

**Minutes of the Meeting of the
Board of University and School Lands
January 30, 2014**

The January 30, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 10:00 AM by Chairman Jack Dalrymple.

Members Present:

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

Members Absent:

None

Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Assistant Director, Energy Infrastructure & Impact Office
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director of Revenue Compliance
Rick Owings	Grants Assistant, Energy Infrastructure and Impact Office
Judith F. Schell	Administrative Assistant

Others in Attendance:

Ginny E Peterson	Office of Attorney General
Ann M Scott	Office of Attorney General
Dallas L Carlson	Office of Attorney General
Lonnie Grabowska	Office of Attorney General
Hope Hogan	Office of Attorney General
Robert V Marthaller	Department of Public Instruction
Andrea J Travnicsek	Governor's Office
Craig Smith	Crowley Fleck Law
Nick Smith	The Bismarck Tribune
Mike Nowatski	Forum News Service

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 December 18, 2013 meeting was made by Alvin Jaeger and seconded by Wayne Stenehjem. Motion carried.

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

Sheriff and Law Enforcement Grant Recommendations. In May 2013, the Board set aside \$7 million from the Oil and Gas Impact Grant Fund for awards to sheriff's offices in oil and gas impacted counties during the 2014 fiscal year. This is the same amount designated by the 2013 Legislature. The Board has already awarded \$5,193,519 to support the needs of sheriff's offices

in oil producing areas. These awards were made from funds within the Oil and Gas Impact Grant Fund. Sixteen applications were received for sheriff's offices with projects totaling \$3.79 million and 37 applications from other law enforcement agencies for \$5.59 million in projects.

Additional grant recommendations were developed through a cooperative effort with the Attorney General's office to evaluate grant requests for sheriff and law enforcement assistance. The Drug and Violent Crime Policy Board (DVCPB) served as the advisory committee to provide grant recommendations.

The (DVCPB) members are:

Board Chairman - Peter Welte, Grand Forks Co. (State's Attorney)
(Alternate) - Lonnie Grabowska, Deputy Director-BCI

*Committee Chairs

Committee 1

*Wade Enget, Mountrail Co. (States Attorney)
Stan Lyson, State Senator
Arland Rasmussen, West Fargo PD (Chief)
Rory Teigen, Bowman Co. (Sheriff)
Jesse Wellen, Watford City (Chief)

Committee 2

*Aaron Birst, Assoc. of Counties (Legal Counsel)
Janelle Moos, NDCAWS (Executive Director)
Dave Jurgens, Billings Co. (Sheriff)
Scott Busching, Williams Co. (Sheriff)
Dustin Dassinger, Dickinson PD (Chief)

Committee 3

*Terry Traynor, Assoc. of Counties (Assistant Director Policy & Programs)
Lonnie Grabowska, Deputy Director-BCI
Lauren Wild, Walsh Co. (Sheriff)
Steve Kukowski, Ward Co. (Sheriff)
Jim Lokken, Williston PD (Chief)

Advisors

Senator Bill Bowman, Bowman Co.
Dallas Carlson, Director-BCI
Lonnie Grabowska, Deputy Director-BCI
Ginny Peterson, Bus. Serv. Manager-BCI
Ann Scott, Grant Manager-BCI

The following recommendations for grants are offered by the DVCPB and the BCI and the EIIIO.

Recommendations						
Sheriff's Departments						
Political Sub Name	County	Project	Total Project Cost	% Match	Proposed Award Is For:	Grant
Adams County SO	Adams	Mobile Computer w/ Docking Stations, Printer & Scanner; Mobile (digital) Radios w/ Installation; Tower & Repeater & Building w/ Generator & Security Fence.	\$143,500	10%	Mobile Computer w/ Docking Stations, Printer & Scanner; Mobile (digital) Radios w/ Installation; Tower & Repeater & Building w/ Generator & Security Fence.	\$126,450
Burke County SO	Burke	(1) Officer; K-9 Training; Radios, In-car Video; Portable Thermal Imaging Device; K-9; K-9 Vehicle & Supplies; Vest; Supplies	\$134,730	10%	(1) Officer; Radios, In-car Video; Portable Thermal Imaging Device; Supplies; Vest (Cut K-9; K-9 Vehicle & Supplies)	\$102,290
Divide County SO	Divide	Deputy Overtime; (1) K-9 Patrol Vehicle; (1) Patrol Vehicle; K-9; Live Scan; Truck Scales; Mobile Radios; In-car printers; Vests; Repeaters; Radios	\$220,850	10%	Deputy Overtime; (1) Patrol Vehicle; Truck Scales; Mobile Radios; In-car printers; Vests; Repeaters; Radios. (Cut (1) K-9 Patrol Vehicle & K-9 & Livescan)	\$107,415
Dunn County SO	Dunn	Admin Assistant Position; Conference Travel, Ethics Training; In-car Cameras, Mobile Radios; Night Vision; Radar Trailer; K-9 Vehicle; Taser; Supplies	\$346,163	10%	Admin Assistant Position; Conference Travel, Ethics Training; In-car Cameras, Mobile Radios; Night Vision; Radar Trailer; K-9 Vehicle; Taser; Supplies. (Cut-Conference Travel; Radar Trailer; k-9 system for vehicle; DV Recorder. Special Condition-only awarding \$55,000 towards an HD Camera system)	\$191,477
Golden Valley County SO	Golden Valley	Housing Allowance; Online Training; Live Scan & Printer; UVT & trailer; Fully Equipped Patrol Vehicle; Office & Other Supplies; Dictation Services. Civil Process Services.	\$212,822	10%	Housing Allowance; Online Training; UVT & trailer; Fully Equipped Patrol Vehicle; Supplies; Dictation Services. (Cut: Office Supplies & some Contracted Services for Civil Process & Livescan & Livescan Printer)	\$100,228
McHenry County SO	McHenry	(1) Deputy Position; Overtime; DV Training; (1) Vehicle w/ equipment & installation; Lightbar, Radio & Radar; In-Car Camera; Uniform; Ammo, Oil changes/Fuel; Tires; Taser; Alco-Sensor; Vest; Cell Phone	\$141,505	10%	(1) Deputy Position; Overtime; (1) Vehicle w/ equipment & installation; Lightbar, Radio & Radar; In-Car Camera; Uniform; Ammo, Taser; Alco-Sensor; Vest. (Cut-DV Training; Oil changes/Fuel; Tires; Cell Phone)	\$115,773

Recommendations						
Sheriff's Departments						
Political Sub Name	County	Project	Total Project Cost	% Match	Proposed Award Is For:	Grant
McKenzie County SO	McKenzie	Housing Allowance; Training; Surveillance Camera System; (4) Squad/Patrol Cars; (1) Transport Van; Live Scan; Bullberry Mapping Upgrades & Software; Desktop Computer; SRT & other supplies; Radio Tower Upgrades	\$539,825	10%	Housing Allowance; Training; Surveillance Camera System; Squad/Patrol Car; Bullberry Mapping Upgrades & Software; Desktop Computer; Supplies. (Cut: some Office Supplies, All SRT Supplies; Weapon add-ons; Radio Tower Upgrade; Transport Van)	\$205,215
McLean County SO	McLean	(1) Criminal Investigator Position; (1) Narcotics Investigator Position; (2) Unmarked Patrol Vehicles w/ Equipment ; Supplies for new officer/vehicles; Cell phones; Modems; Net Motion fees	\$295,816	10%	(1) Criminal Investigator Position; (1) Unmarked Patrol Vehicles w/ Equipment. (Cut- (1) Narcotics Investigator Position; Cell phones; Modems; Net Motion fees. Cut quantities to 1 instead of 2 due to cutting criminal investigator position)	\$126,758
Mercer County SO	Mercer	(2) Vehicles w/ equipment & supplies	\$92,820	10%	(1) Vehicles w/ equipment & supplies. (Cut 1 vehicle w/ equipment & supplies)	\$46,269
Renville County SO	Renville	Night Vision Binoculars; AED's; Body Armor; Taser; Shotgun; Cameras; Recorders; Computer; Scanner; Vehicle Supplies	\$10,837	10%	Night Vision Binoculars; Body Armor; Taser; Shotgun; Cameras; Recorders; Computer; Scanner; Vehicle Supplies. (Cut-AED)	\$7,683
Stark County SO	Stark	(1) Deputy Position; In-car video camera system; (1) Vehicle for prisoner/mental health transport	\$154,258	10%	(1) Deputy Position; In-car video camera system; (1) Vehicle for prisoner/mental health transport	\$138,832
Ward County SO	Ward	(1) Deputy Position; Overtime; Live Scan; Bar Code Reader System; Multi-cast Communication Radio System	\$632,117	10%	(1) Deputy Position; Overtime; Bar Code Reader System; Multi-cast Communication Radio System. (Cut-Live Scan)	\$538,146

12 Recommended Awards

\$2,925,243

Total for Sheriff's - EIO

\$1,806,536

Recommendations							
Criminal Justice							
Political Sub Name	City	County	Project	Total Project Cost	% Match	Proposed Award is For:	Grant
Abused Adult Resource Center-Bismarck	Bismarck	Burleigh	(1) Advocate/Case Manager Position; (1) Residential Advocate Position; Copy Machine & Printer Leases; Office Supplies; Printing; Client Aid	\$72,525	25%	Client Aid	\$3,750
Arnegard PD	Arnegard	McKenzie	(1) Officer Position; Housing Allowance; AED; Uniform; Supplies; Shotgun & Ammo; NIC Test; Cell Phone; Fax line	\$126,130	10%	Housing Allowance & Supplies (Cut- (1) Officer Position; AED; Uniform; Some Supplies; Shotgun & Ammo; NIC Test; Cell Phone; Fax line)	\$8,730
Barnes County SO		Barnes	1 Deputy; Vehicle (fully equipped); Cellphone	\$112,970	25%	Use toward purchase of Vehicle (fully equipped)	\$4,238
Belfield PD	Belfield	Stark	(1) Officer Position; Overtime; Housing Allowance; (2) Vehicles w/ vehicle and handheld radios; Shotgun; Evidence Safes; Digital Cameras; In-car printer/scanner; Cell phones	\$224,232	10%	Overtime; (1) Vehicle & (1) Radio w/ Repeater; Digital Cameras; In-car printer/scanner. (Cut- (1) Officer Position; Housing Allowance; (1) Vehicle w/ vehicle and handheld radios; Shotgun; Evidence Safes; Cell phones)	\$56,848
Berthold PD	Berthold	Ward	(1) Vehicle (fully equipped); MDT for vehicle; Spike Boards; Shotgun; Office Supplies	\$45,000	10%	(1) Vehicle (fully equipped); MDT for vehicle; Spike Boards; Shotgun; Office Supplies. (Increased award for MDT's as applicant underpriced them)	\$45,900
Bismarck PD/ICAC TF	Bismarck	Burleigh	Laptop; Digital Camera; Project-a-phone; Android Tablet; Printers; Supplies & Software	\$5,237	25%	Laptop; Digital Camera; Project-a-phone; Android Tablet; Printers; Supplies & Software	\$3,928
Burleigh County SO		Burleigh	In-Car Camera System	\$188,223	25%	Use toward purchase of In-Car Camera System	\$70,584
Dickinson PD	Dickinson	Stark	(2) Patrol Vehicles; Public Safety Answering Point; FATS Machine; Kevlar Shields	\$1,058,754	10%	(2) Patrol Vehicles; Kevlar Shields. (Cut- Public Safety Answering Point; FATS Machine)	\$96,741
Domestic Violence Crisis Center		Ward	(1) FT Residential Supervisor; (1) PT Residential Supervisor; (1) Criminal Justice Advocate; Salary Supplement for Director; Lethality Training; Travel for Rural Advocate; Security Alarm System; Furnishings for emergency shelter; Office Supplies; Rent	\$200,000	10%	Criminal Justice Advocate Position; Security Alarm System	\$26,585

Recommendations							
Criminal Justice							
Political Sub Name	City	County	Project	Total Project Cost	% Match	Proposed Award is For:	Grant
Domestic Violence Program, NW ND		Mountrail	Increase (2) 1/2 time positions to 3/4 time positions; Housing Allowance for Advocate; Training; Computers; Office Furniture & Expenses; CAWS Technical Assistance contract fees; Cell Phones; Vehicle Allowance	\$79,955	10%	Increase (2) 1/2 time positions to 3/4 time positions	\$21,943
Domestic Violence & Rape Crisis Center	Dickinson	Stark	(1) Parenting Time Monitor position; (1) Advocate position; Salary Supplement-Director; Housing Allowance; Training; Computers; Office Security System; Office Furniture, Equipment & Supplies; Consultant-Grant Writer, Accountant, CAWS Training & Technical Assistance; Cell phones; Utilities; Office Rent	\$245,501	10%	(1) Parenting Time Monitor position; (1) Advocate position; Office Security System	\$69,039
Family Crisis Shelter, Inc.-Williston	Williston	Williams	(2) Half-time Houseparent positions; Salary Supplement-Director; Housing Allowance; Training; Computers; Office Furniture, Equipment & Supplies; Consultants-CAWS Technical Assistance; Grant Writer; Accountant; Cell phones; Phone/Fax	\$178,322	10%	Desktop Computer, Laptop Computer, Office Security System	\$4,050
Jamestown PD	Jamestown	Stutsman	In-Car Camera System & Supplies w/ install	\$55,694	25%	Use toward anything on their application.	\$4,200
Kenmare PD	Kenmare	Ward	(1) Officer Position; Housing Allowance; (1) Vehicle w/ Equipment & Installation; Supplies	\$108,052	10%	(1) Officer Position; Housing Allowance; (1) Vehicle w/ Equipment & Installation. (Cut-Supplies)	\$95,994
Killdeer PD	Killdeer	Dunn	(1) Officer Position; Housing Allowance; In-car Camera System; (1) Patrol Vehicle; Teletype Computer; Radio; Gun Safe; Taser Holder; Radar Unit; Vests; Equipment for new officer; Ammo.	\$230,660	10%	(1) Officer Position; Housing Allowance; In-car Camera System; (1) Patrol Vehicle; Radio; Gun Safe; Radar Unit; Vests; Equipment for new officer; Ammo. (Cut-Teletype Computer & Taser Holder. Reduced Ammo quantities)	\$180,990

Recommendations							
Criminal Justice							
Political Sub Name	City	County	Project	Total Project Cost	% Match	Proposed Award is For:	Grant
Minot PD	Minot	Ward	(1) PT Admin Clerk; Repeater; Contract Transcription Services	\$79,314	10%	(1) PT Admin Clerk; Repeater; Contract Transcription Services	\$71,383
Mountrail County State's Attorney		Mountrail	Computers; Software; Installation	\$11,677	10%	Computers; Software; Installation	\$10,509
Northern Plains Children's Advocacy Center	Minot	Ward	(1) Family Advocate Position; (1) Therapist/Forensic Interviewer Position; Training; Computers & Software; Postage, Security Monitors; Rent	\$136,550	10%	(1) Therapist/Forensic Interviewer Position	\$58,982
New Town PD	New Town	Mountrail	Desk, Office Furniture & Computers; Toughbooks; Patrol Equipment; (1) Vehicle; In-car Video System; Records Management System w/software & maintenance	\$486,262	10%	Toughbooks; In-car Video System. (Cut-Desk, Office Furniture & Computers; Patrol Equipment; (1) Vehicle; Records Management System w/software & maintenance)	\$49,500
NW Narcotics TF-Williams Co.		Williams	Fringe for previously awarded Admin Assist. Position; Evidence Tracking Program; Cellebrite; Weapons/Ammo	\$49,213	0%	Fringe for previously awarded Admin Assist. Position; Evidence Tracking Program; Cellebrite; Weapons/Ammo (additional \$2 in admin fringe)	\$49,215
Powers Lake PD	Powers Lake	Burke	(1) Officer Position; AED's; Oxygen Kit; Water-Rescue Kit; Supplies for new officer.	\$68,941	10%	(1) Officer Position; Supplies for new officer	\$59,063
Richland County SO		Richland	Spike System; Repeaters w/ installation	\$19,540	25%	Use toward purchase of Spike System	\$514
Sheridan County SO		Sheridan	(1) Vehicle; Laptops	\$44,598	25%	(1) Vehicle (money towards)	\$1,673
South Heart PD	South Heart	Stark	(1) Vehicle w/ Equipment & Install; Vehicle Supplies	\$51,075	10%	(1) Vehicle w/ Equipment & Install; Vehicle Supplies	\$45,968

Recommendations							
Criminal Justice							
Political Sub Name	City	County	Project	Total Project Cost	% Match	Proposed Award is For:	Grant
So. Sakakawe a Narc TF-Sheridan Co. So.		Sheridan	Transcorder; Shotgun; Video Camcorder Bundle; Radio installation	\$5,314	0%	Transcorder; Shotgun; Video Camcorder Bundle. (Request for radio installation was rescinded by applicant)	\$2,250
Stanley PD	Stanley	Mountrail	(1) Officer Position; Travel; In-car Video; Toughbook; (1) Vehicle; Drug Dog w/ Equipment; Simunition sets & rounds; Weapons; Vest; Supplies	\$124,410	10%	(1) Officer Position; In-car Video; Toughbook; (1) Vehicle; Drug Dog w/ Equipment; Weapons; Vest; Supplies. (Cut-Travel; Simunition sets & rounds)	\$85,363
Stark County State's Attorney		Stark	(1) Legal Secretary Position; Overtime; Computer, Printer, Monitor & Software; Law Books; HP tablet; Postage	\$91,619	10%	(1) Legal Secretary Position; Overtime; (Cut--Computer, Printer, Monitor & Software; Law Books; HP tablet; Postage)	\$72,365
SW Narcotics TF-Slope Co.		Slope	Night Vision Scope, Repeater, Body Armor, UC Audio/Video equipment; Binoculars; Sights	\$32,925	0%	Night Vision Scope, Repeater, Body Armor, UC Audio/Video equipment; Binoculars; Sights. (Cut 1 night vision scope and one binocular)	\$26,400
Stutsman County SO		Stutsman	(2) Vehicles (Fully equipped); Supplies, CIS MDT Software, Bullberry Map Software for MDT	\$137,830	25%	Use toward anything in application.	\$9,375
Surrey PD	Surrey	Ward	Travel for training; (2) Patrol Vehicles w/ equipment; MDT Terminals; Laptops; In-car Video Cameras; Projector	\$100,800	10%	(2) Patrol Vehicles w/ equipment; MDT Terminals; Laptops; In-car Video Cameras. (Cut-Projector; Travel for training) (added funds for Patrol Vehicle as applicant was underpriced)	\$90,900
SW Tactical Team	Dickinson	Stark	Mobile Command Center	\$247,000	10%	Mobile Command Center (Reduced cost-applicant estimate was too high)	\$132,300
Watford City PD	Watford City	McKenzie	K-9; K-9 Training & Supplies; 3 Vehicles (fully equipped & installed); Weapons; Evidence Collection Supplies	\$282,049	10%	K-9; K-9 Training & Supplies; 3 Vehicles (fully equipped & installed); Weapons; Evidence Collection Supplies	\$253,844

Recommendations							
Criminal Justice							
Political Sub Name	City	County	Project	Total Project Cost	% Match	Proposed Award is For:	Grant
Women's Action & Resource Center	Beulah	Mercer	Salary Supplements for Shelter Supervisor & Administrator/Director; Bullet Cameras w/ equipment & installation	\$6,776	10%	Bullet Cameras w/ equipment & installation	\$2,237
Ward County Narcotics Task Force	Minot	Ward	Surveillance Vehicle (fully equipped & installed); Travel to get vehicle; Computers	\$131,004	0%	Surveillance Vehicle (fully equipped & installed); Travel to get vehicle; Computers	\$131,004
Williams County State's Attorney		Williams	Fringe for previously awarded positions; Travel for conferences, Training; Computers, Monitors, Software; Printer/Scanner/Copier; Scanners; Office Supplies; License fees/dues.	\$138,670	10%	Fringe for previously awarded Assistant State's Attorney position only; Computers, Monitors & Software. (Cut-Travel, Printer/Scanner/Copier; Scanners; Office Supplies; License Fees/Dues)	\$43,737
Williston PD	Williston	Williams	(3) Patrolman Positions; Dispatch Radio Position (not personnel); Evidence Inventory System & Palm Reader	\$141,436	10%	(3) Patrolman Positions; Dispatch Radio Position (not personnel); Evidence Inventory System & Palm Reader	\$127,292
Bowman County SO		Bowman	Thermal Imaging Camera/Binoculars; Interview Room Audio/Visual Recording; Liven Scan; Blood Kits; Rain Coats; Weapon Slings; Vehicle Lock-Out Kits; Binoculars	\$17,760	10%	Interview Room Audio/Visual Recording; Livescan; Blood Kits; Rain Coats; Weapon Slings; Vehicle Lock-Out Kits; Binoculars. (Cut-Thermal Imaging Camera/Binoculars, Livescan.)	\$6,057
Mountrail County SO		Mountrail	Housing Allowance; Truck Scales; Officer Duty Equipment; (4) Vehicles	\$247,327	10%	Housing Allowance; Officer Duty Equipment; (Cut-Truck Scales; (4) Vehicles)	\$30,021
Slope County SO		Slope	Communications Tower (add-on to first tower award); Tasers	\$10,224	10%	Communications Tower (add-on to first tower award); Tasers	\$9,202

Recommendations							
Criminal Justice							
Political Sub Name	City	County	Project	Total Project Cost	% Match	Proposed Award is For:	Grant
Williams County SO		Williams	In-car Cameras w/ Printers; Evidence Management Program; Vehicle decals & installation; Supplies; Consultant-Training; Pictometry Flights	\$589,775	10%	In-car Cameras w/ Printers; Evidence Management Program; Vehicle decals & installation; Supplies; (Cut--Consultant-Training; Pictometry Flights)	\$322,043
40 Recommended Awards		AG total		\$6,183,344			\$2,384,717

The Land Board has the responsibility under 2013 Session Law Chapter 471 Section 11 to approve the Attorney General's Law Enforcement Grants recommended by the DVCPB.

Motion: That the Land Board adopt the recommendations of the Drug and Violent Crime Policy Board, the Attorney General's Office - Bureau of Criminal Investigation and the EIO as identified in the preceding lists to:

- 1) grant awards from the Oil and Gas Impact Grant fund to the sheriff's offices totaling \$1,806,536 resulting in awards for fiscal year 2014 totaling \$7,000,056.
- 2) approve grants totaling \$2,384,717 to other criminal justice agencies from the \$9.6 million appropriated by the 2013 Legislature within HB1358 to the Attorney General resulting in awards totaling \$7,415,012 of the funds appropriated to the AG.

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

Energy Infrastructure and Impact Office. Additional Attorney General Law Enforcement Award Recommendations. The Bureau of Criminal Investigation and the DVCPB provided the additional recommendations for use of remaining AG appropriated funds:

Live Scans

Live scans electronically capture fingerprints and palm prints, and provide for immediate transmittal of the data to appropriate agencies.

Sixteen entities in oil-producing counties will receive live scan units funded by Criminal Justice Oil Impact Funds. Sheriffs' offices in Adams, Billings, Bottineau, Bowman, Burke, Divide, Dunn, Golden Valley, Hettinger, McHenry, Renville, and Slope; Counties the jails in Mercer County and Mountrail County; and the Dickinson and Minot police departments will receive funding for the \$34,600 units.

In addition, six entities within oil-producing counties will receive replacement live scans due to a mandatory upgrade needed by April 8, 2014. These entities are Ward County Jail, McLean County Jail, Williams County Jail, Williston Police Department, McKenzie County Jail, and the Southwest Multi-County Correctional Center.

The purchase per unit is approximately \$34,600, which includes three years maintenance. This results in total expenses of \$761,200 being recommended for award.

Human Trafficking Training for Criminal Justice Servicing Agencies

In conjunction with the North Dakota Council on Abused Women's Services (NDCAWS), the DVCPB recommended Human Trafficking Training be provided in four locations within the oil-producing area of North Dakota. Total costs are estimated at \$30,121.

Domestic Violence Emergency Needs Funds

The NDCAWS estimates an average of 30 victims per program will utilize emergency assistance services in Dickinson, Washburn, Beulah, Williston, Minot, Bottineau and Stanley. Additionally, programs in non-oil producing areas may provide emergency services, to clients victimized in the western part of the state. An estimated 50 emergency assistance payments may be needed for this purpose.

Assistance to programs providing emergency services would be capped at \$500/victim, the total grant award proposed to NDCAWS is \$143,000. A 10% fee is included for the NDCAWS to facilitate and monitor the review of these requests and reimbursements.

Motion: That the Board adopt the recommendations of the Attorney General's Office - Bureau of Criminal Investigation (BCI) to approve the following awards from the \$9.6 million appropriated by the 2013 Legislature within HB 1358 to the Attorney General's Office and the Drug and Violent Crime Policy Board to:

- 1) grant use of award funds totaling \$761,200 for the purchase of live scan fingerprint equipment by BCI, equipment to sheriff and law enforcement agencies in oil and gas producing areas of North Dakota.**
- 2) approve grant funds totaling \$30,121 to the North Dakota Council on Abused Women's Services for providing Human Trafficking Training to Criminal Justice Servicing Agencies in the oil and gas producing areas of North Dakota.**
- 3) provide an award totaling \$143,000 to the North Dakota Council on Abused Women's Services, for assistance with victim costs related to travel, housing assistance, clothing, food, and other related costs including a 10% handling fee, for individuals fleeing domestic violence originating in oil and gas producing areas of North Dakota, capped at \$500 per victim.**

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

With these grants, \$290,667 remains of the AG's awardable funds.

Energy Infrastructure and Impact Office (EIIO). McKenzie County Public School District –Award Use Adjustment

The Board previously awarded \$1,376,196 to the McKenzie County Public School District (MCPSPD) in Watford City to assist with land acquisition for a new school to accommodate significant growth in the student population.

After the MCPSPD application was submitted, a local landowner donated a tract of land for the new school.

The land is unimproved and the school district requested approval to use the \$1,376,196 grant to instead be used to prepare the land for building the new school. The improvements (01/14)

would include costs of grade preparation and infrastructure construction and other costs directly related to enhancing and preparing the land for eventual construction of the school.

Motion: That the Board approve the use of the grant to the McKenzie County Public School District for land acquisition in award number G140207, to be available for expenses for improvements of land in preparation of building a new school.

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

Update on the General Grant Round. In early January, the 2014 “General” grant round commenced for infrastructure needs of counties, townships, park districts and other political subdivisions not already addressed with prior grant rounds. The Board has allocated \$4 million for awards during the General grant round.

Applications will be accepted through February. Regional meetings with applicants are planned for March 2014. The award recommendations will be presented to the Board for consideration in April.

Dust Control Pilot Project – Reported Results. In HB 1358, the 2013 Legislature identified \$3 million of the oil and gas impact grant fund to be used in a pilot project for dust control on county roads. The Board approved three \$1 million awards to Bowman, Dunn and Mountrail counties in July 2013.

The Board reviewed reports received from each of three counties reporting on the results of the dust control project, as required by the Legislature.

The combined report will be distributed to counties in the oil and gas producing areas, legislators, the Health Department, Industrial Commission, the Department of Transportation and made available on the EIIO website.

Section 9 of Senate Bill 2013 (Department of Trust Lands appropriation bill) states: “If the dust control pilot project provided for in House Bill No. 1358, as approved by the sixty-third legislative assembly, is deemed effective by the director of the energy infrastructure and impact office, the board of university and school lands may approve up to \$3,000,000 of additional oil and gas impact grants to counties for dust control.”

With extra moisture dust was less of an issue in 2013, compared to normally dry years. The EIIO recommends considering an additional grant round for dust control in the future when precipitation returns to normal or less than normal and dust becomes more of an issue.

SURFACE MANAGEMENT DIVISION

City of Ray 15-09 Purchase Request. (WIL-16-156-97-N 248 Feet S2SW4 – 15 acres more or less)

Under N.D.C.C. 15-09, the City of Ray applied to purchase the north 248 feet of the S2SW4 Section 16, T156N, R97W, Williams County (15 acres, more or less) for its wastewater project soil storage and waste disposal storage. The property is located south of the city sewage lagoon.

Two appraisals have been completed as follows:

Williams County Appraisal	\$600/acre
Boulder Appraisal, LLC, Bismarck	\$8,000/acre

The Boulder appraisal, at \$8,000 per acre, is well documented and based on recent sales in this area and the value for commercial development. Williams County appraised the subject tract as agricultural land which does not reflect its true value

The sale of a 15-acre parcel to the City of Ray will leave 65 acres in the S2SW4 of section 16.

Motion: That the Board 1) approve the appraised value of \$8,000 per acre for the 15 acres of land within the S2SW4 of Section 16, T156N, R97W, Williams County required for public purposes and 2) authorize the Commissioner to advertise the proposed sale, conduct a hearing, and complete the sale on the Board's behalf.

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

INVESTMENTS DIVISION

Investment Study Implementation. On January 14, 2014 a contract was signed with R.V. Kuhns to assist in the implementation and monitoring of the asset allocation plan.

R.V. Kuhns is developing a timeline/plan to implement the numerous manager searches that will be needed to put the new asset allocation into place.

REPORTS

Report of Easements Issued by Land Commissioner. (12-09-13 through 01-16-14: No Board Action Requested)

BILLINGS COUNTY BIL-141-100-16-NW4	Easement Release	01/07/2014
ONEOK ROCKIES MIDSTREAM LLC BIL-141-101-13-NE4, NW4	Gas Gathering Pipeline	12/11/2013
SM ENERGY COMPANY INC WIL-153-104-36-SE4	Raw Water Pipeline	12/19/2013
BOH INC MCK-149-95-36-LOTS 3,4	Salt Water Disposal Well	12/20/2013
PETRO-HUNT LLC BRK-159-94-16-NE4, NW4, SW4	Salt Water Pipeline	12/19/2013
QEP ENERGY COMPANY MCK-149-95-16-NW4	Directional Wellsite Location	01/10/2014
MCKENZIE ELECTRIC COOP INC MCK-152-102-36-SE4, SW4	Distribution Line - Above Ground	12/19/2013
MOUNTRAIL-WILLIAMS ELECTRIC COOP 12/19/2013 MOU-157-93-36-SW4	Drop Line-Electric Distribution Line	
ONEOK ROCKIES MIDSTREAM LLC MCK-153-96-36-NW4, SW4	Gas Gathering Pipeline	12/13/2013
BELLE FOURCHE PIPELINE CO MCK-148-101-36-SW4	Drop Line-Multiple Pipelines	12/11/2013
ONEOK ROCKIES MIDSTREAM LLC	Drop Line-Gas Gathering Pipeline	01/10/2014

MCK-152-102-36-SE4

COURTENAY WIND FARM TRANSMISSION LLC STU-141-63-9-SE4 LESS 24 ACRES	Electric Transmission Line	12/17/2013
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BRIDGER PIPELINE LLC DUN-145-95-16-NE4	Drop Line-Oil Gathering Pipeline	12/13/2013
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ROUGH RIDER ELECTRIC COOP, INC 12/11/2013 BIL-140-100-16-NW4	Drop Line-Buried Electric Distribution Lin	
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BTA OIL PRODUCERS LLC 01/03/2014 GOL-143-103-36-NE4, NW4	Salt Water Disposal Well – Extension	
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OASIS PETROLEUM NORTH AMERICA LLC WIL-156-101-36-SE4, SW4	Amend: Multiple Pipelines	12/19/2013
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WHITING OIL AND GAS CORPORATION MOU-153-92-16-NW4	Drop Line-Oil Gathering Pipeline	01/06/2014
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ONEOK ROCKIES MIDSTREAM LLC DIV-162-99-16-SE4	Drop Line-Gas Gathering Pipeline	12/11/2013
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ONEOK ROCKIES MIDSTREAM LLC MCK-150-95-16-SW4	Gas Gathering Pipeline	12/20/2013
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WHITING OIL AND GAS CORPORATION MOU-153-89-16-NW4 E OF RD	Amend: Horizontal Oil Well	12/11/2013
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WHITING OIL AND GAS CORPORATION MOU-153-91-16-NW4	Amend: Horizontal Oil Well	12/13/2013
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XTO ENERGY INC DUN-148-96-36-SW4	Lease: Borrow	12/23/2013
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ENABLE BAKKEN CRUDE SERVICES LLC DUN-148-96-36-SW4	Multiple Pipelines	01/10/2014
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HUMMERT LAND SURVEYING WAR-155-84-1-SW4NW4 LYING N & E OF RIVER CENTERLINE	General Land Surveys	12/13/2013
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AMERICAN EAGLE ENERGY CORP DIV-164-101-36-SE4, SW4	Amend: Horizontal Oil Well	12/23/2013
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MCKENZIE ELECTRIC COOP INC MCK-152-102-36-SE4, SW4	Easement Release	01/06/2014
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Status of Strategic Investment and Improvements Fund. The Board was updated on the status of the Strategic Investment and Improvements Fund (SIIF) as follows:

FUND BALANCE 12/31/13	\$ 998,245,907
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OBLIGATIONS

School Construction Loans – HB1013	150,000,000	\$45.3M funded; all funds committed ¹
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(01/14)

Medical Facilities Loans – SB2187	50,000,000	Transferred to BND Sept 2013
Biofuels Loan Guarantee – SB2287	25,000,000	Anticipated Loan Close- Nov 2014
Assigned Fund Balance	135,229,853	Awaiting Legal Questions ²
TOTAL OBLIGATIONS	\$ 360,229,853	

APPROPRIATIONS/TRANSFERS

To General Fund – HB1015	\$ 520,000,000	Expect to transfer Jan 2015
To Human Services - HB1358	9,600,000	\$5.15 mil. in Jan 2014, bal. in Jan 2015
To Attorney General – HB1358	9,600,000	Transferred all funds Fall 2013
To Commerce – HB1358	2,000,000	\$1.0 mil. January 2014, bal. Jan 2015
for basic care and DD grants		
To Commerce – HB2018	2,500,000	Expect to transfer Apr. 2014
for unmanned aerial program		
To Land (Corp Study) – SB2013	50,000	Summer 2014
TOTAL APPROP/TRANSFERS	\$ 543,750,000	
Transferred to date	(9,600,000)	

OBLIGATED BALANCE	\$ 894,379,853
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UNOBLIGATED BALANCE	\$103,866,054
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Note 1:

As of December 31, 2013 a total of \$45.3 million of loans have been funded from the SIIF and the entire amount has been committed to school districts for construction loans. Loan demand has exceeded the funds available. To manage the loan queue, the Department of Public Instruction (DPI) has instituted a policy that allows districts to remain on the list as they seek two bond issue votes over 6 months to get voter approval for a DPI approved project. If a district does not get voter approval within this time-frame, they will lose their place in line for these subsidized loans.

2013 Legislature (HB 1013) allowed for school construction loans to be repaid out of future gross production tax revenues. because of the statewide demand, there are several schools in oil producing counties that did not get a chance to seek funding from this program, including Williston (\$20 million) and Tioga (\$10 million). Nonetheless, the Department continues to work with school districts, bond council, DPI, BND and the State Treasurer to establish processes for the gross production backed part of the school construction loan program. Historically the ability to repay a construction loan has not been an issue as an approved bond issue essentially guaranteed that the loan repayment. However, voter approval is not necessarily required for gross production tax backed school construction loans since the loan is essentially a prepayment of GPT distributions and is not issued debt.

Note 2:

The assigned fund balance totaled \$135,229,853 as of December 31, 2013. This money is set aside within the SIIF by the Board, with legislative approval, until potential title disputes related to certain riverbed leases have been resolved. Although the State recently won a lawsuit related to the ownership of navigable bodies of water up to ordinary high water mark, there are additional legal determinations that may impact the assigned fund balance.

Quarterly Revenue Compliance Division Update. The Revenue Compliance Division reviews oil and gas royalty payments to determine if they are made in accordance with the Board's lease terms, rules and regulations, and North Dakota statutes. The total oil and gas royalty revenue collected through December of FY 2014 was \$167,037,259. Included in this total

is \$2 million that is a result of enhanced efforts to examine royalty reports and submittals. The additional collections and corrections are detailed in the following table:

REVENUE COMPLIANCE SUMMARY			
	Biennium 2011-2013		Biennium to Date (07-01-13 thru 12-31-13)
Additional Royalties Collected	\$ 9,544,389		\$ 1,734,819
Additional Taxes or Other Deductions Collected	\$ 1,284,602		\$ 219,424
Penalties Collected	\$ 662,625		\$ 73,298
Total Collected	\$ 11,491,616		\$ 2,057,541
NDIC Report Corrections	55		39

In addition to royalty collection efforts, the Revenue Compliance Division together with the Minerals Management Division has worked to identify non- and low producing leases in an effort to encourage leaseholders to satisfy the terms or terminate the lease.

These efforts have motivated operators to renegotiate lease terms and bring the wells back to a more productive status, or to acknowledge the lack of production and allow the lease to expire. This effort has resulted in 3,425 acres that were previously designated as "held by production" to be available to lease again to generate new lease bonus and royalty revenues for the trusts.

NON-PRODUCING LEASE SUMMARY			
	Biennium 2011-2013		Biennium to Date (07-01-13 thru 12-31-13)
Acres Relinquished	2,467.81		957.20
Bonus Received from Relinquished Acres	\$ 1,298,492		\$ 167,700

Several items were presented for the Board's Awareness:

Reep v State and Brigham v State

On December 26, 2013 the North Dakota Supreme Court issued a decision finding that the State of North Dakota holds title to mineral interests to the ordinary high water mark of navigable rivers and water bodies, unless the State has contractually granted or conveyed part of its equal footing interest to upland owners by deed.

The decision resolves the question of public or private ownership of mineral interests in the area between the high and low water marks of navigable waters (often referred to as the "shore zone").

The Supreme Court held that the State owns to the ordinary high watermark as a result of:

- 1) The equal footing doctrine, which provides that the State owns title to the beds of waters that were navigable at the moment of statehood, to the high watermark; and
- 2) North Dakota's anti-gift clause, N.D. Const. Art. X, § 18, which states that "neither the state nor any political subdivisions thereof shall otherwise loan or give its credit or make donations to or in aid of any [private party]" Accordingly, the Supreme Court construed N.D.C.C. § 47-01-15 (which says that riparian owners take to the low water mark) as a rule of construction rather than as a self-executing grant of ownership to avoid an interpretation that violated the anti-gift clause.

The court left open the possibility of private ownership of shore zone mineral interests in instances where the chain of title establishes the state granted its interests to a private upland owner. The court said that if the State has contractually granted or conveyed a part of its shore

zone interests to upland owners by deed, the grantee may take to the low watermark subject to the restrictions of the public trust doctrine, which provides that the State cannot totally abdicate its interest in the shore zone but must protect the public's right to use the navigable waters, and where the deed provides otherwise.

In leased river tracts without extenuating circumstances, the Commissioner will be working with lessees and operators to collect royalties that have been held in suspense or escrowed pending the outcome of legal action.

Western States Land Commissioners' Association Conference

North Dakota will be hosting the WSLCA summer conference in Bismarck on July 20-24, 2014. The organization has not held a meeting in North Dakota since 1997.

Organizational efforts are underway to feature North Dakota's robust energy activities and policies, share a bit of its history and heritage, and mostly to highlight the Department and Board's best practices in our fiduciary role of overseeing trust assets. About 100 participants are expected.

A D J O U R N

There being no further business, the meeting was adjourned at 11:03 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 27, 2014**

The February 27, 2014 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
Kirsten Baesler	Superintendent of Public Instruction

Members Absent:

Wayne Stenehjem	Attorney General
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Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director of Revenue Compliance
Judith F. Schell	Administrative Assistant

Others in Attendance:

Chris Harvey	North Dakota Attorney General
Jim Melchior	North American Coal
David Straley	North American Coal
Jay Volk	BNI Coal
Marcia Beard	RV Kuhns
Kristen Steffens	RV Kuhns
Nick Smith	The Bismarck Tribune
Mike McCleary	The Bismarck Tribune

APPROVAL OF MINUTES

A motion to approve the minutes of the January 30, 2014 meeting was made by Secretary Jaeger and seconded by Treasurer Schmidt. Motion carried.

MINERALS MANAGEMENT DIVISION

Consideration of Coal Lease Template and Surface Use Addendum. On December 18, 2013 the Land Board approved its coal rules. While revising the coal rules, the team consisting of department staff, Attorney General's staff, and industry representatives, also initiated updates to the Land Board's Coal Lease template. A revised version was presented for the Board's consideration.

Historically, the statutory coal royalty compensated the trusts for the value of coal and for the impacts to the surface. Private surface owners and minerals owners receive related, but separate remuneration on a per coal ton basis, thus it was concluded that a separate addendum be attached to the lease covering surface related issues on trust lands.

The coal lease amendment recommendations were the result of extensive discussions with industry to modernize the language and reflect the need for a separate surface damage addendum.

A proposed addendum for surface damages written specifically for the North American Coal Corporation's new Coyote Creek Mine, was presented to the Board. The addendum is not intended to be a standard attachment to the lease template, but will be incorporated into individual coal leases as necessary.

The key points in the surface damage addendum for the Coyote Creek coal leases are: 1) a bonus per surface acre, 2) annual rental per surface acre, 3) primary and secondary terms matching the coal lease terms, 4) payment for lost grazing rental to the trust funds, 5) royalty payment for scoria and gravel found at less than 10 feet to the top of the seam and used anywhere on the mine, and 6) authorization to mix soils from trust lands with non-trust lands for use during reclamation.

The complexity and length of coal leases requires the cooperation from Minerals, Surface, and Royalty Compliance Divisions within the Department. They have also involved extensive communications with industry representatives and the Attorney General's Office.

COAL LEASE – (Lease #)
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STATE OF NORTH DAKOTA
BOARD OF UNIVERSITY AND SCHOOL LANDS

THIS LEASE is effective the (Date), between the State of North Dakota, acting by and through the Board of University and School Lands and its agent, the Commissioner of University and School Lands, called "Lessor," and (Insert name of company, address, city, state, zip), called "Lessee."

ARTICLE I. LEASED PREMISES & TERMS. Lessor, in consideration of the sum of (Type out dollar amount) (\$(\$)) per net coal acre, does lease to Lessee for the purpose and subject to the terms and conditions herein stated, the following-described land, called the "Leased Premises," situated in the County of (County), the State of North Dakota:

Township (#) North, Range (#) West
Section (#): (DESCRIPTION)
(# net coal acres)

USE FOR LEASES WHERE THE BOARD OWNS THE SURFACE

The initial term of this lease will be fifteen (15) years. Lessee has the option to extend this lease for an additional fifteen (15) year term by paying a bonus of (Type out dollar amount) (\$(\$)) per net coal acre before the end of the initial fifteen (15) year term. This lease shall continue beyond the second fifteen (15) year term for so long as coal is being mined in commercial quantities without unreasonable cessation or use of surface of the lease in accordance with attached surface addendum.

USE FOR LEASES WHERE THE BOARD DOESN'T OWN THE SURFACE

The initial term of this lease will be fifteen (15) years. Lessee has the option to extend this lease for an additional fifteen (15) year term by paying a bonus of (Type out dollar amount) (\$(\$)) per net coal acre before the end of the initial fifteen (15) year term. This lease shall continue beyond the second fifteen (15) year term for so long as coal is being mined in commercial quantities without unreasonable cessation.

ARTICLE II. ANNUAL RENTALS. Lessee shall pay to Lessor an annual rental of (Type out dollar amount) (\$(\$)) per net coal acre for as long as this lease is in effect. The annual rental shall be (02/14)

paid each year prior to the anniversary date of this lease. The first year's rental has been paid to Lessor, receipt of which is acknowledged. The rentals paid under this lease shall not be deducted from the royalties as they accrue. Lessee shall have the right to prepay in a lump sum the annual rentals payable during the term of this lease or any extension thereof. Prepaid annual rentals will not be refunded in the event the lease is terminated.

ARTICLE III. ROYALTY. Lessee shall pay to Lessor a royalty of (Type out dollar amount) (\$(\$)) per ton of coal mined and removed from the Leased Premises. The tonnage royalty rate shall be increased at the rate of (Type out percentage) ((%)) per year effective January 1 of each year subsequent to the date of this lease. The quantity of all coal mined and removed from the Leased Premises shall be determined through the use of conveyor belt scales, aerial surveys of coal stockpiles and tract surveys. Royalty for coal mined during any calendar month shall be paid by the last day of the following calendar month.

ARTICLE IV. RIGHT TO PROSPECT & MINE. Lessor grants to Lessee the exclusive right to prospect the Leased Premises for coal, to mine and remove by any method of mining the coal on and under the Leased Premises, and to store, prepare for selling and sell said coal; for such purposes Lessor grants to Lessee the right of ingress, egress and regress to and from the Leased Premises.

USE FOR LEASES WHERE THE BOARD OWNS THE SURFACE

ARTICLE V. USE OF LEASED PREMISES. Lessor grants to Lessee the right to use as much of the surface of the Leased Premises as necessary for prospecting, mining, removal, preparation and selling of coal, subject to the terms and conditions set forth in the Addendum attached to and made part of this lease. Lessee shall have the right to dig, drill, construct and use wells, ponds, pits and other excavations and to divert, dam and use any water on or under the Leased Premises in a legal manner when necessary to carry out the purpose of this lease.

USE FOR LEASES WHERE THE BOARD DOESN'T OWN THE SURFACE

ARTICLE V. USE OF LEASED PREMISES. Lessor grants to Lessee the right to use as much of the surface of the Leased Premises as necessary for prospecting, mining, removal, preparation and selling of coal, subject to the terms and conditions set forth in this lease. Lessee shall have the right to dig, drill, construct and use wells, ponds, pits and other excavations and to divert, dam and use any water on or under the Leased Premises in a legal manner when necessary to carry out the purpose of this lease.

ARTICLE VI. RIGHTS-OF-WAY. Lessor grants to Lessee rights of way on and under the Leased Premises as are necessary to carry out the purpose of this lease. Such rights of way shall continue after mining operations on the Leased Premises have ceased for as long as necessary to accomplish reclamation pursuant to law.

ARTICLE VII. MINING OPERATIONS. Lessee agrees to conduct mining operations on the Leased Premises in a good and workmanlike manner and in accordance with local, state and federal rules, regulations, ordinances and laws. Lessee will take reasonable steps to prevent mining operations from unnecessarily causing or increasing soil erosion or damage, water pollution, and damage to crops, pasture or forests.

ARTICLE VIII. ARCHAEOLOGICAL MATERIALS. The Lessor hereby reserves and retains title to any and all historical, archaeological, and paleontological materials, whether such materials are found upon the surface or below the surface of the land. If the Lessee discovers a historical, archaeological, or paleontological resource during its operations on the leased premises, the Lessee shall immediately stop work and do nothing to disturb or alter the resource. The Lessee shall notify the Commissioner of the Board of University & School Lands and shall not resume work until the Commissioner notifies the Lessee what protective measures, if any, the Commissioner may require to preserve or protect the resource.

ARTICLE IX. FORCE MAJEURE. Whenever as a result of war, rebellion, riots, acts of God, or a governmental law, order, or regulation, other than a law in Titles 15 or 38 of the North Dakota

Century Code and other than an action of the Board of University and School Lands (unless such action specifically provides otherwise), Lessee, despite his good faith effort, is prevented from exercising any rights or performing any obligations under this lease, and this lease is not kept in force and effect by other provisions contained herein, this lease shall remain in full force and effect for the period of such prevention provided Lessee acts diligently, when possible, to legally overcome the obstacle that is preventing lessee from exercising any rights under this lease. This provision will not operate to extend this lease for a period of more than two (2) years, nor will it release Lessee from paying royalties on actual production or from paying annual rentals under Article II of this lease.

ARTICLE X. RECORDS AND INSPECTION. Lessee shall keep an accurate record of the amount of coal mined from the Leased Premises. Lessor or Lessor's representatives may examine and copy such records as may be necessary to assure that Lessee is complying with all provisions of this lease and all rules, regulations and laws. On or before the last day of each calendar month following the date on which Lessee shall commence mining operations on the Leased Premises, Lessee shall furnish Lessor a written report, showing the amount of coal mined and removed from the Leased Premises during the preceding month and the calculation of the amount of royalties due. All mining and related operations shall be subject to the inspection of Lessor, or Lessor's representatives.

ARTICLE XI. RESERVED RIGHTS OF LESSOR. Lessor reserves the right to use, rent, lease or sell the surface of the Leased Premises and the remainder of the mineral estate. Substances other than coal may not be mined and sold or utilized without the prior written consent of Lessor and execution of this lease by Lessor does not constitute consent.

ARTICLE XII. WAIVER OF CONDITIONS. Lessor may, in writing, waive any breach of the conditions contained herein except such conditions as are required by the laws of this state, but any such waiver shall extend only to the particular breach so waived and shall not limit the rights of the Lessor with respect to any future breach.

ARTICLE XIII. TERMINATION BY LESSEE. Lessee may, with the written consent of Lessor, terminate this lease as to any legal subdivision (40 acres) upon payment of all rents, royalties and other debts owed to Lessor and upon a satisfactory showing to Lessor that the public interest will not be impaired.

ARTICLE XIV. TERMINATIONS BY LESSOR. For any breach of the terms and conditions of this lease or for violation of any local, state or federal rules, regulations, ordinances and laws, this lease may be terminated by Lessor. Such cancellation shall not release Lessee from liability for royalty or rental owed or owing to Lessor or from any damages on account of the breach.

ARTICLE XV. TITLE & LESSER INTERESTS. Lessor neither warrants nor agrees to defend title to the Leased Premises. If Lessor is found to own less than the entire and undivided coal estate in the Leased Premises, then the specified royalties and rentals shall be paid Lessor in the proportion which Lessor's interest in the coal estate bears to the entire and undivided coal estate.

ARTICLE XVI. LAWS, RULES & REGULATIONS. The provisions of Chapter 15-05 of the North Dakota Century Code and all rules and regulations relating to the development of minerals as adopted and promulgated by the Board of University and School Lands on June 26, 1975, as amended, govern this lease and are incorporated by reference and made a part thereof.

ARTICLE XVII. INDEMNIFICATIONS. Lessee agrees to defend, indemnify, and hold Lessor harmless, from claims resulting from the performance of the Lessee or its agent, including all costs, expenses and attorneys' fees, which may in any manner result from or arise out of this agreement. The legal defense provided by Lessee to the Lessor under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the Lessor is necessary. Any attorney appointed to represent the Lessor must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. Lessee also agrees to defend, indemnify, and hold the Lessor harmless for all costs, expenses and attorneys' fees incurred in

establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

ARTICLE XVIII. ASSIGNMENTS. No assignment or sublease shall be made without the written consent of Lessor.

ARTICLE XIX. SUCCESSORS. This lease shall be binding upon the parties and their respective heirs, successors and assigns. References in this lease to "Lessor" and "Lessee" include their respective heirs, successors and assigns.

ARTICLE XX. AMENDMENTS. Amendments to this lease must be made in writing and executed by both Lessor and Lessee.

ARTICLE XXI. ARTICLE TITLES. The article titles are not a part of this lease and shall not affect the meaning or intent of the lease terms and conditions.

ARTICLE XXII. NOTICES. All notices shall be in writing. Notices to Lessor may be served by personal service on or by registered or certified mail to the Commissioner of University and School Lands, PO Box 5523, Bismarck, ND 58502. Notices to be served on Lessee may be served by personal service or by registered or certified mail to (Insert name of company, address, city, state, zip).

ARTICLE XXIII. TIME. Time is of the essence of this agreement.

**BOARD OF UNIVERSITY AND SCHOOL LANDS
OF NORTH DAKOTA**

Date: _____

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

(Name of Lessee - ALL IN CAPS)

Date: _____

By: _____

Its: _____

Exhibit C

ADDENDUM TO COAL LEASE #_____

Additional Surface-Related Terms

1. Lessee shall pay Lessor for the initial fifteen (15) year term of this lease a bonus of One Hundred Dollars (\$100.00) per acre for each acre of surface owned by Lessor and covered by this lease. If, in accordance with Article I of this lease, Lessee exercises its option to extend this lease for another fifteen (15) year term, then Lessee shall pay Lessor a bonus of One Hundred Dollars (\$100.00) per acre for each acre of surface then covered by this lease.

2. Lessee shall pay Lessor an annual rental of Five Dollars (\$5.00) per surface acre for as long as this lease is in effect. The annual rental shall be paid each year prior to the anniversary date of this lease. The first year's rental of Five Dollars (\$5.00) per surface acre shall be paid with the initial bonus payment. Lessee shall have the right to prepay in a lump sum the annual rentals payable during the term of this lease or any extension thereof. Prepaid annual rentals will not be refunded in the event the lease is terminated.

3. Lessee shall pay Lessor a surface royalty of _____ per ton of coal mined and removed from the surface acreage owned by Lessor and covered by this lease. The tonnage royalty rate shall be increased at the rate of three percent (3%) per year effective January 1 of each year subsequent to the date of this lease.

4. Lessee shall have the right to use as much of the surface of the Leased Premises as necessary for prospecting, mining, removal, preparation and selling of the coal covered by this lease and other coal mined from neighboring lands as part of an integrated mining plan as permitted by the North Dakota Public Service Commission. If Lessor is unable to lease for grazing any portion of the surface of the Leased Premises before the commencement of actual coal removal operations on the Leased Premises, Lessee shall pay Lessor for each acre Lessor is unable to lease for grazing the Adjusted Fair Market Value per acre for grazing lands in Mercer County as determined and provided by Lessor. Payments are due and payable to Lessor by November 1 of each year the Lessee utilizes the surface for such purpose until the commencement of actual coal removal operations on any portion of the Leased Premises. As used in this addendum the term "actual coal removal operations" shall mean the removal of topsoil, subsoil and other overburden materials and coal from the Leased Premises.

5. After completion of actual coal removal operations and while this Coal Lease is in effect, Lessee may use all or any portion of the surface of the Leased Premises in conjunction with its mining operations on other lands for a haul road and runoff retention ponds. Lessee shall pay Lessor the lease income lost for each acre directly and indirectly impacted by such use. The lost lease income shall be the Adjusted Fair Market Value per acre for grazing lands in Mercer County as determined and provided by Lessor. Payments are due and payable to Lessor by November 1 of each year during which the Lessee utilizes the surface for such purpose. Lessee shall conduct its mining and reclamation operations and use of the surface of the Leased Premises in a prudent manner that will not extend final reclamation of the Leased Premises by stockpiling material not required for reclaiming the Leased Premises.

6. Lessee hereby agrees that during the reclamation bond period covering the surface of the Leased Premises, Lessor has the right to receive payment for any portion of the Leased Premises being utilized for agricultural purposes. During such period of time, Lessor hereby

authorizes Lessee, for the purpose of satisfying its reclamation responsibilities, to enter into licenses or agreements with third parties for the right to hay or graze such portion of the Leased Premises being utilized for agricultural purposes. In consideration of Lessor's consent authorizing Lessee to enter into such haying or grazing agreements with third parties, Lessee agrees to annually pay Lessor the Adjusted Fair Market Value per acre for grazing lands in Mercer County as determined and provided by Lessor for each acre of the Leased Premises being utilized for agricultural purposes. Payment for such agricultural use is due and payable to Lessor by November 1 of each year.

7. Lessee shall have the right to remove and transport suitable plant growth material from the Leased Premises and to permanently respread that material on lands other than the Leased Premises provided that Lessee replaces such material with material of equal or better quantity and quality.

8. Lessee shall have the right to utilize any scoria and gravel owned by Lessor and located on the Leased Premises in its mining operations on or off the Leased Premises. For any such scoria and gravel deposits where the top of the deposit is within ten (10) feet of the surface, Lessee shall pay Lessor the fair market royalty per ton of scoria and gravel utilized by Lessee. No royalty will be due for any scoria or gravel deposits where the top of the deposit is more than ten (10) feet below the surface. The fair market royalty shall be determined and provided by Lessor on July 1st of each year in which mining occurs and paid in the same manner as provided for in Article III of this lease.

Motion: That the Board approve the coal lease template and the mine-specific surface-related terms lease addendum.

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

Nomination of Coal Acres – Mercer County Coyote Creek Mine. The Commissioner has received a nomination for the right to lease 1,880 coal acres within 15 Board-managed mineral tracts. The nomination was submitted by North American Coal Royalty Company for the affiliated new Coyote Creek Mining Company in Mercer County. The sequence of events leading to the issuance of a coal lease is as follows:

1. Nominations are submitted, with initial offer of lease terms.
2. Due diligence is done on the title: verify ownership, lease status, legal, and various tasks needed to prepare the tracts to be leased.
3. Date of auction is established.
4. Required advertising is scheduled and submitted to the appropriate newspapers.
5. The Commissioner gathers information, usually at company's local office, to determine the fair market for the lease terms, including bonus and royalty rate.
6. Board of University and School Lands is notified of auction.
7. Per statute, a public comment period and hearing is held prior to the auction.
8. Auction is held.
9. Proposed leases are presented to the Board for final approval.
 - I. If approved, leases are issued to the winning bidder.

- II. If not approved, deficiencies are corrected to meet the expectations of the Board. In some cases, it is expected that the process would start over, beginning with step 3.

The nominated tracts will be offered for lease at auction, subsequent to a public hearing to take place on March 14, 2014 in the Department of Trust Lands' conference room.

The Company nominated 1,880 coal acres and offered \$100 bonus/acre for the minerals and \$100 per surface acre for the 1,760 acres involved, for the right to a 15-year renewable lease. The company also offered annual rental payments of \$5 per acre of surface and an additional \$5 per mineral acre. The company offered \$0.15 per ton of coal mined and removed and a surface royalty of \$0.12 surface royalty per ton of coal mined, both coupled with a 3% annual increase.

With the 2013 legislative change removing the minimum royalties from law, the board's rules now outline a provision whereby the records of the mining company's lease with private owners are inspected to arrive at a fair 'market rate' of royalties. The market rate then serves as the basis for the lease auction opening bid.

Examinations of the terms for private mineral leases within the Coyote Creek Mine indicate that the company's offer for bonus and annual rent of trust minerals is consistent with the prevailing local terms. However, the tonnage royalty offer is essentially what was offered to private parties in 2010 and 2011, and does not consider the compounding effect of the 3% annual increase that was also offered. Effectively, this caused a lower royalty rate for be offered for later leases, because the value of the annual escalator of earlier leases is not recognized.

Consistent with the current royalties of North American Coal Corporation's 2010 private mineral leases, the Commissioner suggested setting the combined base mineral and surface royalty at \$0.295 per ton of coal mined and removed, with a 3% annual increase.

Motion: The Board approved the terms and mineral and surface royalty rate at \$0.295 for the Coyote Creek coal leases which will serve as the base for the March 14 Mineral Lease Auction.

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

INVESTMENTS DIVISION

Draft Report – R. V. Kuhns Investment Study. In early 2013, investment consultant R. V. Kuhns (RVK) was hired to perform a comprehensive review of the Land Board's investment program. Most of the project was completed in 2013.

Through a series of meetings with the Board and staff, RVK gathered information about the trusts and the preferences of the Board related to both asset classes and implementation options. These meetings helped RVK understand the Board's reluctance to invest in illiquid alternative asset classes, the Board's interest in using passive products, to maintain a low cost investment program and the Board's concerns about transferring day-to-day investment responsibilities to either the State Investment Board or to other outsourced CIO firms.

Although many issues and topics were explored during the course of the study, the following points summarize the scope of the study and what is detailed in the final report:

- A recommendation for an asset allocation for the permanent trust funds (PTFs) that balances the Land Board's dual responsibilities to preserve the purchasing power and to maintain stable distributions, and also recognizes the Board's risk tolerance and current market conditions.
- A complete update of the Land Board's investment policies and procedures for the PTFs

that will help ensure that the Board meets its long-term goals and objectives for the PTFs.

- An analysis and recommendation as to the most appropriate way to transition from the Land Board's current asset allocation and policies to the recommended investment plan.
- Recommendations for establishing specific goals, objectives and investment policies for the Strategic Investment and Improvements Fund, taking into consideration the differences between the nature and the investment timeframe of the SIIF as compared to the PTFs, including liquidity and expendability.

Marcia Beard and Kristen Steffens from RVK were present and reviewed the draft report with the Board. Ron Klotter, who had worked extensively on the initial study portion of this project, recently announced that he is leaving RVK to accept another career opportunity.

The RVK representatives also presented a plan for the implementation phase of the asset allocation the the Board had previously approved.

As the effort moves from policy tasks to manager searches and implementation, there will be interaction with several different investment specialists within RVK.

The general approach to the implementation phase will be as follows:

Step 1: Review and recommend structure by asset class (Board meeting)

Step 2: RVK/Staff review the recommended managers for the specific mandates

Step 3: Discuss specific managers for consideration (Board meeting)

Step 4: RVK/Staff to complete manager interviews

Step 5: Recommended managers present to the Board for final approval (Board meeting)

The following table outlined a tentative working schedule for RVK, staff and the Board to complete the structure review and manager searches necessary to implement the asset allocation.

<p>February 2014 15th</p>	<ul style="list-style-type: none"> • RVK delivers report to Commissioner on all incumbent managers • RVK provides recommendations to Commissioner for each investment (i.e. retain, adjust mandate, or replace). Preliminary opinions are outlined on the subsequent pages
<p>27th</p>	<p>RVK here for Land Board meeting</p> <ul style="list-style-type: none"> • Deliver draft report of the Asset Allocation and Policy Development project • Review of incumbent managers and project schedule • Recommend and obtain Board approval for structure for equity portfolios
<p>March 2014 15th</p>	<ul style="list-style-type: none"> • RVK provides recommendations to the Commissioner and staff as to managers to interview for the required equity mandates.
<p>27th</p>	<p>RVK here for Land Board meeting</p> <ul style="list-style-type: none"> • Provide Board with a list of managers to be considered for various equity mandates. • Recommend and obtain Board approval for structure of alternatives portfolio (includes Core Real Estate, GTAA/Liquid Multi-Asset, and Diversified Inflation Strategies)
<p>April 2014</p>	

15 th	<ul style="list-style-type: none"> • RVK, Commissioner and staff complete equity manager interviews. • RVK provides recommendations to Commissioner as to managers to interview in the GTAA/Liquid Multi-Asset space • RVK works with Commissioner and Staff to determine proper structure for SIIF investments and recommendations for managers to interview
24 th	<p>RVK here for Land Board meeting</p> <ul style="list-style-type: none"> • Provide Board with a list of managers to be considered for GTAA/Liquid Multi-Asset mandate. • Recommend and obtain Board approval of equity managers for various equity mandates. • Review structure of SIIF investments with Board and review managers to interview for SIIF investments
<p>May 2014</p> <p>15th</p>	<ul style="list-style-type: none"> • RVK, Commissioner and staff complete GTAA/Liquid Multi-Asset manager interviews. • RVK provides recommendations to Commissioner as to managers to interview in the Core Real Estate space
29 th	<p>RVK here for Land Board meeting</p> <ul style="list-style-type: none"> • Provide Board with a list of managers to be considered for Core Real Estate mandate • Recommend and obtain Board approval of GTAA/Liquid Multi-Asset managers. • Recommend and obtain Board approval of cash equivalents managers for the SIIF
<p>June 2014</p> <p>15th</p>	<ul style="list-style-type: none"> • RVK, Commissioner and staff complete Core Real Estate manager interviews • RVK provides recommendations to Commissioner as to managers to interview in the Diversified Inflation Strategies space
26 th	<p>RVK here for Land Board meeting</p> <ul style="list-style-type: none"> • Provide Board with a list of managers to be considered for the Diversified Inflation Strategies space • Recommend and obtain Board approval of Core Real Estate managers.
<p>July 2014</p> <p>15th</p>	<ul style="list-style-type: none"> • RVK, Commissioner and staff complete Diversified Inflation Strategies manager interviews • RVK provides recommendations to Commissioner as to managers to interview in the fixed income space
31 ST	<p>RVK here for Land Board meeting</p> <ul style="list-style-type: none"> • Provide Board with a list of managers to be considered for the fixed income space • Recommend and obtain Board approval of Diversified Inflation Strategies managers

	<ul style="list-style-type: none"> Recommend and obtain Board approval for structure of various fixed income mandates
August 2014 15 th 28 th	<ul style="list-style-type: none"> RVK, Commissioner and staff complete Emerging Market Debt manager interviews <p>RVK here for Land Board meeting</p> <ul style="list-style-type: none"> Recommend and obtain Board approval of various fixed income managers

The schedule is tentative and can be adjusted if scheduling conflicts or other complications arise.

The first step of the implementation process involves the Board determining the performance structure of the permanent trusts' equity portfolio. RVK presented materials which explained recommended action.

Motion: **That the Board adopt the tentative schedule shown above and approve an equity portfolio structure that consists of:**

- 100% passive US equities exposure, the exact structure of which (Russell 3000 vs. S&P 500 plus Russell 2000) will be determined based on negotiations with service providers.**
- 100% passive international developed market equity portfolio indexed to the MSCI World ex U.S. Index.**
- 100% active exposure to Emerging Market equities that will most like be split between two managers that have different investment approaches.**

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

REPORTS

Investment Performance Report for Quarter Ended December 31, 2013. The investment performance report covered the performance of the Land Board's investment program for the period of October 1, 2013 – December 31, 2013.

This report is prepared quarterly to evaluate the performance of the investment portfolio and the performance of the individual money managers. This report is on file at the Department of Trust Lands office.

Financial Statements. The Board reviewed the Financial Statement Summary and Total Assets by Trust as of December 2013. These reports are on file at the Department of Trust Lands office.

Report of Easements Issued by Land Commissioner. (01-17-14 through 02-17-14: No Board Action Requested)

BASIN ELECTRIC POWER COOP INC DUN-145-97-16-SE4, SW4	Electric Transmission Line	1/17/2014
BASIN ELECTRIC POWER COOP INC MCK-149-99-16-NE4, NW4, SE4 MCK-151-100-36-NW4, SE4, SW4 MCK-152-101-36-NE4, NW4, SE4	Electric Transmission Line	1/17/2014
BASIN ELECTRIC POWER COOP INC WIL-154-102-36-SW4 WIL-156-101-36-NE4 WIL-156-99-36-NW4, SE4, SW4	Electric Transmission Line	1/17/2014
STATOIL OIL AND GAS LP MCK-151-100-16-NW4	Multiple Pipelines	1/17/2014
ONEOK ROCKIES MIDSTREAM LLC WIL-155-99-16-NE4, NW4	Gas Gathering Pipeline	2/6/2014
MCKENZIE COUNTY WATER RES DIST MCK-153-94-36-NE4, SE4	Amend: Potable Water Pipeline	2/6/2014
DENBURY ONSHORE LLC BIL-141-101-21-NE4	Amend: Salt Water Pipeline	2/4/2014
TRIANGLE USA PETROLEUM CORPORATION MCK-152-102-36-SE4, SW4	Salt Water Disposal Well	2/6/2014
MCKENZIE ELECTRIC COOP INC, DUN-148-96-36-SW4	Drop Line-Electric Distribution Line	1/17/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-153-96-36-SE4, SW4	Gas Gathering Pipeline	1/17/2014
BRIDGER PIPELINE LLC DUN-147-96-36-NE4	Drop Line-Oil Gathering Pipeline	2/6/2014
ONEOK ROCKIES MIDSTREAM LLC DIV-163-100-36-SW4	Drop Line-Gas Gathering Pipeline	2/6/2014
ENABLE BAKKEN CRUDE SERVICES LLC MCK-149-96-16-SE4, SW4	Amend: Multiple Pipelines	2/5/2014
PETRO-HUNT LLC BRK-159-94-16-NW4	Access Road	2/5/2014
ENABLE BAKKEN CRUDE SERVICES LLC MCK-149-97-16-NE4, NW4	Amend: Multiple Pipelines	2/6/2014
QEP ENERGY COMPANY MCK-149-95-16-NW4	Drop Line-Multiple Pipelines	2/4/2014
PECAN PIPELINE (NORTH DAKOTA) INC MOU-153-90-16-SW4	Line-Gas Gathering Pipeline	2/6/2014
MEADOWLARK MIDSTREAM CO LLC DIV-163-100-36-SW4 (02/14)	Drop Line-Oil Gathering Pipeline	2/6/2014

SLAWSON EXPLORATION CO
MOU-152-92-14-SE4

Amend: Horizontal Oil Well

2/6/2014

ENABLE BAKKEN CRUDE SERVICES LLC
DUN-148-97-36-SE4, SW4

Amend: Multiple Pipelines

2/6/2014

PETRO-HUNT LLC
WIL-154-99-16-NW4

Amend: Access Road

2/5/2014

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations.

WEST DAKOTA WATER LLC
MCK-150-102-16-NE4, SE4

Access to School Land
(Provide Frac water to oil well site)

2/5/2014

A D J O U R N

There being no further business, the meeting was adjourned at 11:06 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 24, 2014**

The March 24, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:32 AM by Chairman Jack Dalrymple.

Members Present:

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

Members Absent:

None

Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Assistant Director, Energy Infrastructure & Impact Office
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director of Revenue Compliance
Rick Owings	Grants Assistant, Energy Infrastructure and Impact Office
Judith F. Schell	Administrative Assistant

Others in Attendance:

Marlyn Vatne	Powers Lake School
Jim Melchior	North American Coal
Brian Bjella	North American Coal
Carroll L. Dewing	North American Coal
Jay Volk	BNI Coal
Dale Niezwaag	Basin Electric Power Cooperative
Marcia Beard	RV Kuhns
Kristen Steffens	RV Kuhns
Todd Shupp	RV Kuhns

APPROVAL OF MINUTES

A motion to approve the minutes of the February 27, 2014 meeting was made by Mr. Jaeger and seconded by Mr. Stenehjem. Motion carried.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE (EIIO)

Energy Infrastructure and Impact Office (EIIO). Beach Community Ambulance Service – Award Use Adjustment. The Board awarded \$12.2 million to Emergency Medical System (EMS) and Fire Departments in November of 2013. These awards were made to emergency service providers experiencing impacts from oil and gas development.

Among those grants, the Beach Community Ambulance Service (BCAS) was provided two awards. One award was (G140149) for \$64,000 to assist with obtaining a manufactured home to be used as an ambulance crew quarters. The BCAS was also provided an award (G140146) for \$100,000 to assist in obtaining a new ambulance.

The BCAS has confirmed it's lack of funds to purchase a new ambulance. It has indicated obtaining the new ambulance is a priority over the manufactured home for crew quarters. The BCAS Board is requesting it be allowed to use the \$64,000 (provided in award G140149 for crew quarters) toward obtaining the new ambulance.

Motion: That the Board approve the use of the grant to the Beach Community Ambulance Service for a manufactured home for crew quarters in award number G140149, to be available for expenses for obtaining a new ambulance.

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

Energy Infrastructure and Impact Office. Watford City School and City Emergency Grant Request. Watford City, together with the McKenzie County Public School District #1 (MCPD), which serves the city and the surrounding area, have jointly requested special consideration for assistance related to \$23.3 million of infrastructure improvements needed for the construction of a new high school.

Recently MCPD voters approved the issuance of \$27 million school construction bonds for the purpose of building a new ~\$50 million high school to accommodate the significant student population growth. The debt issue will take the district to the top of its authorized debt ceiling, but substantial infrastructure improvements need to be implemented to accommodate the new construction.

The city is assisting the school district with the extensive infrastructure needed to accommodate the new facility, but the city is also highly leveraged for improvements in water supply and treatment in support of residential, commercial and industrial growth.

The joint request seeks \$11 million of emergency Oil and Gas Impact Grant Funds to be used for infrastructure specifically to support the new school and events center which are being built on an unimproved site.

Thus far in FY 2014, the Board has granted \$10 million to Watford City for infrastructure needs and \$3.17 million to the MCPD for a combination of safety improvements, classroom remodeling, and site preparation for the school location.

The Board has \$10.1 million within an unallocated 2014 contingency fund. The Energy Impact Office director suggested utilizing \$8 million of the \$10.1 contingency for a grant to Watford City and pledging \$3 million of the \$12.5 million targeted for K-12 schools in 2015 to the McKenzie County Public School District for infrastructure related to the anticipated school and event center.

The \$2.1 million remaining within the contingency balance may be used to supplement the amount set aside for the "general" grant round which is currently underway. The Energy Impact Office is currently reviewing 230 requests for \$47.5 million for the \$4 million that has previously been reserved for this purpose.

Motion: That the Board approve an \$8 million infrastructure grant to Watford City from the Oil and Gas Impact Grant Fund; and commit to an additional \$3 million to be awarded in FY 2015 to the McKenzie County Public School District #1 for construction related infrastructure.

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

Mercer County Coal Impact Loan Request. Mercer County has applied for a \$7.0 million coal impact loan from the Coal Development Trust Fund to finance the expansion and remodeling of the county courthouse and jail facility. In accordance with NDCC 57-62-02 and 57-62-03, loans may be made by the Land Board to counties, cities and schools that are impacted by coal development.

According to the statute, the criteria for determining eligibility for a loan are the same as those for an energy impact grant. In essence:

- Is the loan needed because of the impacts of coal development?
- Does the political subdivision need the money?

While the need for expanded and remodeled county facilities may not be directly attributed to coal production within the area; if there were no coal mining, the level of service needed within the county would be less. Increased oil activity in the area has also intensified activity in the area.

The county is in good financial condition and it could likely issue bonds. However, a loan from the Coal Development Trust Fund has a few advantages for the county, including:

- Less upfront costs to get the loan. With no bond council fees, closing costs or other expenditures involved in getting a coal impact loan.
- Coal impact loans do not count against the debt limits of the borrowing entity.
- Loan payments are taken directly out of the coal severance tax payments the county receives from the State Treasurer.
- If coal severance tax payments from the state permanently cease, the loan is cancelled and the county has no obligation to repay the loan.

The statute specifically states that loans shall be made at a rate of no more than 6%. Although in the past loans were made at less than market rates, more recent loans have been made at market based rates

The North Dakota Public Finance Authority indicates that if a county were to issue debt through the Authority, the AA rate for a 20 year revenue bond would be approximately 3%.

Motion: That the Board approve a coal impact loan of up to \$7.0 million, for a term of 20 years with a fixed interest rate at 3% to Mercer County for the expansion and remodeling of the county courthouse and jail facility.

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

MINERALS MANAGEMENT DIVISION

Approval of Mercer County Coal Leases to North American Coal Royalty Company. In response to a nomination and offer by North American Coal Royalty Company, in February 2014 the Board approved offering for lease several tracts in Mercer County for the production of coal.

The public hearing regarding the leasing of 1,879.99 net mineral acres, more or less, to North American Coal Royalty Company for the affiliated new Coyote Creek Mining Company in Mercer County was held at 10:30 A.M. on Friday, March 14, 2014 in the offices of the Department of Trust Lands.

Subsequent to the hearing, in which no views were expressed, the following Mercer County tracts were offered for lease (leases issued are up to the quarter section):

Township 142 North, Range 88 West

Section 06: Lots 2 – 7, SE4NW4, E2SW4, W2SE4

Township 142 North, Range 89 West

Section 02: Lots 1-2

Section 12: N2NE4, N2NW4

Township 143 North, Range 89 West

Section 24: SE4

Section 26: N2, SW4

Section 36: All

The 15 leases were offered at a royalty of \$0.15 per ton of coal mined and removed from the Leased Premises, combined with a tonnage royalty to the surface estate of \$0.12 per net surface acre- both with a 3% annual increase beginning January 1, 2012. This brings the effective 2014 combined royalty to \$0.295/ton, as approved by the Board. Additionally, the leases have initial bonuses of \$100/mineral acres as well as \$100/surface acre. They also require a yearly rental payment of \$5/surface acre and \$5/mineral acre. All leases are for 15 years with an option to extend for an additional 15 years.

Motion: That the Board approve the herein described 15 coal leases to North American Coal Royalty Company under the terms described, and to authorize the Commissioner to sign the leases.

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

Modification of Existing Coal Leases. The 2013 Legislature passed SB 2312, which removed the statutory royalty minimums for coal. The changes, codified under N.D.C.C. § 15-05-01, state in part that determination of “a royalty upon the coal as the board may deem fair and in the best interest of the state.” The bill also changed the statute to suggest that the Board may adjust the royalties of existing coal leases, if it determines the change to be in the best interests of the state.

The legislation was sought because the statutory royalty made the trust coal minerals potentially uneconomical to extract, causing mine operators to consider plans to avoid mining some of the trust and state minerals. With the law change, the Board has already approved modernized coal rules, an updated lease template, a surface damage addendum, and issued new leases for coal production to North American Coal Corporation.

Recently, the Commissioner received formal requests from both North American Coal Corporation and BNI Inc. to renegotiate the royalty of current leases both within active mines and in a planned project area where mining has not commenced.

Specifically, North American Coal Corporation requested that 13 leases for coal minerals that are currently being mined or anticipated to be mined within the Falkirk Mining Company of McLean County; and 14 leases within the Coteau Freedom Mine of Mercer County be lowered from their present 6% royalty rate. The leases in questions were issued from 2002 to 2010. North American would like to replace the current 6% royalty with a prevailing average private royalty rate paid within the respective mines which would be less than 2%. The company also wishes to have the adjustment retroactive to August 1, 2013, citing the effective date of the legislation.

The BNI request involves 5 leases within the proposed new mine southeast of Center in Oliver County. The leases were issued in 2012 at the statutory royalty rate of 6%. BNI secured the leases in advance of its mine permit application to the Public Service Commission. This mine is not yet in operation.

By general consensus the Board directed the Commissioner to undertake a review of items prior to offering a formal recommendation regarding the mining company requests:

- 1) Seek a legal review of the Board's authority to adjust existing leases that were issued with the statutory royalties in effect at the time of issuance.
- 2) Evaluate the value of lignite in the entire region and analyze the fair market value of lignite versus competing energy products to determine a methodology that considers the value of the trusts' lignite as compared with Powder River Basin Coal, natural gas, or lignite coal in other parts of the
- 3) Examine individual coal leases to determine which tracts may not be mined because the existing royalty rate makes the coal uneconomical to access and extract.

Following this review and evaluation, the Commissioner will offer a recommendation to the Board regarding the possible renegotiation of coal royalty rates.

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

Consideration of Large Cap Domestic and Developed International Equity Index Managers. Marcia Beard, Kristen Steffens, and Todd Shupp from R.V. Kuhns (RVK) met with the Board to continue the asset allocation implementation process.

The first item addressed was the search for passive index managers for both large cap U.S. equities (S&P 500) and large cap developed market international equities (MSCI World ex US).

State Street Global Advisors, Northern Trust and Blackrock submitted cost proposals. These companies are three of the largest and most successful index managers in the world. The Board has invested with two of these firms for some time.

The combination of existing relationships, substantial investments and negotiations resulted in reasonable pricing offers from all three vendors.

While all of the firms offered competitive fees, the fee proposed by SSGA to manage both accounts on the Board's behalf was better than the others.

Index	Size	BlackRock		Northern Trust		SSGA	
		Stand Alone	Both Mandates	Stand Alone	Both Mandates	Stand Alone	Both Mandates
S&P 500	\$365 million	1.55 bps \$56,500	1.55 bps \$56,500	1.5 bps \$54,750	1.25 bps \$45,625	2.0 bps \$73,000	1.2 bps \$43,800
MSCI World ex US	\$305 million	4.66 bps \$142,000	4.66 bps \$142,000	4.0 bps \$122,000	3.0 bps \$100,000	3.5 bps \$106,750	2.5 bps \$76,250

Because of the Board's long-term existing investment relationship with State Street, the Commissioner believes that a formal confirmation process and Board interview is unnecessary.

Motion: That the Land Board hire SSGA to manage both a S&P 500 Index Fund and a MSCI ACWI ex US Index Fund for the permanent trusts.

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

In the next several meetings, the Commissioner and RVK will present recommendations to the Board on options for the small cap portion of both domestic and international equities.

Review of Emerging Market Equity and Global Tactical Asset Allocation Options. RVK provided the Board with background on Emerging Market Equity and Global Tactical Asset Allocations and their role in the permanent trusts' asset allocation, and RVK sought the Board's direction on the structure of investments within this class.

Motion: **For RVK and staff review and interview the investment firms: DFA (Dimensional), Franklin Templeton and Harding Loevner as potential candidates for the emerging markets equity portion of the permanent trusts' portfolio, and to provide recommendations to the Board.**

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

Motion: **To direct RVK and staff to review and interview investment firms: Grantham, Mayo, Van Otterloo (GMO), PIMCO and Westwood Group as potential candidates for the Global Tactical Asset Allocation portion of the permanent trusts' portfolio and to provide recommendations for the Board.**

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

The Operations section of the agenda, including consideration of rules with a consolidated fee schedule was tabled until a future Land Board meeting.

REPORTS

Report of Easements Issued by Land Commissioner. (02-18-14 through 03-17-14: No Board Action Requested)

ND DEPT OF TRANSPORTATION
WIL-155-102-36-LOTS 1,2,5,6

Road Right-of-Way

3/5/2014

RESERVATION TELEPHONE COOP
BRK-160-91-16-SE4, SW4
BRK-160-91-36-NW4

Communication Cable – Buried

2/25/2014

MIDSTATE TELEPHONE COMPANY
BRK-160-91-16-SE4, SW4
BRK-160-91-36-NW4

Communication Cable – Buried

2/24/2014

HILAND OPERATING LLC MOU-153-93-36-SE4 NORTH OF HWY, SE4 SOUTH OF HWY	Gas Gathering Pipeline	2/25/2014
HILAND CRUDE LLC MOU-153-93-36-SE4 NORTH OF HWY, SE4 SOUTH OF HWY	Oil Gathering Pipeline	2/25/2014
1804 OPERATING LLC MCK-149-95-36-LOTS 3,4	Salt Water Disposal Well	2/24/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-157-92-15-N2NW4, SE4NW MOU-157-92-16-NE4NE4, LOTS 1,2	Electric Distribution Line - Above Ground	3/6/2014
MOR-GRAN SOU ELECTRIC COOP INC GRA-136-86-10-N2SE4, N2SW4	Electric Distribution Line - Above Ground	3/12/2014
PETRO-HUNT LLC MOU-158-94-16-SE4	Salt Water Pipeline	2/24/2014
FIDELITY EXPLOR & PRODUCTION CO MOU-155-91-34-SW4	Oil Gathering Pipeline	2/27/2014
WEST RIVER TELECOMMUNICATIONS COOP MOR-135-83-36-NE4, NW4, SW4	Communication Cable – Buried	2/24/2014
WEST RIVER TELECOMMUNICATIONS COOP MOR-135-83-36-NE4, NW4, SW4	Easement Release	2/28/2014
WHITING OIL AND GAS CORPORATION MOU-155-91-34-SW4	Amend: Gas Gathering Pipeline	2/24/2014
WHITING OIL AND GAS CORPORATION MOU-155-91-30-NE4	Drop Line-Gas Gathering Pipeline	2/25/2014
QEP ENERGY COMPANY MCK-149-95-16-NE4	Access Road	3/6/2014
QEP ENERGY COMPANY MCK-150-95-16-NE4	Amend: Horizontal Oil Well	2/19/2014
MCKENZIE ELECTRIC COOP INC DUN-147-96-36-NE4	Drop Line-Buried Electric Distribution Line	2/27/2014
MEADOWLARK MIDSTREAM CO LLC WIL-156-99-36-NW4, SE4, SW4	Amend: Oil Gathering Pipeline	2/28/2014

A D J O U R N

There being no further business, the meeting was adjourned at 11:50 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
April 23, 2014**

The April 23, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 1:00 PM by Chairman Jack Dalrymple.

Members Present:

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

Members Absent:

None

Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Administrator, Energy Infrastructure & Impact Office
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director, Revenue Compliance Division
Rick Owings	Grants Assistant Energy Infrastructure and Impact Office
Judith F. Schell	Administrative Assistant

Others in Attendance:

Sue Gunderson	Powers Lake School
Marlyn Vatne	Powers Lake School
Brian Rosencrans	Powers Lake School
Roger Helseth	Powers Lake School
Brian Bjella	North American Coal
Jim Melchior	North American Coal
David Straley	North American Coal
Nick Smith	Bismarck Tribune
Marcia Beard	RV Kuhns
Kristen Steffens	RV Kuhns

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 March 24, 2014 meeting was made by Secretary of State Al Jaeger and seconded by Attorney General Wayne Stenehjem. Motion carried.

E N E R G Y I N F R A S T R U C T U R E A N D I M P A C T O F F I C E (E I I O)

Energy Infrastructure and Impact Office. Grant Recommendations for 2014 General Grant Round. The focus for the General Energy Impact 2014 grant round is for political subdivisions without an established stand-alone grant round. This round included applications from (04/14)

townships, counties, park districts, water resource districts and other taxing political subdivisions. The office accepted applications from January 3 through February 28, 2014. The office received and reviewed 230 grant applications with \$47,519,309 of total requested funds. The Land Board had previously targeted \$4 million for this grant round.

Throughout March, the Energy Impact Office (EIO) staff traveled the entire area and met in fifteen group meetings, followed by individual interviews with applicants. Information was put to use during the application scoring process. Staff traveled the township and county roads noting safety issues and roads realizing the greatest impacts from oil development. Staff from the EIO evaluated the applications giving consideration to the established criterion:

- objective
- public safety
- financial need including revenue streams
- project readiness and achievability
- contribution to long term economic activity
- direct result of oil and gas production activity

All applications were reviewed by the Energy Infrastructure and Impact Grants Advisory Committee made up of county commissioners, mayors, a township officer, emergency manager, an industry representative and two state agency officials.

The advisory committee input, as well as county oil drilling and production statistics were utilized in formulating recommendations to the Land Board. Infrastructure needs with impacts as a direct result of oil and gas development were considered. The advisory committee and staff emphasize that all of the applying political subdivisions have legitimate needs and have submitted justifiable requests but the grants recommended by the committee to receive Oil and Gas Impact Grant Funds are dominated by projects to address safety issues.

The following list includes recommended awards identified by the EIO staff and Advisory Committee with possible awards totaling \$6,104,494. In addition to the \$4 million set aside for awards during this grant round, the EIO is recommending that the FY 2014 contingency funds be drawn upon for awards totaling \$6.1 million.

2014 General Grant Round - Award Recommendations

POLITICAL SUB NAME	CITY	COUNTY	APP NUMBER	SHORT DESCRIPTION	AMOUNT REQUESTED	LONG DESCRIPTION	SAFETY PORTION OF APPLICATION AWARD IS RECOMMENDED FOR:	RECOMMENDED AWARD AMOUNT
ARNEGARD TOWNSHIP	ALEXANDER	MCKENZIE	A140596	HIGHLY TRAVELED AND OIL IMPACTED ROAD, RUTTED, EXPOSED SURFACE, IN NEED OF SHAPING AND RESURFACING TO MAINTAIN SAFETY	\$175,000	5 MILES OF ROAD THAT WERE BUILT IN THE 1940'S WITH A MOTOR GRADER. THESE ROADS WERE IN GOOD SHAPE AND HAVE BECOME IN DISREPAIR BECAUSE OF THE IMPACT DEVELOPMENT IN THE AREA. VERY LITTLE SURFACE LEFT ON THE ROAD, IT BECOMES SLIPPERY AND RUTTED UP.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$175,000
AUSTIN TOWNSHIP	PALERMO	MOUNTRAIL	A140520	IMPROVE ROAD INTEGRITY FOR SAFETY, HEAVY OIL TRUCK ACTIVITY. PERFORM INSLOPE REPAIRS	\$120,000	3 SPOTS WHERE GRADE RAISES WERE PERFORMED IN 2011/2012. THESE AREAS ARE IN NEED OF INSLOPE REPAIRS.	Entire applications is a single safety related project	\$120,000

BICKER TOWNSHIP	TIOGA	MOUNTRAIL	A140485	DUE TO HIGH OIL FIELD TRAFFIC, ROAD CONSTRUCTION IS NEEDED	\$200,000	IMPROVE EAST SIDE OF SECTION 23- 1/2 MILE; EAST SIDE OF SECTION 14- 1 1/2 MILES; EAST SIDE OF SECTION 27- 1 MILE.	Entire applications is a single safety related project	\$200,000
BILLINGS COUNTY	MEDORA	BILLINGS	A140491	SAFETY AND DAMAGE ON OIL IMPACTED HIGHLY TRAVELED COUNTY ROAD - ROAD MAINTENANCE	\$224,000	GRAVEL FOR 30TH STREET. 4" LIFT FOR 6.5 MILES AT APPX. 1,700 CUBIC YARDS PER MILE. TOTAL AMOUNT OF GRAVEL 11,220 CUBIC YARDS AT \$20.00/CUBIC YARD \$224,400.	Entire applications is a single safety related project	\$200,000
BLOOMING PRAIRIE TOWNSHIP	CROSBY	DIVIDE	A140483	WITH HIGH OIL FIELD TRAFFIC, NEED TO REPAIR ROAD GRADES ON 106TH STREET	\$50,000	REPAIR ROAD GRADES ON 106TH STREET DESTROYED BY OIL TRAFFIC. ROAD SUPERINTENDENT ESTIMATES \$50,000 TO COMPLETE THE PROJECT.	Entire applications is a single project, has safety aspects	\$50,000
BLOOMING VALLEY TOWNSHIP	NOONAN	DIVIDE	A140458	HIGH OILFIELD TRAFFIC RESULTING IN THE NEED FOR ROAD MAINTENANCE	\$50,000	10 MILES NEED TO BE BUILT UP IN LOW SPOTS AND GRAVELED EXTENSIVELY. 6 MILES ON 110TH AVE NW AND 4 MILES ON 98TH ST NW. GAS PIPELINE IS GOING TO BE INSTALLED THIS SUMMER, WHICH WILL INCREASE TRAFFIC ON THESE ROADS.	Entire applications is a single project, safety related	\$50,000
BLUE BUTTE TOWNSHIP	KEENE	MCKENZIE	A140604	HIGHLY TRAVELED AND OIL IMPACTED ROAD NEEDING ROAD RESURFACING TO MAINTAIN SAFETY	\$100,000	ROADS HAVE HIGH TRAFFIC FROM OILFIELDS AND TO KEEP ROADS SAFE, ROADS NEED TO BE RESURFACED. COST ESTIMATED AT \$30,000/ MILE.	This application is for a single project to maintain safety on roads with significant oilfield traffic	\$100,000
BONETRAILL TOWNSHIP	GRENORA	WILLIAMS	A140464	ADDRESS SIGNIFICANT OIL IMPACTS TO ROADS FROM HEAVY OIL FIELD EQUIPMENT TRAFFIC. ROAD REPAIRS	\$25,000	RESHAPE THE ROAD SURFACE, REMOVE EXPOSED ROCKS, AND GRAVEL AND BLADE. 67TH, 68TH, 149TH AVE NW, 150TH AVE NW AND 72ND ST. VERY HEAVY SEMI TRAFFIC , ALONG WITH TRAFFIC FROM RIG MOVERS, WORKOVER RIGS, AND WELL MAINTENANCE.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$25,000
BROOKBANK TOWNSHIP	STANLEY	MOUNTRAIL	A140540	FOR SAFETY, NEED TO FIX BLIND HILLS AND ROAD REPAIRS ON 84TH AVE NW	\$65,000	2 BLIND HILLS TO LOWER FOR BETTER VISIBILITY. 84TH AVE NW COMING OFF 53RD SREET, THEN 3/4 MILE SOUTH. SECOND HILL IS WHEN 84TH AVE GOES SOUTH OF 53RD ST. 1 1/2 COMES TO A "T" AND GOING BACK TO THE EAST 1/4 MILE.	Applications has two hill cut down projects, safety related	\$65,000
BURKE COUNTY	BOWBELLS	BURKE	A140634	BURKE COUNTY ROAD 7 ROADWAY RECONSTRUCTION	\$540,984	ROADWAY WILL BE WIDENED IN ORDER TO PROVIDE A 28 FOOT WIDE TOP WIDTH. DRAINAGE IMPROVEMENTS WILL INCLUDE REPLACEMENT OF ALL EXISTING CENTERLINE AND APPROACH CULVERTS AND RAISING THE ROADWAY.	Widening road and improvements planned will provide improved safety.	\$200,000

BURKE TOWNSHIP	PALERMO	MOUNTRAIL	A140460	ROAD MAINTENANCE	\$40,000	REQUESTING \$40,000 TO ASSIST IN ROAD MAINTENANCE AND GRAVEL. PLANNING TO APPLY 300-400 YARDS OF GRAVEL PER MILE ON APPX 20 MILES OF ROADS. EXPECTING 17 NEW WELLS TO BE DRILLED IN 2014.	Roads are in need of gravel to maintain safety	\$40,000
CRANE CREEK TOWNSHIP	STANLEY	MOUNTRAIL	A140555	HIGH TRAFFIC OIL IMPACTED ROADS, NEED ROAD CONSTRUCTION FOR SAFETY	\$300,000	HIGH TRAFFIC OIL IMPACTED ROADS, NEED ROAD CONSTRUCTION TO ADDRESS SAFETY. ROAD CONSTRUCTION INCLUDES GRAVEL FOR ROADS AND IMPROVEMENTS TO ADDRESS SAFETY ISSUES.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$200,000
DEBING TOWNSHIP	ROSS	MOUNTRAIL	A140470	IMPACTS FROM HIGH OILFIELD TRAFFIC, ROAD MAINTENANCE NEEDED TO MAINTAIN SAFETY	\$5,000,000	ROADS NEED EXCESSIVE MAINTENANCE AND REBUILDING DUE TO HIGH TRAFFIC FROM OIL ACTIVITY. PLAN TO GRAVEL 10-15 MILES, REPAIR/REBUILD 15-20 MILES. POSSIBLY REPLACE SOME CULVERTS DUE TO HIGH WATER LEVELS. ESTIMATE OF \$200,000 TO \$500,000/ MILE TO FIX AND REBUILD ROADS	This application contains 2 projects, both addressing safety on highly traveled oil impacted roads	\$200,000
DELHI TOWNSHIP	SENTINEL BUTTE	GOLDEN VALLEY	A140531	DUE TO OIL FIELD TRAFFIC, ROAD RENOVATION ON 157TH AVE SW AND 28TH STEET SW	\$122,380	RENOVATION OF 2 MILES OF ROAD ON THE EAST SIDE OF THE TOWNSHIP, REMOVE FENCES, BUILD UP THE ROAD AND SURFACE THE ENTIRE 2 MILES. THIS WILL NECESSITATE THE REMOVAL OF NUMEROUS TREES AND EXTENSION OR REPLACEMENT OF CULVERTS.	Culverts and gravel - \$80,000. Fencing excluded	\$80,000
DUNN COUNTY	MANNING	DUNN	A140607	SAFETY ON HIGH TRAFFIC ROAD USED BY OILFIELD - FIRST STREET NW SAFETY PROJECT	\$750,000	REQUESTING ASSISTANCE FOR ROAD MAINTENANCE FROM 95TH AVE NW TO 92ND AVE NW ON 1ST ST NW. HIGH TRAFFIC DUE TO OIL ACTIVITY. VERY NARROW ROAD WITH A BLIND INTERSECTION AND A HILL THAT NEEDS TO BE LOWERED.	This application is for a single project to address safety on a road being used and impacted by oilfield traffic.	\$200,000
ELKHORN TOWNSHIP	WESTBY	DIVIDE	A140603	ROAD IMPROVEMENTS NEEDED TO ADDRESS SAFETY.	\$20,000	REPLACE 3 CULVERTS, WIDEN 145TH AND 107TH, IMPROVE 3 INTERSECTIONS.	Entire applications is a single safety related project	\$20,000
HARAM TOWNSHIP	SOURIS	BOTTINEAU	A140490	HAZARDOUS CURVE AND INTERSECTION A SAFETY ISSUE ON HAUL ROAD.	\$30,000	3RD AVE NE AND 107TH STREET NE. CUT DOWN A HILL, RESHAPE THE INTERSECTION, AND REMOVE NEARBY TREES. STRAIGHTEN A HAZARDOUS CURVE ON 107TH AVE NE, 1/2 MILE WEST OF THIS INTERSECTION.	The application identified two projects, both safety related.	\$30,000

HARDSCRABBLE TOWNSHIP	WILLISTON	WILLIAMS	A140630	REPAIRING 3 MILES OF HEAVILY TRAVELED AND IMPACTED UNSAFE OIL FIELD TOWNSHIP ROADS	\$61,000	45TH STREET OFF OF COUNTY ROAD 5 NEEDS TO HAVE THE ROAD BUILT UP WITH GRAVEL DUE TO EXTENSIVE OIL TRAFFIC.	Entire applications is a single safety related project	\$61,000
HAWKEYE VALLEY TOWNSHIP	KEENE	MCKENZIE	A140515	DANGEROUS INTERSECTION, VERY HIGH RISK FOR ACCIDENTS FROM OILFIELD TRAFFIC.	\$86,300	LOCATED ALONG HIGHWAY 1806 EAST AND THE TURN ONTO 40TH ST NW. RAISING THE ROADWAY APPX 4 FEET AND STARTING AT LEAST 300 FEET BACK IN ORDER TO ACHIEVE WIDENING THIS INTERSECTION.	Entire applications is a single safety related project	\$86,300
HAYLAND TOWNSHIP	WILDROSE	DIVIDE	A140473	REBUILD DANGEROUS GILLUND GRADE AND GRAVEL 5 MILES	\$40,000	REBUILD GILLUND GRADE ON SOUTH SIDE OF SECTION 6. GRADE IS HIGH AND DANGEROUS. GRAVEL NORTH SIDE OF SECTIONS 3 AND 4, WEST SIDE OF SECTIONS 4 AND 9, AND WEST SIDE OF SECTION 29 DUE TO OIL TRAFFIC.	Entire applications is a single safety related project. Request is for less than 1/2 of the project cost	\$40,000
HEBRON TOWNSHIP	WILLISTON	WILLIAMS	A140589	FOR SAFETY, NEED TO IMPROVE A MINIMUM MAINTENACE ROAD BEING USED REGULARLY BY THE OILFIELD. REBUILD 6/10 OF A MILE	\$53,900	REQUESTING FUNDING ON THE SECTION LINE OF 59TH STREET BETWEEN 151ST AND 152ND AVENUE NW. ROAD IS SEEING INCREASED USE BY THE OILFIELD, ESPECIALLY THOSE USING GPS. FOR SAFE USE, ROAD NEEDS IMPROVEMENTS.	This application is for a single safety related project.	\$53,900
IDAHO TOWNSHIP	STANLEY	MOUNTRAIL	A140636	83RD AVE NORTH IMPROVEMENTS NEEDED TO ADDRESS SAFETY	\$230,000	GRADE RAISE OF ROADS IN 2 PLACES. TOTAL OF 900 FEET IN LENGTH, COMPACTION, AND REGRAVEL.	Entire applications is a single safety related project	\$200,000
JAMES HILL TOWNSHIP	STANLEY	MOUNTRAIL	A140649	CORRECT DAMAGE AND ROAD WEAR FROM OIL TRAFFIC INCREASES - RECONSTRUCTION OF ROADS AND GRAVEL	\$75,000	REQUESTING FUNDS TO REPAIR A TOWNSHIP ROAD THAT WAS IMPACTED BY A SALTWATER SPILL ON A TANK BATTERY. GRAVEL FOR REBUILDING ROADS.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$75,000
KEENE TOWNSHIP	CHARLSON	MCKENZIE	A140562	FOR SAFETY, NEED TO REBUILD 1 MILE AND BUILD 1 NEW MILE GRAVEL ROAD	\$500,000	HIGH DEGREE OF IMPACT FROM INCREASING OILFIELD ACTIVITY. FINISH BUILDING THRU ROAD FOR TRUCK TRAFFIC ON 41ST FROM 114TH AVENUE TO US 1806.	This application contains 2 projects, both addressing safety on highly traveled oil impacted roads	\$200,000
KNIFE RIVER TOWNSHIP	NEW TOWN	MOUNTRAIL	A140519	INCREASED OILFIELD TRAFFIC MAKING 46TH STREET HILL DANGEROUS	\$450,000	VERY STEEP WINDING HILL WITH POOR VISIBILITY. VERY DIFFICULT TO DRIVE, CAUSING TRUCKS TO GET STUCK AND BLOCK TRAFFIC. HIGH TRAFFIC AREA FOR OIL AND SALTWATER TRUCKS.	This is application is for a single safety project	\$200,000

LINCOLN VALLEY TOWNSHIP	FORTUNA	DIVIDE	A140446	ROAD MAINTENANCE AND DUST CONTROL	\$1,000,000	CONTINUATION OF REBUILDING 96TH ST NW AND MAINTAINING CURRENT ROADS. DURING ROAD CONSTRUCTION ON HWY 5 AND 85, VEHICLES DETOURED ONTO TOWNSHIP ROADS IN ORDER TO AVOID CONSTRUCTION. AS A RESULT THE ROADS HAVE LITTLE OR NO GRAVEL LEFT. DUST CONTROL NEEDED.	Entire applications is a single safety related project. Exclude \$50,000 as an estimate for dust control.	\$200,000
LINDAHL TOWNSHIP	MCGREGOR	WILLIAMS	A140639	HEAVY OILFIELD TRAFFIC RESULTING IN NEEDED REPAIRING OF ROADS AND DITCHES	\$100,000	DUE TO HEAVY AND CONSTANT OIL FIELD ACTIVITY, ROADS ARE IN BAD SHAPE. REQUESTING FUNDS TO FIX THE ROADS AND RESHAPE DITCHES.	Entire applications is a single safety related project	\$100,000
LOWLAND TOWNSHIP	DONNYBROOK	MOUNTRAIL	A140622	DUE TO HEAVY OIL FIELD TRUCKS, ROAD CARRYING BARRIER BREAKOUTS	\$43,208	ROAD CARRYING LOAD BARRIER BREAK OUTS DUE TO HEAVY LOADS AND HIGHER TRAFFIC LOADS.	Entire applications is a single project, has safety aspects	\$43,208
LUCY TOWNSHIP	POWERS LAKE	BURKE	A140625	SAFETY REBUILD OF ROAD DUE TO HEAVY LOADS FROM OILFIELD TRAFFIC	\$48,250	SAFETY REBUILD OF 90TH STREET DUE TO OIL FIELD TRAFFIC CAUSING THE COLLAPSE OF ROAD SIDES. RIP RAP WILL BE ADDED, ALSO UPON COMPLETION DUST CONTROL WILL BE INCLUDED.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$48,250
MCALMOND TOWNSHIP	PLAZA	MOUNTRAIL	A140461	DAMAGED OIL IMPACTED ROADS - GRAVEL NEEDED TO FIX TOWNSHIP ROADS	\$200,000	GRAVEL APPX 20 MILES OF ROADS THAT HAVE BEEN AND CONTINUE TO BE IMPACTED BY ADDITIONAL OIL FIELD TRAFFIC.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$200,000
MCGAHAN TOWNSHIP	BLAISDELL	MOUNTRAIL	A140561	DAMAGE ON IMPACTED ROADS A CONCERN DUE TO SIGNIFICANTLY INCREASED OIL RELATED TRAFFIC. MAINTAINENCE AND GRAVELING OF ROADS NEEDED TO ENSURE SAFETY.	\$48,000	DAMAGE TO IMPACTED ROADS NEEDS TO BE ADDRESSED. GRAVEL FOR ROADS THAT GO TO GRAVEL PITS, A SALTWATER DISPOSAL AND THE RAILROAD TRACKS. 8 MILES OF ROAD AT 500 YARDS/MILE AT \$12.00 PER YARD.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$48,000
MCKENZIE COUNTY	WATFORD CITY	MCKENZIE	A140616	WITH OIL RELATED GROWTH, OFFICE SPACE ADDITION NEEDED FOR THE SHERIFF'S DEPT.	\$452,875	THIS ADDITION WOULD GO ON THE WEST SIDE OF THE COURTHOUSE AND PROVIDE A NEEDED INCREASE IN OFFICE SPACE AND FUNCTION FOR THE SHERIFF'S DEPARTMENT OFFICES.	The project in this application is safety related given the increased activity level being experienced in McKenzie County from the oilfield.	\$200,000
MINNEHAHA TOWNSHIP	BOWMAN	BOWMAN	A140428	DANGEROUS HILLS ON OILFIELD ROADS, NEED TO BE CUT DOWN TO IMPROVE VISIBILITY. REBUILD HILL SECTION FOR SAFETY.	\$50,000	OIL RELATED ACTIVITY AND TRAFFIC ARE DANGEROUS ON THE SECTION OF ROAD WHERE TWO HILLS ARE SEPARATED BY A LOW AREA. VISIBILITY IS LIMITED AND THE HILLS NEED TO BE CUT DOWN. BACKSLOPING WILL ALLOW FOR SAFER VEHICLE TRAVEL.	Entire applications is a single safety related project	\$50,000

MOUNTRAIL COUNTY	STANLEY	MOUNTRAIL	A140492	LAW ENFORCEMENT CENTER	\$2,500,000	2008 DEPARTMENT CONSISTED OF 11 PEOPLE. 2014 HAS INCREASED TO 27 PEOPLE. THE CURRENT 12 BED FACILITY IS INADEQUATE. COUNTY SPENT \$51,695 TO HOUSE PRISONERS AT THE RUGBY JAIL.	This application addresses safety issues developing from increased law enforcement needs. For Architecture & design costs	\$100,000
OAKLAND TOWNSHIP	PALERMO	MOUNTRAIL	A140450	UNSAFE ROAD WITH HEAVY OILFIELD TRAFFIC NEEDS IMPROVEMENT. BACKSLOPE 2 MILES OF ROAD	\$141,720	2 MILES OF OLD MUCKER DITCHES FROM 51ST STREET NORTH ON 71ST AVE . 3 MILES OF FENCE REMOVAL. \$126,720 FOR 2 MILES OF ROAD, AND \$15,000 FOR FENCE REMOVAL AND TO REBUILD THE FENCE.	Entire applications is a single safety related project	\$141,720
OLIVER TOWNSHIP	EPPING	WILLIAMS	A140431	HIGH TRAFFIC AND OIL IMPACTED ROAD IS IN NEED OF REPAIR TO MAINTAIN SAFETY	\$30,000	REPAIR SURFACE & GRAVEL- 125TH AVE FROM 66TH STREET TO 69TH STREET. PULL SHOULDER & GRAVEL- 72ND STREET FROM 125TH AVE NW TO WILLIAMS CTY 42. REPAIR SURFACE, POT HOLES AND REMOVE ROCKS AND GRAVEL- 121ST AVE FROM 66TH STREET TO 68TH STREET.	This application contains 3 projects, all to maintain safety on roads with significant oilfield traffic	\$30,000
PALERMO TOWNSHIP	PALERMO	MOUNTRAIL	A140452	DANGEROUS HIGH TRAFFIC OIL IMPACTED ROAD NEEDS TO BE WIDENED AND A NEW CULVERT INSTALLED	\$20,000	WIDEN THE ROAD AND INSTALL A NEW CULVERT ON 77TH AVENUE. HIGH TRAFFIC ROAD THAT CONNECTS HWY 2 TO OLD HWY 2. WATER ON BOTH SIDES OF THIS ROAD MAKE IT VERY DANGEROUS IF NOT REPAIRED.	Application contains a single safety related project	\$20,000
PARSHALL TOWNSHIP	PARSHALL	MOUNTRAIL	A140471	HAZARDOUS ROADS WITH SOFT SPOTS AND HEAVY OILFIELD EQUIPMENT. NEED TO REBUILD 3 MILES OF ROAD	\$450,000	REBUILD, RAISE, AND GRAVEL 3 MILES. 78TH AVE NW, 38TH ST NW BETWEEN 78TH AVE NW AND 76TH AVE NW. PLAN TO ADD FABRIC AND A NEW CLAY BASE TO THE REAL BAD AREAS.	This application contains 2 projects to rebuild 3 miles of road in total. All three miles are in need to maintain safety	\$200,000
PHERRIN TOWNSHIP	WILLISTON	WILLIAMS	A140600	HIGH VOLUME OIL TRAFFIC, NEED FOR 133RD AVE NW ROAD REPAIR PROJECT	\$276,000	2 MILES OF ROAD THAT HAVE A HIGH VOLUME OF OIL FIELD TRAFFIC DUE TO WELL SITES, DISPOSAL WELLS, AND OIL FIELD BUSINESSES. PROJECT INCLUDES CUTTING DOWN A HILL, AND TO WIDEN THE CORNER DUE TO POOR VISIBILITY. ADDITIONAL GRAVEL WILL THEN BE APPLIED.	Entire applications is a single project, safety related	\$200,000
PLEASANT VALLEY TOWNSHIP	TIOGA	WILLIAMS	A140435	HIGH TRAFFIC AND SEVERLY OIL IMPACTED ROAD NEEDS TO BE RECONSTRUCTED TO MAINTAIN SAFETY	\$120,000	26 MILES OF IMPACTED ROADS. PLANNING TO GRAVEL 12 MILES AT 500 YARDS/MILE, PLUS COST OF TRANSPORTATION ON SAID PRODUCT \$20/YD TOTAL IS \$120,000 .	This is application is for a single safety project	\$120,000

PLUMER TOWNSHIP	CROSBY	DIVIDE	A140568	ROAD REPAIR AND MAINTENANCE	\$50,000	DUE TO INCREASED OIL TRAFFIC, ROADS NEED GRAVEL, SPOT REPAIRING, AND GENERAL MAINTENANCE.	Entire applications is a single safety related project	\$50,000
POWERS TOWNSHIP	STANLEY	MOUNTRAIL	A140445	SAFTY CONCERNS REQUIRING ROAD REPAIR	\$67,200	GRAVEL AND BLADING ON THE WORST OF THE OIL IMPACTED ROADS. MAP INCLUDED IN THE APPLICATION.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$67,200
RAINBOW TOWNSHIP	RAY	WILLIAMS	A140524	GRAVELING AND ROAD REPAIR TO MAINTAIN SAFETY	\$200,000	BRIDGES TO REPLACE AS OIL EQUIPMENT CAN'T TRAVEL ON THESE SMALL NARROW BRIDGES. HEAVY TRAFFIC ON ROADS FROM OIL ACTIVITY.	Entire applications is a single safety related project	\$200,000
ROCK ISLAND TOWNSHIP	ALAMO	WILLIAMS	A140522	IMPACTS FROM PIPELINE DEVELOPMENT TRAFFIC RESULTING IN DRASTIC NEED FOR MAINTENANCE AND GRAVELING	\$40,000	MAINTAIN SEVERELY IMPACTED ROAD FROM PIPELINE TRAFFIC. BLADE AND GRAVEL 5 MILES OF ROAD. ADDITIONAL PIPELINE WORK WILL BE DONE THIS SUMMER.	Application is for a single project, addressing the safety needs of an impacted road.	\$40,000
ROSS TOWNSHIP	ROSS	MOUNTRAIL	A140481	HEAVELY IMPACTED ROADS FROM OIL TRAFFIC, NEED TO REPLACE GRAVEL AND CULVERTS FOR SAFETY	\$90,000	ROADS ARE HEAVILY IMPACTED DUE TO OIL ACTIVITY.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$90,000
ROUND PRAIRIE TOWNSHIP	WILLISTON	WILLIAMS	A140449	SAFETY CONCERN ON USE OF UNDEVELOPED & NEWLY DEVELOPED TOWNSHIP ROADS. MAINTENANCE OF NEW TOWNSHIP ROAD	\$15,000	REQUESTING TO FUND THE FIRST ROUND OF GRAVEL AND GRADING ON NEW ROADS. AN EXTENSION OF 148TH AVE NW SOUTH OF HWY 2, AN EXTENSION OF 151ST AVE NW SOUTH OF HWY 2, AND AN EXTENSION OF 49TH ST NW BETWEEN SECTION 27 AND 34.	Application contains one project, bringing a newly created township road up to a safe level.	\$15,000
SIDONIA TOWNSHIP	STANLEY	MOUNTRAIL	A140433	ROADS WITH WORST OF OIL IMPACT REQUIRING GRAVEL AND MAINTENANCE ON ROADS FOR SAFETY	\$150,000	HEAVY TRUCKS AND OTHER SERVICE EQUIPMENT BEAT UP THE ROADS. ROADS WERE NOT DESIGNED FOR HEAVY TRAFFIC. HEAVY OIL TRAFFIC ON WET ROADS CAUSE A MAJOR PROBLEM, WITH RUTS AND MANY SINKER ROCKS APPEAR, THAT MUST BE REMOVED AND ROADS HAVE TO BE REGRAVELED.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$150,000
SIKES TOWNSHIP	STANLEY	MOUNTRAIL	A140472	SAFETY ISSUES AT INTERSECTION & SOFT ROAD BED IMPACTING HEAVY OILFIELD EQUIPMENT. ROAD REPAIRS ALSO NEEDED.	\$200,000	SAFETY AT INTERSECTION OF THE ROAD GOING SOUTH FROM 50TH STREET THROUGH SEC. 28 & THE DITCH ON THE NORTH SIDE NEEDED TO BE RAISED. THE CURVE IN THE MIDDLE OF SEC. 33 NEEDS TO BE REBUILT TO ADDRESS SOFT ROAD BED & SAFETY ON THE CURVE.	Application contains two safety related projects	\$200,000

SIOUX TRAIL TOWNSHIP	ZAHL	DIVIDE	A140521	ROAD MAINTENANCE	\$35,000	MAINTENACE FOR 20 MILES OF ROAD INCLUDING GRAVEL , BLADING, AND HAULING GRAVEL \$52,000. MAINTENACE FOR 12 MILES SHARED WITH 3 OTHER TOWNSHIPS; GRAVEL, BLADING, AND HAULING GRAVEL \$17,400.	Roads are in need of gravel to maintain safety	\$35,000
SORKNESS TOWNSHIP	POWERS LAKE	MOUNTRAIL	A140577	DAMAGE FROM OILFIELD TRAFFIC AND IMPACTED ROADS - GRAVEL INVENTORY DEPLETED TO ADDRESS SAFETY ISSUES.	\$134,500	REQUESTING FUNDS FOR GRAVEL. KEEPING THE ROADS GRAVELED HELPS TO MAINTAIN THE ROAD BEDS AND ANY ADDITIONAL GRAVEL WILL BE USED FOR REPAIRING PORTIONS OF THE ROAD THAT BECOME DAMAGED DUE TO WET CONDITIONS AND OVER-WEIGHT TRUCKS.	The project in this application is safety related given the traffic that has been added by the oilfield.	\$134,500
TRENTON TOWNSHIP	TRENTON	WILLIAMS	A140444	FIX DAMAGE TO ROAD FROM OILFIELD TRAFFIC. RESHAPE, GRAVEL, DUST CONTROL, VEHICLE, MOTORGRADER, SALARY ASSISTANCE	\$298,000	RESHAPE 2 MILES OF ROAD AT \$50,000/MILE INCLUDING GRAVEL. GRAVEL FOR 3.5 MILES . DUST CONTROL FOR 3 MILES. PICKUP FOR MAINTENANCE. MOTORGRADER REPLACEMENT. PARTIAL SALARY ASSISTANCE FOR MAINTENANCE PERSON.	The project in this application is safety related given the traffic that has been added by the oilfield. Cover costs for: Reshape 2 miles-\$100,000, Gravel-\$33,600. Excluded Dust control, pickup, motor grader replacement and salary	\$133,600
TWELVE MILE TOWNSHIP	EPPING	WILLIAMS	A140469	HIGH OILFIELD TRAFFIC AND DAMAGED ROAD - REPAIR AND MAINTENANCE	\$150,000	EXTEND CULVERTS AND CLEAN DITCHES TO IMPROVE WATER FLOW. REMOVE TREES FROM DITCHES, REPAIR 53RD STREET, AND NUMEROUS GRAVEL PROJECTS.	This application contains several projects, all that seem safety related.	\$150,000
TWIN BUTTE TOWNSHIP	AMBROSE	DIVIDE	A140493	NEED TO ADDRESS SAFETY, DAMAGE AND IMPACTS FROM HEAVY OILFIELD RIGS - ROAD MAINTENANCE	\$25,500	REQUESTING FUNDING FOR GRAVEL. 2 MILES ON 97TH STREET, 1 MILE ON 101ST STREET, 3 MILES ON 129TH AVENUE SOUTH FROM 99TH STREET.	Entire applications is a single safety related project	\$25,500
WAYZETTA TOWNSHIP	NEW TOWN	MOUNTRAIL	A140576	SAFETY RISK TO HEAVY OