water Commission Sovereign Lands Manager, both worked with the delineators on two occasions in the summer of 2009, to assure the quality of the delineation work and compliance with the contract. The technical skills of the team fielded by Bartlett and West were excellent, and they carefully followed the methodologies as required in the contract.

Bartlett and West has requested payment of an additional \$24,000 under the contract for Task Order #1. The State Engineer's Office has declined participation in any additional payment. However, the Land Department staff concurs that the field conditions encountered by Bartlett and West could not have been anticipated when the contract was signed, and extra costs were incurred. To the Department's knowledge, a delineation of the ordinary high water mark of this scale has not previously been completed anywhere in the country.

After discussion by the Board concerning contract amount and verbal agreement between Bartlett and West and Land Department personnel, the Commissioner was instructed to have counsel review the contract language and bring the issue to a later meeting.

Signature Authorization for Permits and Easements (Deputy Commissioner). The Commissioner of University and School Lands was authorized by the Land Board to issue easements and permits by Board action at their meeting on February 22, 1990. At each Board meeting, a report is presented showing all easements and permits issued since the previous meeting. This authorization has been successful in eliminating time delays for the applicants. The short primary construction season and the limited availability of contractors are two reasons for the Department to continue to be responsive to applications for easements and permits. There are times that the Commissioner has been unavailable to authorize rights-of-way on the Board's behalf. For those times, it would be logical that the Deputy Commissioner be authorized to sign easements and permits under the Board's authority.

Attorney General Stenehjem made a motion to approve the proposed change to the Surface Easement and Permits Issuance policy, to authorize the Deputy Commissioner to sign easements and permits when the Commissioner is unavailable; the motion was seconded by Treasurer Schmidt.

SURFACE EASEMENTS & PERMITS ISSUANCE POLICY

- I. The Commissioner and the Deputy Commissioner when the Commissioner is unavailable, is—are authorized to approve and issue surface easements or permits on the Board's behalf, if the following conditions are met:
- A. The applicant has completed the easement/permit requirements and paid the fees as outlined on attachment "A."
 - B. A routing and environmental review has been completed by the Land Department staff.
 - C. ~~The Commissioner has determined that the~~ easement or permit will not have a significant negative impact on state lands based on the following criteria:
 1. Environmental impacts are minimal, or will be mitigated in an acceptable manner;
 2. Impacts to significant archaeological and/or historical sites are minimal, or will be mitigated in an acceptable manner;
 3. The easement or permit will produce a positive financial return to the trusts;
 4. There is no known significant controversy regarding the project; and,
 5. The surface lessee has been notified of the project.
- II. If the above conditions are not met, or if the Commissioner, or the Deputy Commissioner when the Commissioner is unavailable, otherwise determines that Board review is desirable, the application will be brought before the Board for its consideration.
- III. ~~The Commissioner will prepare a~~ A monthly report for the Board of the easements or permits issued since the previous Board meeting will be presented to the Board at its next meeting.

Adopted: February 22, 1990

Revised: January 27, 2011

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead			X		
Treasurer Schmidt		X	X		
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

Small Tract Sale Request (EMM-16-130-75-SW4). The Board's "Land Asset and Management Policies and Guidelines" (attached) encourage the sale of small tracts that are severed by a highway, road, railroad, canal, river or lake and are not adjacent to other tracts of school trust land. It also allows for sale consideration if the tract is considered to be a "management problem".

Mr. Kenny Nieuwsma has requested consideration of a 12-acre tract for possible sale at public auction (attached map). This tract does not meet the standards of the Land Board's sale policy in that it is adjacent to the SE4. However, it could be considered to be a management problem for the following reasons:

- 1) There are approximately 4 acres of unauthorized cultivation that would need to be restored to native grassland if the Board chooses to retain this tract.
- 2) Fencing this tract for pasture would be less than ideal because of the sharp angle in the northwest corner that could lead to cattle bunching up and breaking down the fence. This could allow cattle onto the adjacent cropland and onto Highway 83.
- 3) There are no sources of livestock water on the 12-acre tract. As such, no water source would be lost to the remainder of the land if these 12 acres were sold.

If the 12 acres were sold, the remaining property in the SW4 would be large enough to be a pasture (148 acres). Furthermore, in time, the area "below" Highway 83 in the SE4 will be incorporated into the lease for the SW4 forming an even larger pasture. The E2 Section 16 "above" Highway 83 would remain undisturbed and is adequately sized for a pasture.

Secretary Jaeger moved to approve of the proposed sale and to authorize the Commissioner to proceed with an appraisal, and that a recommended opening bid price and sale procedure be brought to the Board for approval. In addition, all sales costs and survey costs will be paid by the successful bidder if the property is sold; Attorney General Stenehjem seconded the motion.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		
Treasurer Schmidt			X		
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

ITEMS TO BE NOTED

Financial Statements. The Board reviewed the Financial Statement Summary and Total Assets by Trust as of October and November 2010. These reports are on file at the Land Department and were for the Board's information; no action was required.

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Land Department and was for the Board's information; no action was required.

Update on Exterra Resources (Failure To Pay for Leases Bid). At the November 30, 2010 meeting, the Board discussed Exterra Resources LLC (Exterra) and its failure to pay for five tracts it successfully bid at the Board's November 2, 2010 mineral lease auction.

The letter sent to Exterra counsel, prohibiting Exterra from participation in the February 1, 2011 auction and explaining that the unpaid tracts were again being offered for lease at that sale was presented to the Board.

Following February 1, 2011 auction, the Department will report the outcome of the sale and draft a proposed policy to address situations where leases remain unpaid beyond the 7-day payment period following the auction.

Under consideration for inclusion in such a policy are the following:

1. Requirements that all bidders show proof of registration with the Secretary of State.
2. A possible one-year suspension from auction participation for the violating firm for the initial "offense".
3. A possible lifetime suspension from auction participation and any other state mineral leaseholds for a second occurrence.

ADJOURN

There being no further business, the meeting was adjourned at 10:08 AM..

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
February 24, 2011**

The February 24, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:10 AM by Chairman, Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Kelly Schmidt	State Treasurer
Alvin A. Jaeger	Secretary of State
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

None

Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Jeff Engleson	Director, Investment Division
Tom Feeney	Past Minerals Director
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist

Others in Attendance:

Chris Friez	Crowley Fleck PLLP
John Paczkowski	Office of State Engineer
Gerald Heiser	Office of State Engineer

APPROVAL OF MINUTES

A motion to approve the minutes of the January 27, 2011 meeting was made by Secretary Jaeger and seconded by Superintendent Sanstead. Motion carried, all members voting aye.

MINERALS MANAGEMENT DIVISION

Ordinary High Water Mark Delineation – Phase One Area Acreage Adjustments. With respect to mineral interests in sovereign lands, N.D.C.C. 61-33-06 states in part that “The Board of University and School Lands shall manage, operate, and supervise all properties transferred to it by this chapter...”

The Department has historically leased to the Ordinary High Water Mark (OHWM) based on in-house determinations of the OHWM using both aerial photographs and maps. However, due to the growing interest in the minerals under the rivers and the value of those minerals as a result of current Bakken/Three Forks activity, an “on-the-ground” documented OHWM survey was completed. This is the most detailed and accurate delineation done to date.

On November 30, 2010 the Board accepted the Phase I, Ordinary High Water Mark delineation along the Yellowstone River and certain portions of the Missouri River from the Highway 85 Bridge

to the Montana border. Phase I was performed in conformance with the OHWM guidelines published by the State Engineer in 2007.

The Commissioner plans to revise the Board's mineral ownership records based on the acreages determined in Phase I which will result in acreage differences between our current claim and acreage previously leased. This will be done by updating office databases and recording statements of claim within the appropriate counties, in order to assert accurate acreage of state ownership of sovereign minerals. Filing a statement of claim should remove some uncertainty involving acreage adjacent to rivers and will help promote oil and gas development and royalty payout to both public and private mineral owners.

There are essentially two options for which to assert the State's sovereign mineral claim to the OHWM:

1. Assert a claim of ownership to the Phase 1 OHWM for all riverbed acres leased after the November 30, 2010 release of the Phase I delineation, and leave all previously leased acreage "as is".
2. Record a statement of claim with updated acreage for all tracts of mineral acres impacted by Phase I, including acres that are already leased and tracts that are already producing.

Option 1 is clearly the "easier" path in terms of work load and impact to lessees.

Option 2 will involve updating acreage in all tracts and seeking additional bonus and royalty for tracts with increased acreage as compared to what had been leased and providing refunds where acres are now less than the original lease. In instances where a lease is already producing, the updated acreage could be used as a basis for stipulating to the State's royalty interest in a given well.

The Commissioner identified option 2 as the approach that is in the best fiduciary interest of the Trust.

Phase III of the OHWM delineation will be completed soon and includes areas of both rivers that required further study after completing Phase I. Any decision concerning Phase I will also include the Phase III study data when complete and presented to the Board.

The Commissioner recommended that the Department proceed with updating the mineral acreage as delineated in the 2010 Phase I Ordinary High Water Mark study 1) on Department computer systems, 2) by recording a statement of claim of sovereign mineral ownership with the appropriate County 3) entering into agreements with oil companies stipulating to the State's royalty interest in a given property/well if that property is already producing.

Attorney General Stenehjem made a motion to authorize the Department to utilize the Phase I OHWM acreage information to update the acreage on the tracts that are available for lease; that the Department proceed with the recording statements of claim for the sovereign minerals in the Phase I area; and to authorize the Commissioner to negotiate with other mineral interests to stipulate the State's royalty interest in a given producing property/well and to present the results of the negotiations to the board for approval. The motion was seconded by Treasurer Schmidt.

	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead			X		
Treasurer Schmidt		X	X		
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

Potash Leasing Procedures. The Board approved the current potash lease template on September 30, 2010 and the Land Department conducted its first potash lease auction on October 5, 2010. That auction utilized "hybrid" procedures taken in part from the Department's oil and gas and coal leasing programs.

The Board's potash lease is significantly more comprehensive in nature than Board leases for surface, oil and gas and coal, however, it is silent on a number of policy and procedural issues.

The Department attempted to incorporate potash policies into the existing oil and gas leasing rules (85-06-06), but it has determined that the two classes of minerals are unique enough to require standalone policies. With Board concurrence, the Department will prepare potash policy similar to existing oil and gas leasing policy, but specifically related to potash:

NOMINATION PROCEDURES: Nomination fee would be \$50 with a tract size limited to 160 acres more or less. This is the same nomination fee required for coal lease nominations.

BIDDER QUALIFICATION REQUIREMENTS: Bidders must register in advance of the sale date. All bidders must submit a letter of reference from their bank or financial institution. Preregistration is recommended based on the lack of familiarity with industry, the international aspect of the industry, and the changes in the oil and gas procedure proposed in other Board action today.

SALE PROCEDURES: Sales will be held independent of oil and gas lease auctions. Scheduled sales will be limited to one per calendar quarter based on need and would be scheduled at least 60 days following receipt of a nomination to allow for environmental review and advertising. The sales will be conducted via interactive internet auction rather than the auction being limited to a single physical location. The internet auction is suggested to facilitate participation by international entities, but is also being considered and researched as a possibility for future oil and gas auctions.

PAYMENT REQUIREMENTS: The Land Department will provide successful bidders with an invoice immediately following the sale with payment being required prior to 5:00 PM, CT within 7 calendar days of the auction.

LEASE APPROVAL: All potash bids will require Board approval prior the issuance of leases. The Board has granted authority for surface lease approval and oil and gas lease approval to the Commissioner, however, coal leases still require Board approval.

The Commissioner recommended that the Board direct the Department to proceed with a potash auction using the concepts described above, and that he be directed to draft a comprehensive subsurface mineral leasing policy incorporating Board actions, existing rules and the experience gained from the initial auction. Secretary Jaeger made a motion and Attorney General Stenehjem seconded to adopt the Commissioner's recommendation.

	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		
Treasurer Schmidt			X		
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

Proposed Policy Regarding Unpaid Lease Bids. After the November 2010 mineral auction Exterra Resources LLC (Exterra) failed to pay for five tracts for which they held the high bid.

Exterra was excluded from participating in the February 1, 2011 auction and the unpaid tracts were offered for lease at that sale. Collectively the tracts were bid to \$64,000 less in February than what Exterra had bid in November:

	Min Acres	Feb bid	Nov Bid	Feb Total	Nov total	Total difference
MCKENZIE						

149-102-04	NW	SW4NW4	60	\$5,200	\$4,300	\$312,000	\$258,000	(\$54,000)
149-102-04	SE	NW4SE4, S2SE4	80	\$5,200	\$4,300	\$416,000	\$344,000	(\$72,000)
149-102-04	SW	SW4	20	\$5,200	\$4,300	\$104,000	\$86,000	(\$18,000)

WILLIAMS								
156-099-03	SE	SE4SE4, W2SE4	40	\$4,100	\$4,900	\$164,000	\$196,000	\$32,000
156-099-03	SW	E2SW4	60	\$4,100	\$4,900	\$246,000	\$294,000	\$48,000

(\$64,000)

While the Department could seek damages for losses incurred, the Commissioner indicated that it may be difficult to assert a claim due to the error reported by Exterra and the relatively small difference between the erroneous bid last November and the successful bid this month. Given the nature of Exterra's error, it is likely the amount bid in November was not a good representation of the value of the tracts at the time. While Exterra's erroneous bid and subsequent failure to pay caused disruption and unanticipated administrative time, it probably did not result in a loss to the trusts according to the Commissioner.

However, the failure to pay for a lease after submitting a high bid at a state auction is an egregious act (or lack of action). While Exterra did not pay, its claim that it made a mistake in bidding does not negate the egregious act. Regardless of the reason for lack of payment, any bidder who fails to pay for the amount bid within seven days of the auction should be sanctioned. The sanction should be applied consistently.

The Commissioner recommended a sanction for failure to pay the bonus due after a lease auction would be to ban that entity from acquiring, by auction or assignment, any State Land Department managed minerals for a one year period following the failure to pay. In Exterra's circumstance that will preclude them from participating until November 9, 2011. A second offense should result in a lifetime restriction.

The Commissioner also presented proposed amendments to the Board's Oil and Gas rules 85-06-06. The proposed changes require the timely payment of bonus and rent for mineral lease rights. The amendment requires:

- All bidders for oil and gas mineral lease auctions must be registered with the State Land Department before participating in the auction.
- Successful bonus bids along with one year lease payment must be received in the State Land Department offices no later than seven calendar days after the date of the auction.
- Bidders who fail to make payment in compliance with this policy shall not participate in state mineral auctions or shall not accept assignment of state minerals for one year following the date that the payment is due.
- A second violation of this policy shall result in a lifetime suspension when authorized by the Board.

The Commissioner recommended that that Board prohibit Exterra from bidding or accepting State Land Department mineral leases until after the November 2011 lease auction and that it amend the Board of the University and School Lands rules within Article 85-06-06 Oil and Gas Mineral Leasing policy pertaining to bidder registration and failure to pay bonus and initial rent as suggested in the accompanying draft.

Attorney General Stenehjem made a motion, which was seconded by Secretary Jaeger to direct the Commissioner to negotiate with Exterra for payment of \$64,000 shortfall as a result of their failure to pay their bid amount in November 2010.

No action was taken on the proposed policy changes.

Action Record	Motion	Second	Aye	Nay	Absent
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Secretary Jaeger		X	X		
Superintendent Sanstead			X		
Treasurer Schmidt			X		
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

Drilling Activity on Unleased Minerals. Historically, the Land Department has only issued leases for minerals and has not participated as a working interest owner in a well. Recently, the Department received notice from an oil company of the company's intent to drill on state minerals that are not yet leased. This presents a unique option to consider trust participation in a well.

Background

When an operator proposes drilling a well, they send an Authority For Expenditure (AFE) to all lease holders and unleased mineral owners within the spacing unit. The AFE asks if they want to participate in the well and informs the owner of the estimated cost of drilling the well and bringing it to production. AFEs are standard procedure for wells, with rules and procedures articulated in state law.

An AFE provides the mineral owner or lease holder options on how to participate in a proposed well. The recipient of an AFE has 30 days to respond with one of three choices. They can:

- Participate in the well. This entails receiving a proportionate share of the revenues in the well but also paying a proportionate share of costs and assuming a share of the risk of loss associated with being a working interest owner. Under this option, the unleased mineral owner is treated the same as any other working interest owner that participates, or invests, in the well.
- Non-consent participant in the well. Under this option, the unleased mineral owner is subject to the risk penalties authorized under NDCC 38-08-08. The unleased mineral owner would receive a weighted average royalty, or 16%, at the operator's discretion. The balance, or working interest portion, of the unleased interest would be held by the operator to pay well expenses until the amount held equaled 150% of the share of the cost of drilling the well. Once 150% of the drilling costs are covered, the royalty payments would stop, and the unleased mineral owner would start to receive their proportionate working interest share of revenues less its share of operating expenses. In this option, the unleased mineral owner is protected from losing money if a well does not make a profit, but pays 50% more comparative costs than other working interest owners as penalty for that protection.
- Lease the minerals. The operator generally makes a final offer to lease the minerals within the spacing unit for a fixed royalty rate. A royalty owner receives a share of a well's production free of expenses and will not lose money on the well.

Particulars of the Circumstance

The State Land Department has received an AFE for the state's 50% mineral interest in 160 acres of unleased minerals located within a proposed well spacing unit in McLean County.

Because the North Dakota State University Trust tract is 6.25% of the spacing unit, it would need to provide an "up front" participation payment of \$442,043.13 of the total estimated drilling cost \$7,072,690 if it were to participate in the well.

If the Department elects to be a non-consent participant, the trust's revenues would be subject to a risk penalty of approximately \$221,000 (50% of the participation payment). It would receive a royalty of about 16% until such time that its proportionate share of working interest revenues equaled \$663,000, after that it would receive its relative share of production revenues and be responsible for proportional expenses. Although there would be no loss of initial participation costs if the well were unsuccessful, it would take 50% longer than other participants to earn a profit.

If it is decided to lease the minerals, they would be made available at the May lease sale. The operator has agreed that if this option is chosen, they would issue an AFE to the successful bidder with the option to participate or not. Bidders would be informed that the tract is part of a well that has been drilled and that the bidder would be responsible for a share of the wells costs in accordance with the AFE. This is the procedure that has been followed for a number of AFE scenarios presented in recent years. In the past, these types of situations have generated high bonus bids.

It should also be explained that the Land Department manages a separate currently leased 160 acre tract within this spacing unit.

The Commissioner believes that with the success rates of Bakken and Three Forks wells, and considering their high initial production, the Board should consider participating in some of the wells being drilled. Provided the Department undertakes the appropriate due diligence to analyze the opportunities and risks to the trusts, this company's plan to drill on unleased acreage presents a unique opportunity to consider that option. Moreover, with a separate equal sized tract within this unit, this situation may offer the Board the chance to compare different participation options in the same well. The potential for enhanced revenues could be substantial, but is not without risk.

The Commissioner recommended that he be directed to evaluate the three options for this specific tract, using nearby production as a benchmark, and that he be authorized to proceed with the AFE option that appears to be in the best interest of the trust.

Rather, the board instructed the Commissioner to request an extension on responding to the AFE, to complete additional due diligence related to participation opportunities, and to report to the Board at a future meeting.

SURFACE MANAGEMENT DIVISION

Sale Approval of Original Grant Land (MOR-137-80-36-SW4SW4). On November 30, 2010 the Land Board directed the Commissioner to obtain an appraisal for the potential sale of the above-referenced 40-acre small tract. Allen Lund, acting as personal representative of Harrison Martin et al, had submitted a request in September of 2010 to have this tract sold at public auction. Mr. Lund's interest in purchasing this parcel is primarily to make the ranch's agricultural land holding contiguous. The Martin family has leased this property for decades.

Morton County completed an appraisal on the 40-acre parcel on February 4, 2011. The appraised valuation was \$477.50/acre for a total of \$19,100.00. The appraisal included 5 comparable sales all from 2010.

Mr. Lund has been informed of the appraisal and wishes to proceed with the public auction with \$19,100 as the minimum opening bid.

This tract is rolling to steep grassland with woody draws. The Flasher-Vebar-Parshall soils complex, 9 to 35% slopes dominates this land tract. The highest and best use for this tract is an add-on to the adjacent pastureland. The ND Game and Fish Department has deemed this tract to be low value for public purposes. The legal public access along the south section line is steep and impassable for vehicular travel, it is unlikely that the public could locate this tract without a GPS and it is too small for hunting or other forms of recreation.

The Commissioner recommended that the Board offer 137-80-36-SW4SW4 for public auction. The auction will be held at the Morton County Courthouse with the minimum acceptable bid set at \$19,100.00 for the tract. The Board adopted the Commissioner's recommendation.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead		X	X		
Treasurer Schmidt			X		
Attorney General Stenehjem			X		
Governor Dalrymple			X		

ITEMS TO BE NOTED

Financial Statements. The Board reviewed the Financial Statements as of December 31, 2010. These reports are on file at the Land Department and were for the Board's information only; no action was required.

Investment Performance Report for Quarter Ending December 31, 2010. The investment performance report covered the performance of the Land Board's investment program for the period of October 1, 2010 to December 31, 2010. This report is prepared quarterly by Land Department staff, and is meant to keep the Board informed on the performance of our investment portfolio as a whole, and the performance of the individual money managers we hire to help us meet our investment goals and objectives. A complete copy of this report is on file at the Land Department and was for the Board's information only; no action was required.

Superintendent Sanstead exited the meeting at this point.

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Land Department and was for the Board's information only; no action was required.

February 2011 Oil and Gas Lease Auction Results. The Board reviewed a report of the results from the February 1, 2011 oil and gas lease sale, which was held at the Kelly Inn, Bismarck, ND. The memo is on file at the Land Department and was for the Board's information only; no action was required.

Commissioner Tenure. In a special meeting held April 8, 2010, the Land Board appointed Lance D. Gaebe as the State Land Commissioner for the remainder of the four-year term ending June 30, 2013. Though not directly stated in the motion, Board discussion prior to the vote indicated intent to review the Commissioner's performance following the first six months of employment. This memo sought no specific action other than to inform the Board that, as of February 2, 2011, Commissioner Gaebe had been employed at the State Land Department for six months.

Chairman Dalrymple exited the meeting at this point.

Legislative Update. Status as of February 24, 2011

HB 1013 – State Land Department appropriations bill passed the House Appropriations Committee earlier this week, with minor changes from the Executive Budget Recommendation. Changes:

- The recommended FTE for energy impact grant program funded from the energy grant fund instead of department funds
- Energy Impact Director appointed directly by the Land Board instead of by the Commissioner
- Removes the Energy Impact recommendation committee

HB 1466 – authorizes the Land Board to accept 100,509 acres of Army Corps of Engineers land along Lakes Sakakawea and Oahe if the federal government transfers it to the State. Bill unanimously passed the House

Energy Development Impact Office Bills include:

SB 2132 – requires that \$8 million of the oil and gas impact grant fund must be set aside for grants to cities of fewer than seven thousand five hundred population and counties of fewer than ten thousand population.

Bill is on the Senate Calendar.

SB 2140 – lists city and county park districts among eligible recipients of energy impact grants.

Bill passed the Senate.

In addition, the Board was also informed that a resolution (HCR 3050) a proposed constitutional change which would permit the Board to authorize land and mineral trades had once again been introduced for legislative consideration.

A D J O U R N

There being no further business, the meeting was adjourned at 10:40 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
March 31, 2011**

The March 30, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:00 AM by Chairman Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General (by teleconference)

Members Absent:

Kelly Schmidt	State Treasurer
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Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Jeff Engleson	Director, Investment Division
Levi Erdman	Programmer Analyst
Peggy Gudvangen	Account/Budget Specialist
Pamela J. Rennich	Director, Revenue Compliance
Judith F. Schell	Administrative Assistant

Others in Attendance:

Jon Patch	Wilkinson Family
Craig Smith	Crowley/Fleck Law Firm

APPROVAL OF MINUTES

A motion to approve the minutes of the February 24, 2011 meeting was made by Al Jaeger and seconded by Wayne Sanstead. Motion carried.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt			X
Attorney General Stenehjem	X		
Governor Hoeven	X		

MINERALS MANAGEMENT DIVISION

Board Participation in a Well. During the February meeting, the Board discussed the prospect of participating as a working interest owner in an oil and gas well. The Department had received an Authority For Expenditure (AFE) for the State's 50% interest in a 160-acre McLean County tract that is currently being drilled.

An AFE provides the mineral owner or lease holder with the option to either participate in a proposed well or leasing the minerals located under the proposed well. The AFE in question needs to be acted upon by April 15, 2011. The options are to:

- participate in the well – which is essentially partnering with the operator on relative share of drilling costs, risks and revenues
- non-consent participation in the well – which involves the mineral owner becoming a working interest owner after 150% of the drilling costs are covered by the initial production
- lease the mineral – offer the tract, along with the transferrable AFE on the next oil and gas lease auction, as the Department traditionally has done

In February, the Board instructed the Department to undertake additional research in order to evaluate options for the Department to participate in this, or other wells. The Commissioner initiated a review of the legal aspects of participating in a well, including the authority and liability; as well as a geologic and financial evaluation.

There is one correction to note in the February memo to the Board. The specific tract was incorrectly identified as being owned by the Common Schools Trust Fund; however it is the North Dakota State University Trust that owns the mineral rights on this tract.

Legal

The Attorney General staff evaluation of the Joint Operating Agreement, which outlines the legal and financial obligations of participation in a well continues, but it has raised more questions than answers. Uncertainty remains regarding authority of the Board to partner with a private firm in the business operations of drilling a well and the challenges of establishing appropriate indemnity for the trusts and the state. The issues range from constitutional and statutory authority of the state to participate, to determining the appropriation authority to expend the upfront drilling costs.

Geological and Economic Review

The State Land Department does not have staff expertise in the underground physical aspects of the mineral formations. So the Department hired a private firm to undertake a concise review of the oil and gas payout potential of the tract and the proposed spacing unit.

The consultant's report presumes a similar production curve as nearby wells, uses an 18 year time production life and \$85 per barrel oil. The assumptions are variable – changes in time-frames, production characteristics, and oil and gas price will obviously change the range of forecast outcomes. The report's assumptions are general in the absence of specific information, but characteristic of current North Dakota Bakken wells.

The economic model does not consider taxation, the time value of money, or operating costs. Average (550 BOPD) and low (300 BOPD) first month production rates are assumed along with a production decline curve typical of Bakken wells. Total drilling and completion costs of \$8,000,000 and net revenue interest to the working interest participants are assumed to be 78% of gross production.

The results show that a well with average performance will return the initial investment (pay out) in less than two years and a generous rate of return over five years. An under-performing well would take 6 to 7 years to pay out making it an unfavorable investment in the absence of timely further development on the spacing unit.

The complete report with its conclusions and recommendations is on file at the Land Department.

The specific tract discussed in February may not be the best suited for participation by the Board for the following reasons:

- The NDSU trust is currently only about \$14 million; an investment of this size would be beyond trust's tolerance for risk.

- If the Board decides to participate in wells it should diversify the investment by participating in several separate properties, not just one well.
- The Department needs to resolve questions about risks, legal, financial and otherwise, involved with participating in a well.
- The State Risk Management Division has not yet reviewed the Joint Operating Agreement.

The Commissioner will continue to undertake due diligence to analyze the opportunities and risks associated with participation in oil and gas wells. The potential for enhanced revenues could be substantial, but they are coupled with risk. The prudent option might be for the Board to consider diversifying the risk by participating in a small portion of several wells. Another option that will be explored is the possibility of raising the royalty rate of a lease when an oil company drills on unleased trust minerals.

MOTION: To place McLean County-150-90-16-NW4 on the May 04, 2011 oil and gas lease auction list, and to transfer the Authority for Expenditure to the successful bidder.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead		X	X		
Treasurer Schmidt					X
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

Potash and Subsurface Mineral Leasing Procedures. The next potash (and subsurface minerals) lease auction is set for April 26 through May 3, 2011. It is the first time that the Land Department will be offering leases utilizing a comprehensive internet based auction format.

EnergyNet.com, a web-based auction company, has offered to host the auction on its site at no charge to the Land Department, as a promotion of their business. Following is a procedural overview of how this auction will be handled.

NOMINATIONS: Fifty-three tracts were nominated for \$50.00 each and the bidding will begin at \$1.00 per acre for the bonus payment.

BIDDER QUALIFICATION REQUIREMENTS: Bidders must register in advance of the sale date. To reduce the potential for fraudulent bids, all bidders will be subject to a stringent set of rules and regulations set forth by Energynet in cooperation with the Department.

PAYMENT REQUIREMENTS: The Land Department will provide successful bidders with an invoice immediately following the sale with payment being required prior to 5:00 PM, CT seven calendar days following the auction.

LEASE APPROVAL: All potash bids will require Board-authorized Commissioner approval prior the issuance of leases.

MOTION: That the Board approve proposed rules in Chapter 85-06-07 pertaining to Potash and Other Subsurface Mineral Leasing.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead		X	X		
Treasurer Schmidt					X
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Subsurface Mineral rules (Chapter 85-06-07) are on file at the Land Department.

O P E R A T I O N S

State Land Department Building Remodel. The State Land Department (SLD) has grown in recent years and if current version of the Department's appropriation bill becomes law, effective July 1, 2011, an additional 3 FTEs will be approved for the Land Department and the Energy Development Impact Office.

The Office of Administrative Hearings (OAH), SLD's tenant since acquiring its building, moved out at the end of December 2010. The space OAH utilized has three large offices, a meeting rooms suited for hearings and a large common area. At a minimum, the space needs new carpeting and paint.

The Department has been working with Capitol Facilities Management to evaluate options for the space to be more functional for the Land Department. The State Architect has drawn up plans to convert the space into nine offices and a training room. The proposed remodeling project would meet current needs and provide office space for future growth if needed.

Initial estimates of the cost of remodeling are approximately \$65,000. State law provides that if remodel project costs are less than \$100,000 that work can be done without a formal bidding process. Facilities Management works with several qualified contractors and the State Land Department would seek informal bids from these firms.

The building is owned by the Common Schools Trust Fund and as a capital improvement; the cost of the remodel would be paid with the Trust's continuing appropriation authority, and would not be subject to the operating expense appropriation.

MOTION: That the Commissioner initiate remodeling of the State Land Department lower level space into offices for the Department staff and the Energy Development Impact Office, contingent on the final cost estimate of the project being less than \$100,000. The Commissioner should work with Facilities Management to ensure that the work is done within the reasonable cost estimates and that any material changes or cost deviations be reported to the Board.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Sanstead	X		X		
Treasurer Schmidt					X
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Commissioner Salary Adjustment. During the February 2011 meeting the Board informally approved the completion of the Commissioner's satisfactory performance following the first six months of employment with the State Land Department.

MOTION: That based on the successful completion of the six month probationary period on February 2, 2011 the Commissioner's \$8,000/month base salary be increased by 5% effective April 1, 2011.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead	X		X		
Treasurer Schmidt					X
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

I T E M S T O B E N O T E D

Financial Statements. The Board reviewed the Summary of Total Assets by Trust for January 2011. This report is on file at the Land Department and was for the Board's information only; no action was requested.

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Land Department and was for the Board's information only; no action was taken.

Testimony by Mr. Jon Patch. Mr. Patch appeared before the Board to give testimony concerning the Ordinary High Water Mark delineation along the river as surveyed which impacts mineral acres in Williams County being claimed by the Wilkinson Family.

High Water Mark– Phase One Area Acreage. At its February 2011 meeting the Board authorized the Commissioner to negotiate, pending Board approval, adjustments of lease acreage and royalty payout based on the Phase I, Ordinary High Water Mark delineation along the Yellowstone River and certain portions of the Missouri River west the Highway 85.

At that meeting, the Board requested a breakdown of the acreage adjustments pertaining to existing oil and gas leases in those areas covered by the delineation.

The list containing active and producing leases with legal description, date leased, acres involved, and bonus received when the tract was leased is on file at the Land Department. The acreage differences are the potential adjustments based on the Phase I delineation compared to the acreage when the tract was leased. The updated acreage would be the basis for negotiations with well operators and lessees in determining the relative share of royalty payout.

A D J O U R N

There being no further business, the meeting was adjourned at 10:25.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
April 29, 2011**

The April 29, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:00 AM by Chairman Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

Kelly Schmidt	State Treasurer
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Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Jeff Engleson	Director, Investment Division
Levi Erdman	Programmer Analyst
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist
Pamela J. Rennich	Director, Revenue Compliance
Judith F. Schell	Administrative Assistant

Others in Attendance:

Willard Burk	Self
DeeLia Baldwin	Willard Burk
Dennis Blank	Oil Patch Hotline
Craig Smith	Crowley Fleck Law
James Landenberger	Bartlett & West
Jon Patch	Wilkinson Mineral Interest
C Carvell	Attorney's General Office

APPROVAL OF MINUTES

A motion to approve the minutes of the March 31, 2011 meeting was made by Al Jaeger and seconded by Wayne Stenehjem. Motion carried.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt			X
Attorney General Stenehjem	X		
Governor Dalrymple	X		

SURFACE MANAGEMENT DIVISION

Small Tract Sale Request (143-64-36-Lot 1 - Stutsman County). The Board's "Land Asset and Management Policies and Guidelines" encourage the sale of small tracts that are severed by a

highway, road, railroad, canal, river or lake and are not adjacent to other tracts of school trust land. It also allows for sale consideration if the tract is considered to be a “management problem”.

Mr. Lyle Hanson has requested that a 36.2 acre Stutsman County tract be made available at public auction. This tract meets the standards for sale under the Land Board’s guidelines. It is grassland, less than 40 acres and is isolated from other school trust lands. This tract has not been leased since 1994 and was leased only sporadically before then. There is no interest in this tract by other public agencies and it has little agricultural value for leasing. It is not suitable for cultivation and it has surface rock which makes it difficult to be for hayed. It is of little value to the common schools trust fund for leasing and selling this tract would benefit the trust.

Because this tract is currently unleased, a sale would not involve disruption to a lessee. No survey would be necessary.

MOTION: To authorize the Commissioner to proceed with an appraisal of 143-64-36, Lot 1, and that a recommended opening bid price and sale procedure be brought to the Board for approval. All sales costs will be paid by the successful bidder if this property is sold.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Sanstead			X		
Treasurer Schmidt					X
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

Small Tract Sale Approval (130-75-16-SW4-Emmons County). On January 27, 2011 the Land Board directed the Commissioner to obtain an appraisal for the potential sale of this small tract within -Emmons County 130-75-16-SW4. Kenny Nieuwsma had submitted a request in January of 2011 to have this tract sold at public auction. Mr. Nieuwsma’s interest in this parcel is primarily to make this 12-acre tract of severed land contiguous to his private acreage in the NW4. Mr. Nieuwsma owns the adjacent NW4 and has been cropping a 4-acre portion of the 12.28 acres. This parcel of original grant land was severed by a railroad and US #83. The abandoned railroad has reverted to the State Land Dept and will be included and sold “as is”. The parcel is also subject to the easement for US Highway #83.

Emmons County completed an appraisal on the 12.28 acre parcel on March 24, 2011. The appraised valuation was \$7,143 for the parcel (\$582/acre). The County supplied 5 comparable sales all from 2010 and all within 3 miles of the subject parcel.

MOTION: That the Board offer this property for sale at public auction. The auction would be held at the Emmons County Courthouse with the minimum acceptable bid for this tract set at \$7,150.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead		X	X		
Treasurer Schmidt					X
Attorney General Stenehjem			X		
Governor Dalrymple			X		

MINERALS MANAGEMENT DIVISION

Ordinary High Water Mark Survey Presentation – Phase I and Phase II. The N.D.C.C. 61-33-01 defines sovereign land as “...those areas, including beds and islands, lying within the ordinary high watermark of navigable lakes and streams...” These lands are managed in the best interests of all North Dakotans. The contract to delineate the ordinary high water mark (OHWM), started in 2009 as Task Order #1, was conducted solely to determine the ordinary high water mark and the acres of land below that mark. While the results of this study may be used to identify

sovereign land ownership, the survey contract was not, in and of itself, intended to resolve questions of legal title to the riverbed.

On January 15, 2010, the Board authorized the Commissioner of University and School Lands to proceed with the second phase of the ordinary high water mark of the Missouri River survey. Bartlett and West has completed the final report for Task Order #2 of the contract to delineate the OHWM of the river channel from the Four Bears Bridge near New Town to the upper reaches of the Lake Sakakawea, as it existed before the man-made lake filled.

On July 29, 2010 the Board authorized Task Order #3 to further investigate certain sections of the Missouri and Yellowstone Rivers from the Hwy 85 Bridge near Williston to the Montana border that could not be fully completed under Task Order #1, due to the need for a more in-depth study of the area.

These three task orders collectively represent the first step in the process of determining eligible acreages for state-issued oil and gas leases on sovereign lands. In addition, embedded islands and previous stipulations of interest will need to be examined on a case-by-case basis. The surveys also provide a basis for identifying key legal questions which may affect the final determination of sovereign land ownership.

During 2010 and 2011, the Department leased portions of the Missouri and Yellowstone Rivers based on the most current and accurate available information. This has resulted in the use of Task Order #1 acreage from three miles east of the Hwy 85 Bridge to the Montana line and Task Order #2 acreage east to the Four Bears Bridge. Although the Hwy 85 Bridge serves as a clearly identifiable landmark to identify a "transition point" between the Missouri River and Lake Sakakawea, there is an intentional overlap in the OHWM delineation data collected in Task Orders #1 and #2 from 3 miles east to 7 miles southwest of the bridge. The actual transition point for using the historical OHWM (Task Order #2) versus the current OHWM (Task Order #1) for mineral acreage delineation may be above or below the bridge and is the subject of ongoing scientific and legal study. However, in the interest of promoting mineral leasing and development, the bridge is used as the point of reference.

The reports for Task Orders #2 & #3 in their final form were presented to the Board of University and School Lands which accepted the reports. The reports are available at the State Land Department and on the Department's internet site.

Request to Increase Contract Amount (Ordinary High Water Mark, Task Order #1). The request for an increase in the contract amount for the Ordinary High Water Mark (OHWM) survey, Task Order #1 was presented to the Land Board at its January 2011 meeting. Bartlett and West requested an additional \$24,000 due to field conditions that could not have been anticipated when the contract was signed. To the Department's knowledge, a delineation of the ordinary high water mark of this scale has not previously been completed anywhere in the country. The State Land Department staff concurs that unanticipated field conditions resulted in additional work to maintain the quality of the OHWM survey. The State Land Department was informed of these conditions during the 2009 field season and at least two meetings were held with Bartlett and West in 2010 to discuss the additional costs. The final request was submitted to the State Land Department on October 21, 2010.

At the January Land Board meeting, staff was directed to consult with the Attorney General's Office to determine if the payment could be made under the contract. A memo from the Attorney General's Office dated February 16, 2011, confirmed that the additional payment is allowed under the contract. The State Procurement Office was also consulted and in a letter dated March 30, 2011, stated that "...this contract is not subject to state procurement laws (N.D.C.C. Chapter 54-44.4) and rules (N.D.A.C. Article 4-12)." The State Procurement Office further stated that "...the contract does provide authority for the Board to modify the Agreement to allow the price increase." The Land Board's OHWM contract was solicited and issued under N.D.C.C. Chapter 54-44.7 following the procedures for "Architect, Engineer, and Land Surveying Services".

During the January meeting, the Board also requested a summary of the payments for Phase II and Phase III in relation to the contract amounts. Bartlett and West has provided the following summary based on anticipated final payment amounts.

	<u>Total Contract Amount</u>	<u>Final Billed Amount</u>	<u>% of Contract Billed</u>
Phase II	\$69,000	\$64,239	93%
Phase III	\$34,900	\$32,108	92%

MOTION: That the Board approve an amendment of the contract with Bartlett and West for Task Order #1 to include payment of an additional \$24,000 for unanticipated field costs. Like the original contract, the payment will be made under continuing appropriation authority from the Lands and Minerals Trust Fund.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead		X	X		
Treasurer Schmidt					X
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Willard Burk Mineral Ownership: Charles Carvell, Assistant Attorney General, appeared before the Board to offer information concerning the disputed mineral acres of a quarter section of land in Williams County.

Mr. Willard Burk appeared and provided copies of information (advertisement, land contract, deed, etc) concerning the acquisition of the property by the Burks in 1991. Since that time the Burks have considered themselves to have 50% mineral ownership with the State having 50%. Because of a mix-up in the 1991 sale to the Burks, it appears that the Bank was not authorized to convey 50% of the mineral interest because at that time the Board of University and School Lands had authority over the mineral interests and did not sign the deed. Mr. Burk wants the Land Board to assign 50% of their lease with Zavana to him. Attorney General Stenehjem offered that Mr. Burk and the Attorney's General representative continue the negotiations to resolve this matter.

Appointment of an Energy Infrastructure and Impact grant advisory committee. Besides being the State Land Department budget appropriation bill, HB 1013 made several changes to the Energy Development Impact Office, including changing its name to the Energy Infrastructure and Impact Office and authorizing the Land Board to award and distribute \$100 million from the oil and gas impact grant fund for energy infrastructure and impact needs.

The board will continue to appoint the Energy Impact Office Director who according to the bill shall:

1. Develop a plan for the assistance, through financial grants for services and facilities, of counties, cities, school districts, and other political subdivisions in oil and gas development impact areas.
2. Establish procedures and forms for political subdivisions to apply for impact grants.
3. Make grants disbursements to counties, cities, school districts, and other taxing districts for grants awarded by the Land Board. In determining the amount of impact grants for political subdivisions, the amount of revenue that the entities receive from taxes on oil and gas plants and from tax or fund distribution formulas must be considered.
4. Receive and review applications for impact assistance pursuant to this chapter.
5. Make quarterly recommendations to the Land Board regarding grants to counties, cities, school districts, and other political subdivisions in oil and gas development impact areas based on identified needs, and other sources of revenue available to the political subdivision.

6. Make recommendations to the Land Board for the distribution of 35% of the oil and gas impact funds to Williston, Dickinson and Minot, while not recommending that any city receive more than 60% of the funds.
7. Make recommendations to the Land Board for the distribution of 65% of the oil and gas impact funds to other cities, counties, school districts, and other political subdivisions impacted by oil and gas development.

HB 1013 also authorizes the Land Board to appoint an advisory committee to assist the board in making its grant award determinations.

The recommendation is to appoint two separate advisory committees.

- The first would make suggestions on criterion and grants for the 35% of the fund that is available to the three largest cities in the oil impacted area.
- The second committee would make recommendations regarding policies, procedures and distributions of the remaining 65% of the Oil and Gas Impact Fund available to the smaller cities, counties, townships and other eligible political subdivisions.

The large city distribution advisory committee could be a five member group made up of one representative recommended from each of the three cities, along with the Director of the North Dakota Department of Transportation and the Land Commissioner

The EIIO Advisory Committee could be a seven member group plus two ex officio members. No counties would have more than one representative. Specific people who have agreed to serve if asked are:

Two County Representatives

David Hynek, Mountrail County Commissioner
 Jim Arthaud, Billings County Commissioner

Two City Representatives

Lynn James, Bowman
 Brent Sanford, Watford City

One Emergency Services Representative

Barry Jager, Burke County Sheriff and Emergency Manager

One Township Representative

Floyd Miller, ND Township Officers Association (Williams County resident)

One At-large

Rick Larson, Energy Industry Representative (and former EDIO director)

The NDDOT Director

The Land Commissioner

Motion: Wayne Stenehjem moved that the Commissioner begin appointing the advisory committees to begin the process of implementing the new EIIO grant recommendations. Al Jaeger seconded the motion.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Sanstead			X		
Treasurer Schmidt					X
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

ITEMS TO BE NOTED

Financial Statements. The Board reviewed the Summary of Total Assets for February 2011. These reports are on file at the Land Department and were for the Board's information only; no action was required.

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Land Department and was for the Board's information only; no action was required.

Spring 2011 Surface Lease Auction Results. The 2011 spring lease auctions were completed in March. Spring auctions include tracts that were not bid during the previous fall auction season, or expired prematurely due to non-payment of the annual rental.

The summary of auction results that follows compares this year's spring leasing activity with that of spring 2010.

	Spring 2010	Spring 2011
# Of Counties	25	24
# Of Tracts Offered	88	69
# Of Tracts Leased	71 (80%)	45 (65%)
# Of Leased Tracts Bid-Up	13 (18%)	8 (18%)
Minimum \$ Advertised (Leased Tracts)	\$107,967	\$62,726
\$ Amount Received	\$119,635 (10% over minimum)	\$71,653 (14% over minimum)

The number of unleased tracts in the spring of 2011 was low compared to 2010 and other previous years. There are tracts which are routinely unleased and with fewer tracts available, they have a disproportionate impact on the leasing success rate. This is not a concern as school trust lands remain over 99% leased.

The Commissioner has approved all leases from the spring 2010 lease auctions.

A D J O U R N

There being no further business, the meeting was adjourned at 10:40 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
May 26, 2011**

The May meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 10:05 AM by Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Kelly Schmidt	State Treasurer
Alvin A. Jaeger	Secretary of State
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

None

Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Levi Erdmann	Programmer Analyst
Drew Combs	Director, Minerals Management Division
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist
Pam Rennich	Director, Revenue Compliance Division
Charles Carvell	Assistant Attorney General

APPROVAL OF MINUTES

A motion to approve the minutes of the April 28, 2011 meeting was made by Attorney General Stenehjem and seconded by Superintendent Sanstead. Motion carried; all members voting aye.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Energy Infrastructure and Impact Grant Policies. The 2011 Legislature appropriated \$100 million from the oil and gas impact grant fund for the Land Board to award and distribute to energy impacted communities and political subdivisions. The legislation also changed the name of the office from the Energy Development Impact Office, to the Energy Infrastructure and Impact Office (EIIO). With the new name, new responsibilities, and significantly increased funding comes the need for more structure in the program and an evaluation process that is consistent and understandable.

Although the legislation provided for \$100 million in funding, selected legislative allocations reduced the amount available to award during the 2011-2013 biennium to \$94,428,269.

Appropriation (HB 1013)	\$100,000,000
Rapid School Enrollment appropriation (SB 2150)	\$5,000,000
UGPTI – update transportation study (SB 2325)	\$350,000
EIO administration expenses	\$221,731
Total deductions	\$5,571,731
Total available grant funds	\$94,428,269

Of the \$94,428,269, 35% is allocated for the three energy area hub-cities of Williston, Dickinson and Minot; 65% is for other areas. No more than 60% of the appropriated funds can be awarded by the Board in a single fiscal year.

	Biennial availability	60% fiscal year cap
Three hub-cities 35%	\$33,049,894.15	\$ 19,829,936.49
Other areas 65%	\$61,378,374.85	\$ 36,827,024.91

Two separate EIO advisory committees were formed and have met to discuss criteria and recommendations for the allocation of available funds.

GROUP 1: LARGE CITY REPRESENTATIVES

- Williston Mayor Ward Koeser
- Dickinson Mayor Dennis Johnson/City Administrator Shawn Kessel
- Minot Mayor Curt Zimbelman
- Department of Transportation Director Francis Ziegler
- Land Commissioner Lance Gaebe

This committee discussed recommendations on criterion for grants for the 35% of the fund that is available to the three largest cities in the oil impacted area. The committee agreed that the grants would be for specific city projects related to energy activity. The cities will provide the Land Board with a description of the project including cost estimates, financial participation explanation and timelines. The committee discussed the allocation of the 35% to the cities in a ratio of 20-10-5 to Williston, Dickinson, and Minot respectively. There was not consensus on this ratio, however based upon legislative committee discussion of this allocation, staff recommends that the Land Board establish caps to each of the three cities based on a 20-10-5 ratio as described.

The recommendation for the allocation of funds to the hub cities follows. Each city shall apply for the funds on a project basis. The funds are not intended to be dispersed without a project application.

Cities	Legislative discussion	Ratio	Biennial allocation	no more than 60% awarded
Williston	20.00	0.57	\$18,885,653.80	\$11,331,392.28
Dickinson	10.00	0.29	\$9,442,826.90	\$5,665,696.14
Minot	5.00	0.14	\$4,721,413.45	\$2,832,848.07
TOTALS	35.00%	1.00	\$33,049,894.15	

GROUP TWO: ENERGY IMPACT GRANT COMMITTEE

- David Hynek, Mountrail County Commissioner
- Jim Arthaud, Billings County Commissioner
- Lyn James, Bowman Mayor
- Brent Sanford, Watford City Mayor
- Barry Jager, Burke County Sheriff and Emergency Manager
- Floyd Miller, ND Township Officers Association (Williams County resident)
- Rick Larson, Energy Industry Representative (and former EDIO director)
- NDDOT Director Francis Ziegler
- Land Commissioner Lance Gaebe

This committee made recommendations regarding policies, procedures and distributions of the remaining 65% of the Oil and Gas Impact Fund available to the smaller cities, counties, townships and other eligible political subdivisions. The committee agreed that priority for the first round of grant money should be given to midsized cities that were experiencing severe impact to their infrastructure due to energy activities and that the needs of other political subdivisions including townships and emergency services be emphasized in subsequent quarterly grant rounds.

Priorities will be imputed with a weighted scoring factor to establish a ranking of applications. Major repairs and community growth projects designed and ready to build will be the first round priority. Applications will be accepted through June and scored by the staff with the top ranked projects reviewed by the advisory committee in July. The EIO Director and advisory group will make grant award recommendations to the Land Board for quarterly awards.

EIO STAFFING. The responsibilities to draft policies and applicant communication, undertake quarterly grant rounds and provide recommendations to the Board have expanded dramatically. The current Board-appointed Director, Jeff Engleson, also serves as the Department's investment director and the Deputy Land Commissioner. The expansive changes to the EIO program will make it difficult for Mr. Engleson to continue splitting time between those responsibilities and the responsibilities of the EIO Director.

HB 1013 authorized an Office Assistant FTE to help in the administration of the expanded Energy Impact program. However, until the biennium starts, the Association of Oil and Gas Producing Counties has lent a member of its staff to the Land Department to assist in the initial organization of the EIO program.

The Board discussed how applications would be scored and what factors might be considered other than what was specifically noted on the grant rating sheet. The Board emphasized that awards would be approved based on need and project merits. Governor Dalrymple noted that advisory committee meetings are subject to public meeting requirements.

MOTION: That the Board adopt the staff and advisory committee recommendations outlined herein and that, upon completion of Jeff Engleson's grant recommendations for the spring 2011 grant round, the Land Commissioner be appointed to the position of EIO Director, with the intent of hiring an employee on July 1 exclusively dedicated to assist in EIO program administration.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Sanstead			X		
Treasurer Schmidt	X		X		
Attorney General Stenehjem			X		
Governor Dalrymple			X		

ADMINISTRATIVE

Land Department Operating Expenses – Request for Continuing Appropriation. The Board will recall that at its December 2010 meeting it approved a transfer of \$50,000 from the 2009-2011 biennium contingency line to the operating expense line item. However, even with a continued effort to minimize operating costs this fiscal year, the department continues to be challenged with available budget authority for operating expenditures.

Based upon an analysis of current/future operating expenditures and the continuing appropriation authority provided in state law, the commissioner suggests the following actions relating to the operations of the State Land Department:

- A. **Emergency Commission.** To ensure adequate funding for the remaining 2009-2011 biennium, the department will request approval from the Emergency Commission to transfer \$50,000 from the salary line to the operating expenses line item. (no formal Board action requested)
- B. **Unclaimed Property - Continuing Authority.** Currently, all payments of claims are paid through continuing appropriation authority. Other unclaimed property operating costs are also authorized as continuing appropriation expenditures under Section 47-30.1-23 of the North Dakota Century Code, however in current practice are not being allocated as such. Beginning July 1, 2011, unclaimed property expenses as outlined in this section will be paid under continuing appropriation authority including, but not limited to, service charges for address verification and updates, advertising costs, audit services, legal costs and outreach efforts. During the last 22 months, these types of expenses totaled approximately \$28,000. (no formal Board action requested)
- C. **Grant Land, Non-Grant Land and Mineral Leases - Continuing Authority.** Currently, several expenditures that are paid from the department operating expense line item could be considered as continuing appropriation expenditures according to Sections 15-04-24, 15-07-22 and 15-05-19 of the North Dakota Century Code. These sections appropriate annually the expenses determined by the Board as necessary to manage, preserve, and enhance the value of the trust land and mineral assets.

The following expenses could be included as a continuing appropriation authority beginning in the next fiscal year:

- Salaries and travel expenses for temporary field men who conduct inspections to ensure rangeland integrity and surface reclamation. During the previous 22 months salary expenditures for field men totaled approximately \$91,000, while travel was approximately \$58,000. These expenditures will continue to increase with the energy activity growth.
- Advertising surface and mineral lease auctions. Section 15-04-09 of the NDCC requires the board to publish multiple notices of surface and mineral leases auctions. Advertising of the lease auctions is done to ensure the trusts receive competitive bids to enhance the trusts' value. During the last 22 months, \$17,000 has been spent on advertising surface and mineral lease auctions.
- Legal expenditures that are incurred by a specific trust or trusts to maintain their value and integrity. In the prior 22 months, the Lands and Minerals Trust incurred approximately \$24,000 in legal costs. Legal costs associated with surface and other mineral within permanent trusts were approximately \$28,600 during this same timeframe.

MOTION: That, as authorized in NDCC 15-04-24, 15-07-22 and 15-05-19, the Board approve the 1) costs of temporary fieldmen to conduct rangeland inspections, 2) advertising costs for lease auctions, and 3) specific trust legal expenses - all as continuing appropriation expenses beginning on July 1, 2011. As extraordinary costs that could be considered as a continuing appropriation expenses are incurred, those expenses will be brought to the Board for determination as a continuing appropriation necessary to manage, preserve and enhance the value of the trust assets.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		
Treasurer Schmidt			X		
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

Governor Dalrymple left the meeting at 10:44 AM and Secretary Jaeger assumed responsibilities of the Chair.

MINERALS MANAGEMENT DIVISION

Willard Burk Mineral Ownership Issue (WIL-155-100-25 SW4). The issue for discussion is whether Willard and Celia Burk and the State each own one-half of the minerals in the above-referenced legal description, or whether the State owns all of the minerals.

At the Board's April 2011 meeting Assistant Attorney General Charles Carvell appeared before the Board concerning the disputed mineral acres. Mr. Willard Burk also appeared and provided information concerning the acquisition of the property by the Burks in 1991.

The Burks considered themselves to have 50% mineral ownership with the State having 50% as a result of a 1991 deed they received that had been signed by the Bank of North Dakota. Unfortunately, the Bank had no authority to convey the Board's 50% of the mineral interest. Unaware that the Bank's deed conveyed the Board's portion of the minerals, Land Department records continued to show 100% mineral ownership. As such the Board issued a lease for 100% of the minerals in this parcel. Mr. Burk wants the Land Board to acknowledge that he owns 50% of the minerals.

At the conclusion of the conversation at the Board's April meeting, Attorney General Stenehjem suggested that Mr. Burk discuss this matter with staff with the hope of reaching a settlement. That discussion was held subsequent to the Board meeting, but Mr. Burk would not consider any arrangement that did not recognize his ownership of 50% of the minerals.

On May 13, 2011, the Land Board received a Notice of Claim from Mr. Burk's attorney.

MOTION: To close the meeting to the public and go into executive session under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, the purpose of which will be to consult with the Board's attorney to discuss the mineral title issue involving Willard and Celia Burk, over which litigation is likely.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead	X		X		
Treasurer Schmidt		X	X		
Attorney General Stenehjem			X		
Governor Dalrymple					X

Executive session convened at 10:45 AM. Present at the executive session were Land Board Members, and Land Department Staff. Charles Carvell, Assistant Attorney General, was present

to discuss legal options for the Board to consider in response to the Notice of Claim in a possible executive session.

Governor Dalrymple rejoined the meeting at 10:58 AM while executive session was in progress.

Executive session ended at 11:02 AM and the meeting was reopened to the public.

No final action was taken as a result of the executive session discussion, however, during the executive session the Board provided Mr. Carvell with guidance on how to proceed on the Burk issue with the intent that a recommended resolution be presented at a future Board meeting.

Secretary Jaeger left the meeting at 11:05 AM.

ITEMS TO BE NOTED

Financial Statements. The Board reviewed the financial statements for the quarter ended March 31, 2011. These reports are on file at the Land Department and were for the Board's information only; no action was required.

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Land Department and presented to the Board for informational purposes; no action was required.

May 2011 Oil and Gas Lease Auction Results. The Board reviewed a report of the results from the May 2011 oil and gas lease sale, which was held in Williston, ND. The memo is on file at the Land Department and presented to the Board for informational purposes; no action was required.

May 2011 Potash Lease Auction Results. The Board reviewed a report of the results from the May 2011 potash lease sale, which was conducted entirely via the internet and hosted by EnergyNet.com. The memo is on file at the Land Department and presented to the Board for informational purposes; no action was required.

ADJOURN

There being no further business, the meeting was adjourned at 11:10 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
June 30, 2011**

The June meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 10:18 AM by Chairman, Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Wayne Stenehjem	Attorney General

Members Absent:

Wayne G. Sanstead	Superintendent of Public Instruction
Kelly Schmidt	State Treasurer

Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Jeff Engleson	Director, Investment Division
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist
Pam Rennich	Director, Revenue Compliance Division
Gustavo San Jose	Information Technology Intern

Others in Attendance:

Teri Finneman	Forum Communications
Jon Patch	Wilkinson Mineral Interests

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 May 26, 2011 meeting was made by Secretary Jaeger and seconded by Attorney General Stenehjem. Motion carried; all members present voting aye.

E N E R G Y I N F R A S T R U C T U R E & I M P A C T O F F I C E

Award Recommendations (Final Energy Impact Grant Round of 2009-2011 Biennium). In addition to being the Land Department's budget bill, House Bill 1013 made major changes to the energy impact grant program, including increased funding to \$100 million for the 2011-13 biennium. As a result of the emergency clause, the Land Board has become the decision making authority on grants. Historically, the Director awarded the grants and the Board was the appellate of the Director's decisions.

Based on legislative intent, the oil impact advisory committee recommended that the first grant round of the new program in the 2011-13 biennium should focus on the needs of cities, including building new infrastructure and repairing infrastructure damages caused by oil and gas

development. With the pending city focus in the next biennium, the advisory committee recommended that the spring 2011 grant round focus on the need of townships and fire/ambulance districts. The Director concurs with the advisory committee and believes that handling these two grant rounds as described above provides a smooth transition to the expanded program that goes into effect during the 2011-13 biennium.

The Board was provided with a "Schedule of Recommended Energy Impact Grants" containing the energy impact Director's recommendations for grant awards for the spring 2011 grant round, showing all entities that applied for grants, the purpose of the grant request, the amount requested, and the grant award recommended by the Director. The Board was also provided with a summary of the principals and guidelines utilized in the recommendations.

During the spring 2011 grant round the office received 422 grant applications from 314 different political subdivisions. The total amount requested was \$62.5 million. There is \$3,926,000 available to grant during the spring 2011 grant round.

MOTION: That the Land Board award energy impact grants totaling \$3,926,000 to the entities listed, and in the amounts shown, on the "Schedule of Recommended Energy Impact Grants".

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead					X
Treasurer Schmidt					X
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

Energy Infrastructure and Impact Office Start-up. Starting on July 1, 2011, the Oil and Gas Impact Fund will begin to accumulate to \$100 million each biennium. From this fund, the Land Board will award grants to eligible political subdivisions at least four times each year. During the 2011-2013 biennium \$33 million will be available for grants to the hub-cities of Williston, Dickinson and Minot and \$61.4 million will be available to all other political subdivisions.

Recognizing the legislative intent regarding infrastructure, the advisory committees recommends that the focus of the first grant round of the 2011-2013 biennium be in support of projects that build and improve infrastructure in the oil and gas impacted cities. The focus should be on community projects like water treatment and waste water facilities, trunk lines and other city projects intended to support population growth; as well as projects needed by cities in direct response to damages caused by increased oil and gas activity.

The Energy Impact Office will be accepting grant applications from cities until June 30, 2011 for the July grant round. The application form and program background are available on the new Energy Impact Office web site: www.nd.gov/energyimpact.

Grant applications will be reviewed by the Energy Impact Office and the advisory committees which will provide recommendations to the Land Board in July. Although grant awards may be approved soon, the funds will not be disbursed to recipients until projects are substantially complete and cash is available in the fund. The Oil and Gas Impact Fund will only begin to accumulate in September, so grant recipients will be reminded that delays of disbursements could occur if several entities seek reimbursement simultaneously.

The Board was provided with a schedule of the quarterly allocations recommended by the smaller political subdivision advisory committee. The consensus of this committee is to place a strong initial emphasis on community infrastructure and to reserve some of funds for other eligible applicants including townships, counties, airports and emergency response services in the remaining quarterly rounds. As grant rounds commence, the Commissioner/Director will provide the Board with a suggested allocation target for each sector.

The legislation allows for up to 60% of the appropriation to be awarded in a single fiscal year, and the advisory committee is advising that a total target allocation of \$60 million be planned for award in the first fiscal year; \$21 million for the three hub cities and \$39 million for remaining

eligible political subdivisions. They also offered recommendations for a focused grant round each quarter as well as an ongoing round from a contingency set-aside that could be used for emergency applications that fall outside of the suggested schedule.

This information was provided to the Board for informational purposes.

MINERALS MANAGEMENT DIVISION

Minerals Division Legal Updates

Lis Pendens: A blanket Lis Pendens (suit pending lien) was filed upon multiple townships in Hettinger and Stark counties arising from a suit filed in Texas between multiple parties. It wrongly involved thousands of State trust mineral acres. The Commissioner asked the Attorney General's office to work with the involved parties to release State minerals from this action since neither the State nor its lessees are involved in the lawsuit. The Attorney General's office is continuing to work on this issue to ensure that the State minerals are not encumbered.

Willard Burk Mineral Claim: As directed by the Land Board, Assistant Attorney General Charles Carvell is working with Mr. Burk and his attorney to find an amicable solution to Mr. Burk's claim to the minerals that the Land Department has leased. Mr. Carvell is working directly with Mr. Burk's attorney on options for a settlement of the mineral claim. When a tentative agreement is reached, it will be brought to the Board for approval.

Brigham Oil Complaint: Brigham Oil and Gas LP has filed suit regarding the Williston 25-36 1H well. The suit states that Brigham has filed the suit to clear up the title disputes in this spacing unit. All mineral owners with claims are defendants, including the State Land Board, City of Williston, County of Williams, and many fee owners. The Land Department has 707.38 mineral acres leased within this 1280-acre spacing unit. Because of the ownership disputes, royalties have been held in suspense by Brigham.

This information was provided to the Board for informational purposes; no action was requested.

SURFACE MANAGEMENT DIVISION

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Land Department and was presented to the Board for informational purposes; no action was required.

ACCOUNTING

Financial Statements. The Board reviewed summary of total assets for April 2011. This report is on file at the Land Department and provided to the Board for informational purposes; no action was required.

ADMINISTRATIVE

Department Operations Update: The purpose of this memo is to provide an overview of Department operations and activities.

Operating Expenses

In December 2010, the Board approved the transfer of \$50,000 from the appropriated contingency line to operating expense line as a result of the increase in expenditures for travel, professional services and office operations related to the growth in oil and gas activity. For similar reasons the Emergency Commission approved the Department's requests to transfer an additional

\$50,000 from the appropriated salary line to the operating expense line. With these two transfers, the Department will finish the biennium within the revised appropriation limits.

Staffing

Three additional positions were approved by the Legislature and will be filled as soon as practical in the 2011-2013 biennium.

1. **Royalty Auditor:** The appropriation authorizes the hiring of a royalty auditor to assist the Director of Revenue Compliance in determining if the mineral royalty payments the trusts receive are accurate and timely. This position will also have some responsibilities in checking compliance with Unclaimed Property reporting requirements.
2. **Assistant Financial Analyst:** The Legislature approved an accounting FTE to provide assistance to the Department's Investment Director and the Budget Director. With the Department's revenues multiplying in recent years, the workload in terms of dollars received and number of transactions to be processed has increased a great deal. An assistant will help with base level accounting operations so the managers can focus their efforts on higher level accounting and investment analysis functions.
3. **Energy Impact Assistant Director:** The Legislature approved the Governor's budget recommendation for significant increases to the energy impact grant program. The individual hired to fill this FTE will serve as the Energy Impact Office Assistant Director and will work with applicants and the EIO Advisory Committees on establishing quarterly grant recommendations to the Land Board. The person will manage the application process, document Board policy and actions, maintain records, communicate with applicants and administer payment of approved grants.

Remodeling Project

The Department office remodeling project, approved by the Board in March 2011, is on budget and slated for completion in early July. The project converted a large common area, three large offices, a conference room, and a storage room formerly occupied by the Office of Administrative Hearings into nine offices and a training room. The Department looks forward to hosting a future Board meeting in part to provide the opportunity to highlight the new space.

Department Name

The Commissioner has been considering options for a new agency name that more accurately describes its responsibilities. "State Land Department" is not specifically found in the Century Code or the Constitution; rather it is referenced as the "Office of the Commissioner of University and School Lands" as the agency extension of the "Board of University and School Lands". A Legislative Council review of the code found a single reference to "various land department trust funds" within the farm loan pool account statute (NDCC 15-03-04.1).

The words "State Land" are generic and easily misunderstood by the public. The Department receives numerous inquiries regarding university land, surveyor registration, land appraisal services, private land and title questions, or looking for the Bureau of Land Management or other state agencies which manage land.

There are 14 trust funds, a large investment fund, oil and gas leasing, agricultural leasing, and rights-of-way. Trust management is the statutory purpose of the "Office of the Commissioner of University and School Lands." It is a challenge to also incorporate the responsibilities of unclaimed property and the more prominent role of the energy impact office into a name.

The Department staff has suggested 40 potential names that are more reflective of the responsibilities of the "Department". The common feature of nearly all of the suggested names was that it should contain the word "trust". The current highest ranked choices for a departmental name based on suggestions offered by Land Department staff are:

- Department of Trust Lands
- Department of Trusts-Lands & Minerals
- Trust Management Department
- State Trust Department

More work is needed before a final recommendation will be brought to the Board.

OTHER MATTERS

Jon Patch was at the meeting to request an appearance at the Board's next meeting to discuss additional information related to ordinary high water mark issues in Williams County.

ADJOURN

There being no further business, the meeting was adjourned at 11:20 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
July 28, 2011**

The July 28, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:00 AM by Chairman, Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Kelly Schmidt	State Treasurer
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

None

Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Jeff Engleson	Director, Investment Division
Judith F. Schell	Administrative Assistant
Chad Fretheim	Energy Impact Office Assistant

Others in Attendance:

Lyn James	EIIO Advisory Committee
Teri Finneman	Forum Communications
Senator Karen Krebsbach	Minot / Senate District 40
Councilman Dean Frantsvog	City of Minot
Mayor E. Ward Koeser	City of Williston
Monte Meiers	City of Williston Engineer
John Kautzman	City of Williston City Auditor
Joel Gilbertson	City of Williston / Vogel Law Firm
Mayor Dennis Johnson	City of Dickinson
Shawn Kessel	City of Dickinson Administrator
Loren Hoffman	AES
Russell Sorenson	AES

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 June 30, 2011 meeting was made by Al Jeger and seconded by Wayne Stenehjem. Motion carried.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt	X		
Attorney General Stenehjem	X		
Governor Dalrymple	X		

SURFACE MANAGEMENT DIVISION

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Land Department and was for the Board's information; no action was required.

ACCOUNTING

Financial Statements. The Board reviewed the Financial Statement Summary and Total Assets by Trust as of May 31, 2011. These reports are on file at the Land Department and were for the Board's information; no action was required.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

During the 2011-2013 biennium, the Oil and Gas Impact Fund will accumulate \$100 million that will be disbursed to oil and gas development impacted political subdivisions. From this fund, the Board of University and School Land (Land Board) will award grants, at least four times each year, through the Energy Infrastructure and Impact Office to eligible political subdivisions. During the biennium, \$33 million will be available for grants to the hub-cities of Williston, Dickinson and Minot and \$61.4 million will be granted to other eligible political subdivisions. The legislation allows for up to 60% of the appropriation to be awarded in a single fiscal year, allowing a total target allocation of \$60 million in the first fiscal year; \$21 million for the three hub cities and \$39 million for remaining eligible political subdivisions.

All applications received in the opening EIO grant round were reviewed by the Board.

Energy Impact Advisory Committee Recommendations (Smaller Cities). The Land Board established an Energy Impact Advisory Committee made up of county, city, township and emergency response officials from the oil and gas producing areas, to offer recommendations on the grant awards to smaller eligible applicants. The advisory committees recommended that the initial grant round be focused on supporting infrastructure projects in the oil and gas impacted cities. Applications focused on community projects like water treatment and waste water facilities, trunk lines and other city projects intended to encourage housing construction in support of population expansion; as well as projects needed by cities in direct response to damages caused by increased oil and gas activity, received the highest ranking in the review process.

Grant applications were scored by the Energy Impact Office using weighting factors that considered the infrastructure objective of the legislature, financial need, project readiness, contribution to community health and safety, and whether the need is the result of oil and gas activity. Using the rankings as the basis, the advisory committee recommendations for grants were presented to the Board. The score sheet used to initially rank the applications was also presented to the Board.

There were 59 requests totaling \$93.4 million for the \$32.5 million that may be awarded in the initial round to smaller cities. Clearly, all of the communities have needs, but the advisory committee recommended \$32.5 million in grants to 26 city applications.

Preference was given toward projects that can be initiated in the near term with the recommendation that if a community cannot start a project until later, that the funds be made available to other applicants. Grant amounts are based on estimated costs of projects, but only actual construction costs will be reimbursed up to the amount awarded.

Advisory Committee Recommendations (Smaller Cities)

City of Arnegard	Street System Improvements	\$ 100,000
City of Beach	Maintain Truck Routes	\$ 100,000
City of Belfield	Street Improvement Project 2011	\$ 200,000
City of Berthold	Berthold Sanitary Facilities	\$ 50,000
City of Columbus	Columbus Street Project	\$ 75,000
City of Crosby	Grow Crosby Water and Sewer Extension	\$ 811,000
City of Grenora	Street Repairs	\$ 100,000
City of Kenmare	City of Kenmare Infrastructure Improvements	\$ 50,000
City of Killdeer	Bergerud Industrial Park Utility Extensions; Hotel Complex Utility Extensions; Master Lift Station Replacement; Ree's Subdivision Street and Utility Improvements; Water Storage Reservoir	\$ 2,071,054
City of Lignite	Repairing Streets	\$ 50,000
City of Mohall	Nordkil's 2nd addition	\$ 50,000
City of New Town	Truck By-Pass and Water/Sewer Extension	\$ 869,000
City of Parshall	Hwy 37 Water and Sewer Trunk Line; 4th St NW Water and Sewer Trunk Line	\$ 2,402,932
City of Plaza	Robyn Park Housing Development	\$ 1,149,967
City of Ray	Wastewater System Improvements	\$ 50,000
City of Ross	Ross Waste Water Facility	\$ 50,000
City of Stanley	Infrastructure Improvements	\$ 4,167,969
City of Tioga	Infrastructure Improvements	\$ 7,751,426
City of Watford City	Street Improvements and Extensions; Water/Sewer Ext., Wastewater Improvements	\$ 12,301,652
City of Wildrose	Street/Culvert Repair	\$ 100,000
TOTAL AWARDS		32,500,000

Moved by Al Jaeger to accept the Energy Impact Advisory Committee recommendations for smaller cities and to authorize awards through the EIO to identified cities for the amounts indicated on the spreadsheet subject to the availability of funds, seconded by Wayne Stenehjem. Motion carried.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		
Treasurer Schmidt			X		
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

“Hub City” Presentations Related to 35% (\$21M) Oil and Gas Impact Funding. Thirty-five percent of the \$100 million that the Land Board is authorized to award and distribute from the Oil and Gas Impact Grant Fund is dedicated to the three largest cities in the oil and gas producing area for energy infrastructure and impact needs. The legislation authorized the Board to award no more than 60% of the appropriated funds in a fiscal year. The eligible cities have submitted applications totaling \$48.9 million.

Each city described its projects and needs to the Land Board to supplement the application materials previously provided to the Board.

The Board discussed the allocation of the funds available as block grants to the communities to determine allocation of their project priorities.

The following chart highlights the projects and the block grant amounts that the Board discussed.

(07/11)

City of Dickinson	Waste Water Treatment Facility	\$ 5,000,000
City of Minot	55th Street Trunk Water Main; 55th Street Sewer Improvements; Northwest Sewer Improvements; 37th Ave SW Water Improvements; 37th Ave SW Sewer Improvements	\$ 4,000,000
City of Williston	West Williston Water & Sewer Extension; Marburger Water & Sewer Extension; Vizina Water & Sewer Extension; Erickson Water & Sewer Extension; Baker Hughes Oil Development; Sand Creek Towne Center Development; North Industrial Park Development; Waste Water Treatment Plant Expansion; Meadows Water & Sewer Extension; Williston Garden Development; Harvest Hills Development	\$ 12,000,000
TOTAL AWARDS		21,000,000

It was moved by Wayne Stenehjem to authorize the allocation of \$21,000,000 in grant awards through the EIIO in the amounts of \$12,000,000 to the City of Williston, \$5,000,000 to the City of Dickinson and \$4,000,000 to the City of Minot, subject to availability of funds, seconded by Wayne Sanstead. Motion carried.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead		X	X		
Treasurer Schmidt			X		
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

The director reminded the Board that although up to \$32.5 million in grant awards to cities were approved, the funds will not be disbursed to recipients until projects are substantially complete and cash is available in the fund. The Oil and Gas Impact Fund will begin to accumulate in September, so delays of disbursements might occur if several entities seek reimbursement simultaneously. The staff will prioritize and work with applicants to prorate distribution of funds if necessary. Funds will be available in subsequent grant rounds for other eligible applicants including townships, counties, airports and emergency response services.

A D J O U R N

There being no further business, the meeting was adjourned at 11:58 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
August 25, 2011**

The August 25, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:00 AM by Chairman Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Kelly Schmidt	State Treasurer
Alvin A. Jaeger	Secretary of State
Wayne G. Sanstead	Superintendent of Public Instruction

Members Absent:

Wayne Stenehjem	Attorney General
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Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Keith Bayley	Land Professional
Michael D. Brand	Director, Surface Management Division
Jeff Engleson	Director, Investment Division
Levi Erdmann	Programmer Analyst
Drew Combs	Director, Minerals Management Division
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist
Pam Rennich	Director, Revenue Compliance Division
Judith F. Schell	Administrative Assistant

Others in Attendance:

David T. Jenson	Landowner
Jon Patch	Wilkinson Family
Stan Reep	Land/Mineral Owner
John Reep	Land/Mineral Owner
Craig Smith	Crowley/Fleck Law Office
JannelleCombs	Leonard, Street and Deinard
Tony Toepfer	Leonard, Street and Deinard
Tim Kingstad	Fredrickson & Byron
Dwight Wrangham	Landowners Association of ND
Vicky Steiner	ND Oil and Gas Producing Counties
Josh Askvig	North Dakota Education Association
Rebecca Beitsch	Bismarck Tribune

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 July 28, 2011 meeting was made by Al Jaeger and seconded by Kelly Schmidt. Motion carried.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt	X		
Attorney General Stenehjem			X
Governor Dalrymple	X		

FEE OWNERS' CLAIMS OF SOVEREIGN MINERALS

Sovereign Minerals. The Board was reminded that for purposes of identifying and leasing sovereign minerals, east of the Highway 85 Bridge, the Department leases the historic channel of the Missouri River as it existed prior to inundation by Lake Sakakawea. West of the bridge, sovereign minerals leasing is based on the location of the existing river channel.

Mr. Jon Patch and Mr. Stan Reep were each provided with an opportunity to address the Board regarding their concerns about the State Land Department's (SLD) leasing of minerals under the Missouri River. Both Mr. Patch and Mr. Reep claim ownership to minerals that the Department has leased as sovereign minerals.

Mr. Patch has met with the Board, with staff of the Attorney General, the State Engineer and the Department. His interests are west of the Hwy 85 bridge, thus within the area where the current river determines what the state leased. Mr. Patch believes that the Department's use of the historic river channel should not stop at the Highway 85 Bridge but should extend farther west and at least to his family's land.

Mr. Reep's interest is in land east of the Highway 85 Bridge. His claim is that the state's use of the historic pre-reservoir channel to determine sovereign minerals is without legal basis. He believes the SLD should take the position that state mineral ownership and leasing should be based on the current location of the river.

Separately, there is ongoing legal action involving State owned minerals under the Missouri River. Brigham Oil and Gas has filed suit asking that all who assert ownership of minerals within the spacing unit for the Williston 25-36 #1H well present their claims so that Brigham knows who is entitled to royalty payments. The Department is listed in this action as are dozens of other persons, entities and companies. Two separate state interests are involved and may have opposing views, in that the state is the owner of the bed of the Missouri River and its underlying minerals, and there is the Board's interest in land riparian to the Missouri River that the Board manages for the common schools. Mineral ownership issues highlighted by Mr. Patch and Mr. Reep may get addressed within Brigham's suit.

The Board took no action to stipulate or renegotiate mineral settlements on the Missouri or Yellowstone Rivers, citing the legal cases (underway), that when decided will possibly provide a basis for resolving related disputes.

I N V E S T M E N T S D I V I S I O N

Financial Statements. The Board reviewed the Financial Statements as of June 30, 2011. These reports are on file at the Land Department and were for the Board's information; no action was required.

Investment Performance Reports: Quarters Ending March 31, 2011 and June 30, 2011. The investment performance report covered the performance of the Land Board's investment program for the period of March 31, 2011 and June 30, 2011. This report is prepared quarterly by Land Department staff to keep the Board informed on the performance of the investment portfolio as a whole, and the performance of the individual money managers hired to help meet investment goals and objectives. A complete copy of the report is on file at the Land Department and was presented for the Board's information; no action was required.

Designated Fund Balance for the Lands and Minerals Trust Fund. Revenues from sovereign lands are deposited into the Lands and Minerals Trust Fund (LMTF). At its September 30, 2010 meeting, the Land Board established the Designated Fund Balance within the LMTF to account for potential disputes to the State's ownership of the minerals beneath navigable bodies of water. Until there is a resolution of claims of the minerals, the Board determined it was prudent to set aside potential disputed amounts to be available for refunds if needed.

The Land Department has examined all bonus and other lease payments received since 1999 for riverbed tracts. The purpose of the analysis was to determine the acreage involved within the riverbed ownership question.

The analysis involved two parts:

- Determining the amount of bonus and rent collected on riverbed tracts located within boundaries of the Fort Berthold Reservation.
- Determining the amount of bonus and rents collected on the acreage between the ordinary high water mark and the water's edge (shore zone) for riverbed tracts located outside of the Reservation.

Based on this analysis there are approximately 412 tracts that contain acreage that could potentially be disputed or questioned, with bonuses and rentals associated with these acres total an estimated \$76,630,216.

Recent legal action has been filed related to sovereign ownership, but there is no specific outcome anticipated related to these tracts. The Commissioner is seeking an updated amount to place within the designated fund because it is possible, not probable that at least a portion of funds related to riverbed tracts may need to be refunded.

Motion: The Board specified \$76,630,216 as the cumulative "Designated Fund Balance" of the Land and Minerals Trust Fund as of June 30, 2011. The funds should not be transferred from the LMTF until title claims related to sovereign lands have been resolved. Secondly, any additional amounts collected on potentially disputed riverbed acreage during FY 2012 be similarly designated for both distribution and financial statement purposes.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		
Treasurer Schmidt		X	X		
Attorney General Stenehjem					X
Governor Dalrymple			X		

MINERALS MANAGEMENT DIVISION

Willard Burk Settlement Agreement (WIL-155-100-25-SW4). This matter, involves a dispute over title to 50% of the minerals in a quarter section of Williams County.

While there is no dispute that the State owns 50% of the minerals in the tract there is a dispute over title to the other 50%. Mr. Willard Burk asserts that he acquired the disputed 50% in a 1991 transaction with the State, or more particularly with the Bank of North Dakota and the State Treasurer. A few years ago the Land Board issued an oil and gas lease to the quarter section, a lease covering 100% of the minerals. Not long after that, Mr. Burk issued a lease on what he considered to be his 50% ownership.

While the substantive legal issues of the title dispute are somewhat complex the matter became more difficult when the State's lease was assigned and the assignors retained overriding interests in what they considered a lease covering 100% of the minerals; and was further complicated when a successful well producing from the property in question was drilled by Zavanna LLP. Upon learning of the overlapping leases to minerals in the southwest quarter of section twenty-five, Zavanna did not pay royalties attributable to the contested 50% interest, but instead held them in suspense.

At the May 2011 meeting the Board decided not to litigate title to the disputed 50% and directed the Commissioner to seek an agreement that would recognize that Mr. Burk owns 50% of the

minerals, but would also protect persons holding overrides under the 100% State lease and that would not compromise payments the Board had received for or under that lease.

The Commissioner and Attorney General staff negotiated a settlement agreement with Mr. Burk and Zavanna that achieves the Board's directives. The agreement's key features are:

1. Royalties held in suspense—which involve the disputed 50%—will be paid to Mr. Burk, less what is owed overriding interests under the State lease.
2. Future royalties attributable to the disputed 50% will be paid to Mr. Burk, less what is owed overriding interests under the State lease.
3. The Land Commissioner, on behalf of the Land Board, will issue a quit claim deed to Mr. Burk conveying to him 50% of the minerals in the tract.
4. Mr. Burk releases the State and the Land Board from any liability.

Motion: The Board instructed the Commissioner to sign the agreement and the Quit Claim Deed on behalf of the Board of University and School Lands recognizing Mr. Burk's ownership of 50% of the minerals in 155-100-25-SW4-Williams County, ND.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Sanstead	X		X		
Treasurer Schmidt			X		
Attorney General Stenehjem					X
Governor Dalrymple			X		

August 02, 2011 Oil and Gas Lease Auction Results. The Board reviewed a report of the results from the August 2, 2011 oil and gas lease sale, which was held at the National Energy Center of Excellence, Bismarck, ND. The memo is on file at the Land Department and was for the Board's information and no action was required.

SURFACE MANAGEMENT DIVISION

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The report is on file at the Land Department and was for the Board's information; no action was requested.

OFFICE OPERATIONS

Agency Name Change Proposal. The Commissioner has been considering options for a name of the office that more accurately describes its responsibilities. "State Land Department" is not found in the Century Code nor in the State Constitution; rather the Department is referenced as the "Office of the Commissioner of University and School Lands" as the agency extension of the "Board of University and School Lands". A Legislative Council review of the code found a single reference to "various land department trust funds" within the farm loan pool account statute (NDCC 15-03-04.1).

The words "State Land" are generic and easily misunderstood by the public. The Department receives numerous inquiries regarding university or other state owned land, surveyor registration, land appraisal services, private land, and title questions. People also call looking for the Bureau of Land Management or other agencies which manage land.

A more appropriate agency name would recognize the Board's trust responsibilities. The word "trust" is found 24 times in the statutes relating to the Commissioner's Office and 12 times in article IX of the State Constitution. Trust management is clearly the statutory purpose of the "Office of the Commissioner of University and School Lands."

The Commissioner believes that "North Dakota Department of Trust Lands" is an appropriate agency name.

The agency logo, which was adopted in 2001, has been effective and is recommended to continue with a slight modification to the tag line. Replacing the current tag line of "Helping to Fund Education" with "Investing for Education" would be an appropriate way to incorporate the investment facet of trust management into the Department name.



ND Department of Trust Lands

Investing for Education

The cost of changing the agency name will be minimal as stationary and business cards will be updated as existing supplies are depleted. The sign on the exterior of the building will require replacement of the word "State" with the word "Trust" and the remaining letters will be reused. Signage updates can be done in conjunction with exterior repairs to the building which are scheduled for this fall.

Motion: The Board approve the adoption and implementation of "North Dakota Department of Trust Lands" as the common public reference to the Department.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead		X	X		
Treasurer Schmidt	X		X		
Attorney General Stenehjem					X
Governor Dalrymple			X		

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Energy Infrastructure and Impact Office Operations and Grant Recommendation

EIIO OPERATIONS

On July 28, 2011 the Land Board approved the advisory committee recommendations for energy infrastructure and impact grant awards totaling \$32.5 million for small city infrastructure. The Board also approved \$21 million for infrastructure impact block grants to Williston, Dickinson, and Minot. Award letters were sent to the 23 cities that were awarded the \$53.5 million. The office is still awaiting a statement of concurrence with the terms of the grant from three of the communities. Distributions will occur as recipients submit requests based on completed projects. To date, no disbursements have been requested.

The Office has received multiple inquiries regarding the grant decisions, and one recent request for formal reconsideration.

Next Grant Round

Of the \$39 million available in the first fiscal year for energy impact grants, \$6.5 million remains for the next three quarterly grant rounds for smaller political subdivisions. With the available funds,

\$2 million could be awarded for each of the upcoming grant rounds with \$500,000 available in a contingency pool.

In order to adhere to the schedule established in awarding the first grants in July, the next quarter process needs to get underway. Applications will be accepted during September, followed by advisory committee formulated grant recommendations for October or November Land Board consideration.

The Energy Impact Advisory Committee recommended that the grant round be focused on townships and other small political subdivisions for assistance with road impacts and other damage as a result of oil and gas activity. The committee intends to focus on the repair of specific roads or streets identified by applicants.

New Position

The director is reviewing applications for an assistant director of the Energy Impact Office. The state Human Resource Management Service classified the position as a grade 11 based on a job description prepared by the staff who have undertaken the efforts of the office in the recent term. Twenty-seven applicants applied for the position.

CONTINGENCY FUND RECOMMENDATIONS

The EIO Advisory Committee recommended a flexible contingency fund of approximately \$500,000 for emergency requests and applications that did not fall within the scope of the focused grant rounds. The contingency fund could be allocated to leverage other resources to deliver additional assistance to impacted communities.

Two additional requests for a portion of the contingency balance have been received. The requests may be an opportunity to assist multiple communities in the oil and gas producing area. The first is a request to supplement a community planning grant offered through the U.S. Department of Housing and Urban Development which requires a non federal match; the second is a fire and rescue "train-the-trainers" grant request.

HUD Planning Grant

The ND Association of Oil and Gas Counties and the SW REAP Zone (the Rural Economic Area Partnership includes Billings, Dunn, Golden Valley, Stark, Slope, Hettinger, Bowman, Adams Counties and the south segment of the Three Affiliated Tribes Reservation) have partnered to apply for a HUD sustainable communities grant. The three-year, \$1.5 million grant is designed to help communities plan and identify infrastructure priorities. The application requires a 20% non-federal match.

Communities that had implemented planning processes, had strong applications in the recent EIO grant round. The planning grant could be an opportunity for many communities to jointly access leveraged funds to develop strategic growth plans. A \$300,000 match made available from the Oil and Gas Impact fund could assist multiple western cities with planning and identifying priorities.

Fire Department Training

An opportunity exists to assist the broad oil and gas impact area with funds to support training for trainers of firefighters dealing with hazardous materials and heavy vehicle extrication.

The North Dakota Firefighters Association (NDFA) has made a request to facilitate a Train-the-Trainer: Big Rig Accident Rescue for First Responders on September 10, 2011 in Williston. This program will provide hands-on commercial vehicle wreckage training and provide instructors with the knowledge to teach a class of their own. The class will be offered to NDFA instructors who agree to teach or co-teach additional classes. Historically, this has been a successful way of offering training to fire departments across the state.

The request is for \$20,000 from the EIO for the \$30,000 training program.

Motion: The Board authorize the director to pledge up to \$300,000 of Oil and Gas Impact Funds as a match of the western communities and SW REAP Zone HUD application, the Board will consider awarding of the grant based on the success of receiving the federal funds. Secondly, that (08-11)

the Board award \$20,000 by the EIIO, through a political subdivision to facilitate the North Dakota Firefighters Association Big Rig Accident Rescue training program.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Sanstead			X		
Treasurer Schmidt	X		X		
Attorney General Stenehjem					X
Governor Dalrymple			X		

A D J O U R N

There being no further business, the meeting was adjourned at 10:30 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
September 29, 2011**

The September 29, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:00 AM by Chairman Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Kelly Schmidt	State Treasurer
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

None

Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Jeff Engleson	Director, Investment Division
Drew Combs	Director, Minerals Management Division
Judith F. Schell	Administrative Assistant

Others in Attendance:

Amy Oster	Crowley/Fleck Attorneys
Greg Burns	North Dakota Education Association
Gerard Fisher	Self (new Department of Trust Lands employee for EIIO)

APPROVAL OF MINUTES

A motion to approve the minutes of the August 25, 2011 meeting was made by Wayne Stenehjem and seconded by Al Jaeger. Motion carried.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt	X		
Attorney General Stenehjem	X		
Governor Dalrymple	X		

SURFACE MANAGEMENT DIVISION

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Department of Trust Lands office and was for the Board's information, no action was required.

Easement Process for Road Rights-of-Way. The Board of University and School Lands has a long history of issuing road easements on school trust lands under its constitutional authority. Over the previous 20 years the Board has significantly reduced the time that it takes to obtain easements in general and specifically for road easements.

The authority for the Board of University and School Lands to issue road easements was established at statehood in Article IX, Section 6 of the North Dakota Constitution. This authority was codified in chapter 15-09 of the North Dakota Century Code. For the first 100 years, chapter 15-09 was consistently used for road easements and provided the mechanism for avoiding condemnation. Chapter 15-09 states in part that “The State of North Dakota or any person, firm, limited liability company, or public or private corporation, desiring to acquire any school or institution lands of the state for: ...Public highway purposes...” Chapter 15-09 is in lieu of condemnation and therefore requires two Board hearings, 3 weeks of publication, a public hearing, and an appraisal before an easement can be issued.

In 1990 the Board recognized that the two or more months often required to obtain Board approval for easements was excessive in relation to the available construction season.

- On February 22, 1990 the Board approved rules which allowed the Commissioner to approve easements and to provide a monthly report to the Board. However, the Board continued to process easements for roads under chapter 15-09 in-lieu of condemnation.
- Because of little opposition to road easements, in 1993 the Board began using the same streamlined process for publically supported road easements that they had approved in 1990 for pipelines, electrical lines and other infrastructure improvements. This reduced the time that it took for the counties to get a road easement to one month or less
- On January 27, 2011, the Board further streamlined the easement process by allowing the deputy commissioner to issue an easement when the commissioner is unavailable. This action recognized the importance of not delaying easements.

Since 1993, the Board has granted 91 road easements to the State, counties, municipalities and the Federal Government including easements for State Highway 2. In 2011, nine road easements have been issued to Bowman County, Eddy County, Dunn County, McKenzie County, Twelve Mile Township and the ND Department of Transportation. An additional four applications are currently pending.

If there is potential for controversy, the formal process detailed in chapter 15-09 including a public hearing, for a specific road right-of-way, may still be utilized.

The Commissioner and staff are not aware of any road easement applications by the State, counties or the federal government that have not been approved during the past 30 years. Delays that occur in issuing road easements result from the time that it takes the county to appraise the easement area and the time that it takes to have the easement area surveyed.

This information was for the Board’s information, no action was required.

Land Sale Inquiries and Construction Aggregate Leases. The development of the Bakken and Three Forks formation has impacted the Trusts beyond the oil and gas leases and infrastructure needed to support oil development on school trust lands. In addition, there has been increased interest in gravel leasing and purchasing land for public purposes.

Interest in Land Sales: At the request of the city of Ray, the Department of Trust Lands is completing an appraisal of a tract (138 acres) near the community for expansion of their municipal waste management facilities. Also, McKenzie County has recently inquired about purchasing additional school trust land to expand its landfill. The original land fill site was purchased from the Board and the adjacent land remains in trust ownership.

Private inquiries into purchasing school trust land in potential development areas are anticipated. The Board of University and School Lands administers 1,975 acres of land in six parcels in the Williston area and 240 acres in one tract in the Minot area with potential for development. There have not been any inquiries about this land but with current energy activity in these areas, it can be anticipated. One tract west of Williston is on the route of a proposed bypass and the tract near Minot is adjacent to a rural subdivision. Interest in these tracts and their potential sale value will likely be driven by the increased demand in the area.

Construction Aggregate Leases: There has also been an increased interest in gravel resources on trust lands. The process for issuing gravel leases is to advertise the lease for three weeks and the three highest sealed bidders are allowed to raise their bids at a public auction after the bid opening. The Department then works with the successful bidder to develop a mining and reclamation plan. The mine plan is critical to ensure that the gravel resource is mined in a logical sequence rather than mining the best material and leaving the rest. Mining the best material is known as “high grading” and is not allowed on trust lands. The successful bidder is also required to obtain a royalty/reclamation bond before the lease is issued ensuring that royalties will be paid and the land will be reclaimed. Gravel mining is not regulated by the State so it is incumbent on the Department of Trust Lands to ensure that income is maximized and that the land is reclaimed.

Two gravel leases directly related to oil and gas demand are currently being processed, one in Mountrail County and another in McKenzie County. Neither of these lease applications are in the area where the gravel may contain erionite. The North Dakota State Health Department states that “Like asbestos, erionite may pose health risks to those who breathe in the fibers.” The State Department of Transportation has indicated that they will not use aggregate from the erionite affected area. Likewise, the Department of Trust Lands will not accept applications for gravel leases in the erionite affected areas.

MINERALS MANAGEMENT DIVISION

Minerals Division Updates

Oil and Gas Lease and Rules Review. The current oil and gas lease form issued by the ND Department of Trust Lands is out of date and needs updating to more accurately reflect current practices, rates and conditions. Due to the history and complexity of the current lease template, the Commissioner has convened an advisory committee to assist in the review of the document and the associated Board rules. The committee will advise the Department on possible changes to the oil and gas lease and associated rules.

The process is expected to take six months to complete, as the committee, the Attorney General and Department staff review the lease one section or topic at time. Progress reports will be delivered and Board concurrence will be sought periodically during the review process.

The advisory committee consists of the following individuals:

- Tony Duletski - Superintendent of Schools, Bowman County
- Shane Hanson J.D., - Crowley Fleck
- Don Nordquist CPL, - Petro-Hunt, LLC
- Rick Larson, - Marathon Oil and Gas
- Scott Childs, J.D., LLM, - Leonard, Street, and Deinard

Oil and Gas Lease Auction Procedure. The Department is exploring the option of holding its February 2012 oil and gas lease sale via the Internet. The purpose of this is to tighten security, and to potentially increase revenue and expand the pool of qualified bidders. It will also bring the State to the forefront in utilizing a technology/method that is likely to become an industry standard in leasing and exchanging mineral assets.

The Department is working with the State Procurement Office to determine the methods and selection criteria of choosing an appropriate vendor to offer the tracts online. The Board was reminded that the Department's potash auction held in May was conducted via internet with good results and positive feedback.

Last year the US Bureau of Land Management ran a pilot program to determine the merits of online lease sales. The results exceeded their expectations. There is a bill under consideration by the US House of Representatives, **BLM Internet Auctions Act, H.R. 2752**, to make this standard operating procedure for the offering of Federal oil and gas leases. It is expected to pass.

Ordinary High Water Mark Acreage. North Dakota Century Code 61-33-01 defines sovereign land as "...those areas, including beds and islands, lying within the ordinary high watermark of navigable lakes and streams..." These lands are managed in the best interests of all North Dakotans. The Land Board is responsible for managing the minerals within the sovereign lands.

East of the Highway 85 Bridge, the Department leases minerals beneath the channel of the Missouri River as it existed prior to inundation by Lake Sakakawea. West of the bridge, minerals leasing beneath the Missouri and Yellowstone Rivers is based on the location of the existing river channel.

The past two years the Department has worked with the Water Commission and Bartlett and West Engineering to complete 3 task orders, or studies intended to delineate the Ordinary High Water Mark of the Yellowstone and Missouri Rivers. The studies were done to gather data to help determine the State's mineral ownership under these sovereign lands. The contractor utilized on-the-ground inspections and high resolution scanning equipment to gather the best information available on the ordinary high water mark of the Yellowstone and Missouri Rivers

Prior to these formal delineations, the Department determined mineral ownership using aerial photographs. Acreage was determined, and added to the computer system, only if it was nominated for lease. Thus, prior to the current studies, the riverbed acreage shown on the Department computer system was not exhaustive.

The Department has recently received inquiries regarding the "changes" to the sovereign mineral acreage claimed by the Department as a result of the work done on the 3 Task Orders.

In the discussions of the OHWM Delineations it should be noted that there are two types of riverbed tracts: 1) Tracts that have been leased and therefore were previously measured from aerial photographs and 2) Tracts that have not been leased and therefore were not previously measured or recorded.

In the area from the Highway 85 Bridge to the Montana line, the Department shows a net positive acreage change of 2,050 acres related to adjustments to tracts that had previously been measured using aerial photographs. An additional 2,406 riverbed acres were added to the Department's inventory simply because they had never been leased before and thus were not previously recorded in the minerals database.

In the area east of Highway 85 to the Four Bears Bridge, there was a positive net change of 2,519 acres after inventoried tract adjustments were made based on the delineation work. An additional 16,154 acres were added to inventory because they had not been previously leased, nor measured, thus not in the system.

A tract-by-tract assessment of the acreage figures before and after the delineation is on file at the Department of Trust Lands office.

ENERGY INFRASTRUCTURE AND IMPACT OPERATIONS

Energy Infrastructure and Impact Office Operations

EIIO Update. During the 2011-2013 biennium, the Oil and Gas Impact Fund will accumulate \$100 million that will be disbursed to oil and gas development impacted political subdivisions. From this fund, the Board of University and School Lands (Land Board) awards grants to eligible

political subdivisions through the Energy Infrastructure and Impact Office at least four times each year.

Because of legislative disbursements and operational costs, \$94.4 million is available for the Land Board to award - \$33 million to the Western hub cities and \$61.4 million to other eligible political subdivisions. The legislation allows for up to 60% of the appropriation to be awarded in a single fiscal year, thus \$59,866,961 could be awarded in the first fiscal year.

On July 28, 2011 the Land Board approved:

- \$32.5 million for small city infrastructure projects
- \$21 million of impact block grants to Williston, Dickinson, and Minot

On August 25, 2011 the Land Board:

- Pledged up to \$300,000 to supplement the western communities and SW REAP zone HUD application for a sustainable communities planning grant
- Authorized \$20,000 to the Burlington Rural Fire Department to support the North Dakota Firefighters Association Big Rig Accident Rescue training program.

Current Grant Round. In the 2012 fiscal year, \$6.04 million remains available for the current and the next two quarterly grant rounds.

Applications are being accepted until October 14 from townships and other small political subdivisions for assistance with road impacts and other damage as a result of oil and gas activity. The EIO advisory committee intends to recommend projects that repair specific roads or streets identified by applicants. The Board should anticipate grant recommendations from the advisory committee at its October or November meeting.

New Employee. Gerry Fisher has been hired as the Assistant Director of the Energy Impact Office. He will start on October 3, 2011 and will manage the day-to-day responsibilities and correspondence of the Energy Impact Office. He will work with the EIO advisory committee to review current round applications.

A D J O U R N

There being no further business, the meeting was adjourned at 10:10 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the Meeting of the
Board of University and School Lands
October 27, 2011**

The October 27, 2011 meeting of the Board of University and School Lands was called to order at the ND Department of Trust Lands in the Lewis and Clark Room at 9:00 AM by Chairman Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

Kelly Schmidt	State Treasurer
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Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Jeff Engleson	Director, Investment Division
Levi Erdmann	Programmer Analyst
Drew Combs	Director, Minerals Management Division
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist
Pam Rennich	Director, Revenue Compliance Division
Judith F. Schell	Administrative Assistant

Others in Attendance:

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 29, 2011 meeting was made by Wayne Stenehjem and seconded by Al Jaeger. Motion carried.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt			X
Attorney General Stenehjem	X		
Governor Dalrymple	X		

S U R F A C E M A N A G E M E N T D I V I S I O N

City of Ray Request to Purchase Land via NDCC 15-09 (WIL-16-156-97-SW4). The City of Ray has applied under N.D.C.C. 15-09 to purchase part or all of the SW4 Section 16, T156N, R97W, Williams County (138 acres, more or less) for a disposal site for lime sludge, a sewage lagoon and landfill. The property is located adjacent to the City of Ray golf course and diagonally from the current sewage lagoon and lime sludge field. A map of the area was given to the Board members and is on file at the Department of Trust Lands office.

Two appraisals have been completed as follows:

(10/11)

Williams County Appraisal \$540/acre
 Boulder Appraisal, LLC, Bismarck \$2,750/acre

The Boulder appraisal, at \$2,750 per acre, is well documented and based on recent sales in the area and the value for commercial development. Williams County appraised the subject tract as agricultural land which does not reflect its true value. A copy of the Boulder appraisal has been given to the City of Ray.

The City of Ray has submitted the application and will decide on November 14, 2011, how many acres are needed. Under NDCC 15-09 an applicant cannot purchase more property than needed for their project. The statute permits the land to be sold to a political subdivision for a public purpose for not less than the appraised value, without a competitive bidding process.

It was moved and seconded that the Board approve the appraised value of \$2,750 per acre of the land within the SW4 of Section 16, T156N, R97W, Williams County and to authorize the Commissioner to advertise the proposed sale and conduct a hearing on the Board’s behalf.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead		X	X		
Treasurer Schmidt					X
Attorney General Stenehjem	X		X		
Governor Dalrymple			X		

Request to Update Appraisals on East Bismarck Tract (BRL-36-139-80-S2). The Board of University and School Lands manages 585 acres in Section 36, T139N, R80W, Burleigh County located immediately north of old Highway 10 and east of Centennial Road on the east side of Bismarck. This land has high potential for residential and/or commercial development. A master land use plan was completed by Ulteig Engineering in 2001. On June 14, 2007, the Board held a public auction to sell the south half of Section 36, but there were no bidders.

The local real estate market is strong and interest in the property continues. Development has continued in the City of Bismarck and at least one parcel in this area has recently been sold. Conditions may be suitable for the Board to again offer this property for public sale.

Based on three independent appraisals, the minimum sales price set in 2007 was as follows:

SE4: (160 acres) \$2,384,000

SW4: (121.79 acres) \$1,301,000



The Board directed the Commissioner to review options and to evaluate the value section 36 T139N, R80W, Burleigh County, in anticipation of possible sale.

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The memo is on file at the Department of Trust Lands office and was for the Board's information, no action was required.

INVESTMENTS DIVISION

Line of Credit for the North Dakota Department of Transportation. The Bank of North Dakota (BND) inquired about the Land Board participating in a line of credit to the North Dakota Department of Transportation (DOT). This line of credit would be used by DOT to help pay for repairing and raising flood damaged roads until the DOT receives reimbursement from the federal government for the Emergency Relief projects.

Historically, the BND would lend 100% of the funds, however the cost and number of flood related projects expected during the biennium would require a higher line of credit than BND is permitted to fund alone. The Bank would like the Board to participate in this line of credit, similar to its previous participation in a State Mill and Elevator loan.

The Land Board's share of this line of credit would range from \$1.0 million to \$30 million over the remainder of the biennium. The exact timing of funding needs is not known, but would peak at \$30 million starting in late 2012, before being paid off by the end of the biennium. The anticipated terms of the line of credit would be:

- The rate charged on all outstanding balances would be 1% over the one-month LIBOR (London Interbank Offered Rate) with an interest rate floor of 2.0%.
- BND would charge the Land Board a 5 basis point administrative fee.
- The agreement would run through June 30, 2013.
- The interest rate would adjust on the first day of each month based on the current one-month LIBOR rate.

LIBOR is the rate of interest at which banks offer to lend money to one another in the wholesale money markets in London. It is a standard financial index used in U.S. capital markets. One-month LIBOR currently stands at 0.24% and like the U.S. Federal Funds rate has been near zero for most of the past two years. At current rates the 2% floor proposed by the BND would be in effect and it is fairly likely that the floor would be in effect for the entire length of the line of credit.

The Commissioner suggests that the Board authorize this line of credit with funding from the Strategic Investment and Improvements Fund (SIIF). The SIIF is currently invested 100% in BND CDs and US Treasury bills and bonds, all of which mature before the end of the biennium. These risk free investments were made to ensure no principal loss in order to make sure \$305 million is available to transfer to the general fund before the end of the biennium.

There is a remote risk that the DOT would not be reimbursed by the federal government for these emergency repairs. However, the line of credit will allow these projects to get completed and any loss would be to funds that are destined for the State general fund. The SIIF can earn a higher yield on its assets for a short duration line of credit, while helping DOT mitigate flood damaged roads in the state.

A motion was made that the Land Board authorize the Commissioner to invest up to \$30 million of the Strategic Investment and Improvements Fund in a Bank of North Dakota administered line of credit to the North Dakota Department of Transportation for road infrastructure repairs, the motion was seconded and passed.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		

Treasurer Schmidt					X
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

Review of Trust Investments Management. Dramatic growth of funds under management, market volatility, limited fixed income options, and a modified constitutional distribution formula highlight a need to reevaluate the Board's investment program and asset allocation.

Over the past 15 years, the Land Board's investment program has changed substantially. In the mid-1990s the permanent trust fund's investment program focused on generating the "interest and income" needed to make distributions at legislatively appropriated levels, using an approach to trust investment management that was dictated by the original state constitution. Today, distributions are at sustainable levels and the laws have been changed so that the trusts can be managed more efficiently and effectively using a "total return" approach to trust management.

Historically, the trusts' investment portfolio has been managed with minimal help from outside investment consultants. Although the Board uses money managers to invest for the trust funds, the Board has not retained an investment consultant to continually advise on investment policy, asset allocation, investment performance, manager searches and other aspects of an investment program. The reluctance to use outside consultants related primarily to the unique nature of the trusts' interest and income mandate that did not fit into consultants' typical plan manager guidelines. The cost of these services was also a factor.

However, in two cases, strategic changes occurred that were the direct result of investment studies that were performed for the Land Board:

- In 1995 the investment consulting firm of Yanni-Bilkey was hired to perform an investment study that changed the Land Board's investment approach. The principals and concepts gleaned from the study helped the Board develop a plan that brought trust distributions to more sustainable levels, while at the same time increasing the trusts' investment in equity securities in an effort to generate more growth.
- In 2003 the investment consulting firm of DiMeo Schneider was hired to perform another investment study that led to the constitutional change that now allows the Board to manage the permanent trusts' portfolio to better balance the dual long-term goals of maintaining the purchasing power of the trusts while providing stable and reliable distributions to trust beneficiaries.

The Department's Investment Director has performed a number of the functions that outside consultants often perform, including performance monitoring and reporting, manager searches, and performing due diligence; however, the Department does not have the tools to perform these functions as effectively or efficiently as an investment consulting firm. Although the Director has done a fine job of performing these functions, so much has changed that the Board should consider outside, independent investment advice to help manage and monitor the investment portfolio. Among the reasons to undertake a comprehensive review of the Land Board's investment program and asset allocation are the following:

- Constitutional Measure No. 1, which became effective on July 1, 2009, changed how trust distributions are determined. Distributions were based on the income and interest earned by each trust during a fiscal year; but that was changed to a method that now uses the value of trust assets and the growth of those assets over time to determine distributions.
- Constitutional Measure No. 1 removed some of the legal restrictions that made the permanent trusts different than other long-term pools of investment money. The trusts can now be managed much more like an endowment or foundation; entities that consultants understand and advise on a regular basis.
- The Board has far more assets under management than it did when the current approach to trust management and monitoring was developed. The permanent trusts have grown to \$1.7 billion, while total assets under management are near \$2.0 billion.

- The challenge of today's low interest rate and high volatility investment environment.
- North Dakota law states that the Board "shall apply the prudent investor rule in investing the permanent funds under its control". This means the Board shall exercise the same judgment and care as other managers of similar pools of assets. The regulations and standards to which fiduciaries are being held are more rigorous than they were 15 years ago; it is important that the Board and Department keep pace with those standards when managing the trust funds.

Investment Review Options. There are a number of ways that the Land Board can seek advice on how to allocate assets, develop policies, and monitor the performance of the trusts' investment program. A brief description of three options:

1) Seek Assistance from Current/ Prospective Money Managers

The Land Board currently has relationships with a number of money managers that have the tools and expertise to review its asset allocation, develop policies and provide other advice. There are also firms like JP Morgan or Credit Suisse that would like to do business with the Board and have volunteered to do an asset allocation study or provide other free advice. The problem with free advice is, it's free. The helping entities are doing so to gain favor, so their advice might not be completely unbiased. These entities would be doing the Department a service, but they would not be doing so as a fiduciary. None of these firms can provide independent investment performance monitoring services; an important function going forward.

2) Hire an Independent Investment Consultant

Investment consultants are usually independent firms that provide a broad variety of advice to clients; including asset allocation modeling, policy development, money manager searches, performance monitoring reporting, and other services. Firms can be hired on a full retainer or hired to perform ala carte services as needed. The scope and cost of these services vary substantially.

The State Investment Board has used Callan Associates for many years, and has an arrangement that is part retainer and part pay-as-you-go, depending on what services are needed. Although consulting arrangements can be set up in a way that shares some fiduciary responsibilities, in many cases the arrangement are more like working with an advisor or counselor. The consultant may suggest options and advice, but rarely make specific recommendations; and they are unlikely to accept fiduciary responsibility for the advice and recommendations provided.

3) Outsource All or Part of the Investment Program

There are a number of firms that provide customized and complete investment services. These firms not only provide investment consultant resources (asset allocation, manager searches, policy development performance monitoring, etc.); but they also manage the day-to-day operations of the investment program (cash management, rebalancing, hire/fire managers, etc.). A well known firm of this type is the Common Fund, an organization that helps college endowments and other similar entities manage funds, and entire investment programs. These firms are especially appealing to organizations that don't have adequate staff in place to manage a program in-house.

Working with an outsourced CIO can involve contracting just a part of a program, like the Board does with Northern Trust with a portion of the small/mid cap portfolio, or it can be done for the entire investment program. A plan sponsor can seek as much or little help as needed. Accordingly, the costs will vary greatly, depending on which functions are outsourced and which are not. A firm such as the Common Fund might manage a program similar to the Board's current program for around 50 basis points. A positive aspect of this approach is that the firms clearly take fiduciary responsibility for whatever functions they are hired to manage.

Next Steps. It is appropriate to undertake a complete review or study of all aspects of the Land Board's investment program.

- A study will help advise the Board on managing its dual responsibilities of maintaining the perpetual trust value and providing continued distributions to trust beneficiaries.
- Additional professionals could provide more and better tools to help monitor and evaluate the portfolio, which could result in millions of additional earnings, or avoided losses, for each right, or wrong, decision made.
- Investment programs of similar size generally utilize the help of an investment consultant(s).

The Board directed the Commissioner to initiate Board education leading to a complete reevaluation of the Land Board investment program. The Commissioner will invite an investment consulting firm and separately, an outsourced Chief Investment Officer firm to meet with the Board about the products and services offered, and to emphasize a comparison of one type of service with another.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Operations

The Energy Infrastructure and Impact Office (EIO) has started to receive requests for reimbursement on some of the \$53.8 million in grant awards already approved by the Board. \$6.04 million remains available for the current and the next two quarterly grant rounds of FY 2012.

Second Quarter Grant Round

On September 02, 2011 the EIO began accepting applications for the second round of grant applications for the 2011-2013 biennium. Potential applicants were informed by press release, the EIO webpage and by letter of the funding opportunity. The notices indicated the focus of the grant round on the needs of townships and small communities to repair or replace local roads and streets impacted by energy development. Grant applications were received until October 14, 2011.

A summary of the applications received:

	# of Grants	Total Project Costs	Amount Requested
Counties	9	\$2,656,174.45	\$1,745,000.00
Cities	27	\$36,218,839.65	\$32,288,631.65
Townships	130	\$18,419,953.66	\$16,298,022.76
Other	1	\$26,000.00	\$15,000.00
Total	167	\$57,320,967.76	\$50,346,654.41

The Energy Impact Grants Advisory Committee has reviewed and approved a weighted scoring formula to be used to rank the applications in this round. A copy of the evaluation sheet was included with this memo.

The EIO director, assistant director or the former director will spend the next several weeks meeting with officials representing the applying political subdivisions. These visits are a key part of the review to obtain direct input on projects and assist in rating for prioritization and ultimately in the recommendation to the Board for grant awards.

The advisory committee intends to focus on specific road repair projects, as opposed to general maintenance or equipment requests. The committee plans to formulate grant recommendations for consideration by the Land Board at its December 8, 2011 meeting.

A D J O U R N

There being no further business, the meeting was adjourned at 10:15 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

**Minutes of the meeting of the
Board of University and School Lands**

The Land Board did not have a "November 2011" meeting

**Minutes of the Meeting of the
Board of University and School Lands
December 08, 2011**

The December 08, 2011 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:00 AM by Chairman Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Kelly Schmidt	State Treasurer
Wayne G. Sanstead	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

None

Land Department Personnel:

Lance D. Gaebe	Land Commissioner
Michael D. Brand	Director, Surface Management Division
Jeff Engleson	Director, Investment Division
Levi Erdmann	Programmer Analyst
Drew Combs	Director, Minerals Management Division
Linda Fisher	Unclaimed Property Administrator
Peggy Gudvangen	Account/Budget Specialist
Pam Rennich	Director, Revenue Compliance Division
Judith F. Schell	Administrative Assistant

Others in Attendance:

Dallas Lalim	Lindah Wind Farms
Teri Finneman	Fargo Forum
Greg Burns	North Dakota Education Association
Major General Murray G. Sagsveen	State Disaster Recovery Coordinator
Jannelle Combs	Lenard, Street & Deinard

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 October 27, 2011 meeting was made by Wayne Stenehjem and seconded by Al Jaeger. Motion carried.

Action Record	Aye	Nay	Absent
Secretary Jaeger	X		
Superintendent Sanstead	X		
Treasurer Schmidt	X		
Attorney General Stenehjem	X		
Governor Dalrymple	X		

INVESTMENTS DIVISION

The Board reviewed the Eide Bailly Independent Auditor's Report and Financial Statements, June 30, 2011 and 2010 of the Board of University and School Lands. Al Jaeger moved that the Board accept the report and Wayne Stenehjem seconded the motion. Motion carried.

Increase Cap for the Energy Construction Loan Program. In October 2008, the Land Board allocated up to \$20 million to the Energy Construction Loan Program (ECLP). The purpose of the ECLP is to earn a market rate of return while also helping to build new housing and other needed infrastructure in western North Dakota. This is done by participating with the Bank of North Dakota and other financial institutions in first mortgages on new construction projects. The Common Schools Trust Fund is the only trust fund that participates in this program.

To date the program has funded two projects, a hotel in Williston and multi-family housing project in Parshall. The outstanding balance of these loans was approximately \$1.59 million as of November 30, 2011. In addition to the two loans funded to date, BND has proposed additional potential projects totaling close to \$14.6 million. Although the Commissioner has not yet agreed to participate in all of these projects, if approved, they would bring the total invested in this program to more than \$16 million.

The BND anticipates interest in this program to grow and wants the Land Board to consider increasing the cap on this program from the current \$20 million to \$30 million. Since this program was first approved, total Common Schools trust assets have more than doubled from about \$750 million to more than \$1.6 billion. So, an increase of \$10 million to this program would still result in a total allocation to this program of less than 2% of assets.

The Commissioner believes that it makes sense to increase the cap for the following reasons:

- Interest rates are currently at or near all time lows, with the 10-year Treasury yielding around 2.0% and the 30-year Treasury yielding 3.1%. These loans help increase the expected return of the Common Schools Trust's fixed income portfolio while also further diversifying it.
- By participating in this program with the BND and other North Dakota financial institutions, the trust gets the benefit from those entities' due diligence. If both the local bank and the BND are willing to lend money to these projects, it gives the Commissioner some confidence that the opportunities are solid. In addition, the Commissioner still gets to elect to have the trust participate, or not participate, in each individual loan, so if there are concerns about diversification by city or property type, the trust does not have to participate in any given loan.

Motion: That the Land Board increase the cap on the amount of funds it will make available to the Energy Construction Loan Program from its current \$20 million to \$30 million.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger			X		
Superintendent Sanstead	X		X		
Treasurer Schmidt		X	X		
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Investment Performance Report for Quarter Ended September 30, 2011. The investment performance report covers the performance of the Land Board's investment program for the period of July 1, 2011 – September 30, 2011.

This report is prepared quarterly by Land Department staff, and is meant to keep the Board informed on the performance of the investment portfolio as a whole, and the performance of the individual money managers in meeting investment goals and objectives.

MINERALS MANAGEMENT DIVISION

November 01, 2011 Oil and Gas Lease Auction Results. The Board reviewed a report of the results from the November 01, 2011 oil and gas lease sale, which was held at the National Energy Center of Excellence, Bismarck, ND. The memo is on file at the Land Department and was for the Board's information and no action was required.

SURFACE MANAGEMENT DIVISION

Lindahl Wind Farm, Williams County. Lindahl Wind Farm, LLC, has applied for an easement to construct wind towers on school trust land in sections 16 and 36, T158N, R95W and the NW4 section 36, T159N, R95W, Williams County. These tracts are located 4 miles north of Tioga. A permit for a meteorological tower was issued to them on September 21, 2010 for the SE4 section 16 under the name of Country/City, LLC, Tioga, ND.

The principle investors in the Lindahl Wind Farm are Wayne LaGary, of New Jersey and Dallas Lalim from Tioga, ND. Mr. Lalim farms and runs the North Fork Lodge, a hunting outfitter near Tioga.

The Department has been in conversations with Mr. LaGary and Mr. Lalim since the fall of 2010. The company's intent is for landowners to participate as shareholders in the Lindahl Wind Farm, LLC. Under this project, all shareholders would defer the upfront land rent payments within the wind farm and would only be paid if the project is sold to a developer. The shareholder's shares would also be liquidated in the sale to a developer. It is unknown if there is a market for this project in the current economy. No towers or other infrastructure would be built unless the assembled project is sold to a developer.

The annual compensation proposed by the Lindahl Wind Farm, LLC is a minimum of \$5,500 per name plate megawatt rating but it could be significantly higher. The minimum payment is consistent with payments being made by Minnesota Power Cooperative in North Dakota. It is also consistent with the two active wind energy easement agreements on school trust lands.

The State Geologist has confirmed that there is no mineable coal on the above described tracts. There is the potential for gravel on a few areas but those areas could be avoided by any wind towers. In addition, oil development would have absolute priority in the wind energy agreement and towers would be sighted by Department of Trust Lands staff such that they would not interfere with potential oil well locations.

Because of unknown risk associated with being a shareholder, it is proposed that the Board of University and School Lands participate by simply issuing an easement for wind towers without owning any shares in the wind farm. The Attorney General's Office has also advised that it is permissible for the Board to forgo annual payments until if/when the project is sold. It is appropriate to defer payments because there will not be any infrastructure built on the land unless the project is sold to a developer. The wind tower currently on the land is paid in full for the entire 5-year term of the permit and any additional wind towers would similarly require full payment (i.e. meteorological tower payments would not be deferred).

Motion: That the Board authorize the Commissioner to complete negotiations for a wind energy easement agreement with Lindahl Wind Farms, LLC.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		
Treasurer Schmidt			X		
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

Fall 2011 Surface Lease Auction Results. The 2011 fall lease auctions were completed in October. A summary of the fall auctions conducted in 2011 was provided to the Board.

Report of Easements Issued by Land Commissioner. The Board reviewed a memo showing easements issued by the Land Commissioner pursuant to Board authorization. The report is on file at the Land Department and was for the Board's information; no action was requested.

ADMINISTRATIVE

2009-2011 Biennial Report. The formal Biennial Report summarizing the activities and finances of the Department and Board for the 2009-2011 Biennium was presented.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

November 2011 Legislative Special Session

- **Energy Impact Program Changes**
- **Flood-Impacted Political Subdivision Infrastructure Development grant program**

The November 2011 Special Legislative Session passed SB 2371 which, in part made two additions to the Energy Infrastructure and Impact Grant Program and also created a new fund and gave flood infrastructure grant responsibilities to the Board and the Commissioner.

Additional \$30 million to Oil and Gas Impact Fund

The legislature approved a contingent appropriation of \$30 million to the grant authority of the Energy Infrastructure and Impact Office. The trigger for these funds to become available is if total oil and gas tax revenue collections for the period July 1, 2011, through February 29, 2012 exceeds projections for that period by at least \$48,000,000. If the trigger is met, an additional \$30 million will be transferred from the General Fund to the Oil and Gas Impact fund on April 1, 2012.

SB 2371 states that the priority for these energy impact funds is to be given to emergency services needs. The remainder of money not directed to emergency medical and rescue needs, will be allocated to other energy impact needs in the same ratio as the original appropriation. Meaning that 35% of the funds should be awarded to the three larger impacted cities and the remaining 65% for the smaller eligible political subdivisions.

Impact Funds for new Oil Producing Counties

SB 2371 also authorizes a transfer of \$5 million from the General Fund to the Oil and Gas Impact Fund to be distributed to counties experiencing new oil and gas activities. New oil and gas activities are defined as counties producing fewer than one hundred thousand barrels of oil during November 2011 and subsequently having in excess of four active oil rigs operating in the county in any one month. Upon reaching the qualification trigger, the county will be entitled to a \$1,250,000 distribution from the fund. The counties receiving these funds must consider and, to the extent possible, address the needs of other political subdivisions within the county.

Flooded Infrastructure Development Grants

The Legislature also appropriated \$30 million from the General Fund for "Flood-Impacted Political Subdivision Infrastructure Development Grants". The legislation directs the energy infrastructure and impact office director to:

- Develop a plan for providing infrastructure development grants to eligible political subdivisions and establish procedures and forms to be used for applying for funds.

- Receive and review grant applications.
- Make recommendations to the board of university and school lands on grants to eligible political subdivisions pursuant to this section.

SB 2371 authorizes the Land Board to award and distribute 50% cost-share grants to eligible political subdivisions based on identified needs. Eligible entities are political subdivision located within the nine FEMA Individual Assistance declared counties as result of the 2011 flood event.

The types of projects that may be funded include:

- a. Develop new community infrastructure, related to the displacement of residents due to flooding.
- b. Evaluate the damage to community-owned infrastructure.
- c. Restore or repair community-owned infrastructure damage.
- d. Expand landfill capacity or reimburse flood-related waste disposal costs.
- e. Raise roads or develop flood control structures.
- f. Acquire property needed for floodway development or levy construction.
- g. Acquire homes damaged by levy construction.
- h. Provide reimbursement for other flood-related expenses.

The Department is in the process of hiring part-time, temporary help to begin implementing procedures and guidelines for the program. Initial plans are to engage the Department of Emergency Services, the State Water Commission, the Department of Transportation and the Department of Commerce and local community leaders regarding unmet infrastructure needs not repaired or fulfilled by other federal or state response or program.

Transportation Grant Round for Townships and Small Political Subdivisions.

The focus for the October/November/December round is townships and other small political subdivision with impacts to local roads and streets as a direct result of oil and gas development. October 14, 2011 was the deadline for applications to be submitted for the second grant round of the 2011-2013 biennium. The office received and reviewed 167 applications; the total amount of grant requests was \$50,346,654. Of the \$100 million appropriated during the regular legislative session, approximately \$6 million remains available for the current, as well as the next two quarters of fiscal year 2012.

Face-to-face meetings were held with the grant applicants at 16 locations in western North Dakota from October 31, 2011 to November 17, 2011. Over the course of these three weeks, time was spent updating the applicants regarding the program, providing them an opportunity to offer additional information about their application. Time was also spent driving the roads identified in their applications to obtain first hand information. The knowledge gained by the EIO staff from these meetings was very valuable and put to use during the application scoring process.

Following the face-to-face meetings, the EIO staff scored the applications.

Applications were sorted by average weighted score to assist in developing scenarios for consideration in the grant award process. The Energy Infrastructure and Impact Grants Advisory Committee met twice to review applications and to formulate recommendations to the Land Board.

The recommendation of the advisory committee to the Land Board is to cap awards to individual townships at \$100,000 and to award grants to the top 60 scored applicants in the amounts as follows:

**ENERGY IMPACT AWARD RECOMMENDATIONS
TOWNSHIP ROADS & TRANSPORTATION**

Township	County	Project Title	Amount Awarded
ALEXANDRIA TOWNSHIP	DIVIDE	GRAVEL & MAINTAIN ROADS HEAVILY TRAVELED BY OIL FIELD	\$22,500
ALGER TOWNSHIP	MOUNTRAIL	ALGER TOWNSHIP ROADS	\$100,000
ARNEGARD TOWNSHIP	MCKENZIE	NORTHEAST ROAD PROJECT	\$100,000
BICKER TOWNSHIP	MOUNTRAIL	REBUILD 2 1/4 MILES OF ROAD	\$87,500
BROOKBANK TOWNSHIP	MOUNTRAIL	ROAD REPAIR AND REBUILD	\$40,000
BROOKLYN TOWNSHIP	WILLIAMS	ROAD GRAVELING	\$4,845
BURKE TOWNSHIP	MOUNTRAIL	FULL TOWNSHIP ROAD GRAVELING	\$40,000
CARBONDALE TOWNSHIP	WARD	DAMAGED ROADS	\$2,500
CHATFIELD TOWNSHIP	BOTTINEAU	DUST CONTROL - ROAD BARRICADES	\$2,250
CLEARY TOWNSHIP	BURKE	BUILD UP 3/4TH MILE OF ROAD BETWEEN CLEARY & COLEVILLE TOWNSHIPS	\$11,250
COALFIELD TOWNSHIP	DIVIDE	WEST ROAD PROJECT	\$12,500
COLVILLE TOWNSHIP	BURKE	ROAD REPAIR AND MAINTENANCE	\$25,000
DALE TOWNSHIP	BURKE	ROAD REPAIR & MAINTENANCE	\$7,500
DALEN TOWNSHIP	BOTTINEAU	WILLIAMSON ROAD PROJECT	\$6,250
DEBING TOWNSHIP	MOUNTRAIL	OIL IMPACTED ROADS - DEBING TOWNSHIP	\$100,000
EIDSVOLD TOWNSHIP	BOTTINEAU	FIX DAMAGED ROADS	\$25,000
FERTILE TOWNSHIP	MOUNTRAIL	REWORK END OF HAUL ROAD	\$36,000
FILLMORE TOWNSHIP	DIVIDE	ROAD REPAIR	\$54,000
FOOTHILLS TOWNSHIP	BURKE	ROAD MAINTENANCE	\$5,000
GARNESS TOWNSHIP	BURKE	GRAVEL FOR TOWNSHIP ROADS	\$11,000
GRASSLAND TOWNSHIP	RENVILLE	ROAD REBUILDING 2012	\$22,500
HAWKEYE VALLEY TOWNSHIP	MCKENZIE	HAZARDOUS INTERSECTION CORRECTION	\$30,000
IDAHO TOWNSHIP	MOUNTRAIL	83RD STREET & 63RD AVENUE CONSTRUCTION	\$100,000
JAMES HILL	MOUNTRAIL	ROAD REPAIR	\$50,000

TOWNSHIP			
KEENE TOWNSHIP	MCKENZIE	CEYNAR ROAD RESURFACING	\$15,000
LAKEVIEW TOWNSHIP	BURKE	GRAVEL AND MAINTENANCE	\$33,625
LANGBERG TOWNSHIP	BOWMAN	GRAVEL ON HORSE CREEK ROAD IN LANGBERG TOWNSHIP	\$10,000
LINCOLN VALLEY TOWNSHIP	DIVIDE	REBUILD ROAD	\$100,000
LOWLAND TOWNSHIP	MOUNTRAIL	OIL WELL IMPACT - JOHNSON	\$30,775
MARSHALL TOWNSHIP	WILLIAMS	CULVERT REPLACEMENTS	\$12,500
NEWBORG TOWNSHIP	BOTTINEAU	ROAD CONSTRUCTION	\$15,000
PALERMO TOWNSHIP	MOUNTRAIL	PALERMO TOWNSHIP GRAVEL PROJECT	\$10,000
PALMER TOWNSHIP	DIVIDE	ROAD RENOVATION AND GRAVELING	\$10,000
PHERRIN TOWNSHIP	WILLIAMS	BUSCHING ROAD RECONSTRUCTION PROJECT	\$75,000
PLAZA TOWNSHIP	MOUNTRAIL	REPAIRING TOWNSHIP ROADS	\$12,500
PLEASANT VALLEY TOWNSHIP	WILLIAMS	RECONSTRUCTION OF ROAD BEDS FROM EXCESSIVE MOISTURE AND EXTREME OILFIELD TRAFFIC	\$78,000
POWERS TOWNSHIP	MOUNTRAIL	ROAD REPAIR	\$17,500
PURCELL TOWNSHIP	MOUNTRAIL	ROAD RESTORATION	\$50,000
RAT LAKE TOWNSHIP	MOUNTRAIL	53RD STREET	\$100,000
REDMOND TOWNSHIP	MOUNTRAIL	GRAVELING ROADS	\$2,500
ROUND PRAIRIE TOWNSHIP	WILLIAMS	EASTERN SECTION OF TOWNSHIP ROAD REPAIR	\$10,000
SADDLE BUTTE TOWNSHIP	GOLDEN VALLEY	ROAD PROJECTS 2 - 5	\$47,980
SHERMAN TOWNSHIP	BOTTINEAU	SHERMAN TWPS 2011 CONSTRUCTION PROGRAM	\$5,750
SHORTCREEK TOWNSHIP	BURKE	TRYING TO STAY AHEAD OF IMPACTED ROADS	\$21,000
SIOUX TOWNSHIP	MCKENZIE	HAUL ROAD HILL RECONSTRUCTION	\$12,500
SIOUX TRAIL TOWNSHIP	DIVIDE	REBUILD ROADS	\$30,000
SORKNESS TOWNSHIP	MOUNTRAIL	SORKNESS TOWNSHIP IMPACTED ROAD REPAIRS & MAINTENANCE	\$79,490

SPRING COULEE TOWNSHIP	MOUNTRAIL	ROAD MAINTENANCE AND REPAIR	\$57,120
SPRINGBROOK TOWNSHIP	WILLIAMS	REPAIR AND GRAVEL ROADS	\$10,000
STONE CREEK TOWNSHIP	BOTTINEAU	ROAD REPAIR	\$3,750
STONEVIEW TOWNSHIP	DIVIDE	108TH AVE NW GRADE BUILD-UP	\$5,163
THORSON TOWNSHIP	BURKE	ROAD RESHAPING	\$14,750
TIOGA TOWNSHIP	WILLIAMS	67TH ST UPGRADE	\$50,000
TROY TOWNSHIP	DIVIDE	ROAD REBUILD	\$30,000
TRUAX TOWNSHIP	WILLIAMS	SHOULDER CONSTRUCTION	\$15,000
TYRONE TOWNSHIP	WILLIAMS	GRAVEL & MAINTAIN ROADS	\$12,500
UPLAND TOWNSHIP	DIVIDE	DUST ABATEMENT AND GRAVEL IMPROVEMENT	\$37,500
VALE TOWNSHIP	BURKE	GRAVEL ROADS & CHIP GAS PLANT ROAD	\$17,500
VAN BUREN TOWNSHIP	RENVILLE	ROAD RECONSTRUCTION	\$50,000
WHITE EARTH TOWNSHIP	MOUNTRAIL	ROAD PROJECT - 2011	\$23,000
			\$2,000,998

Motion: That the Land Board adopt the Energy Impact Advisory Committee recommendations for grant awards from the Oil and Gas Impact fund to the requesting townships as identified on the preceding list.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		
Superintendent Sanstead			X		
Treasurer Schmidt		X	X		
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Western Communities Planning Grant Cost Share.

During the August, 2011 meeting, the Land Board pledged \$300,000 from the Oil and Gas Impact Fund to supplement a western communities planning grant application being submitted by the Southwest Rural Economic Area Partnership (REAP) zone and the Association of Oil and Gas Producing Counties. On November 22, 2011, HUD approved the partnership's \$1.5 million grant request which will be used to support regional planning efforts that integrate housing, land-use, economic and workforce development, transportation, and infrastructure development.

The Land Board previously committed to cover the local cost-share in anticipation of the HUD approval. The action requested today formalizes the award of the grant.

Motion: That the Land Board approve a grant of up to \$300,000 from the Oil and Gas Impact Fund to the communities and political subdivisions that participate in this coordinated planning effort.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		
Superintendent Sanstead	X		X		
Treasurer Schmidt			X		
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Energy Impact January / February / March 2012 Grant Round.

The next grant round of the 2011-2013 biennium scheduled for January/February/March 2012 has been previously designated for fire, ambulance and other emergency response services and equipment. Two million dollars has been reserved for this round.

The Legislature approved a contingent appropriation of \$30 million in November, that referenced priority consideration for grants for emergency services. The legislature did not intend for the full amount of this new appropriation to be expended on emergency services, left that funding level to the Board's determination.

With the appropriation trigger for the contingent funding at the end of February and the funds to be available April 1, the director recommends that the round continue to focus on emergency services as a priority. As applications are received, and with better knowledge of the status of the contingent appropriation, in either January or February the Board can consider whether to use a portion of the contingent funds, if available, to increase the amount of grants approved during the current round above the \$2 million currently allocated.

Grant application will be received during January 2012.

A D J O U R N

There being no further business, the meeting was adjourned at 11:12 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands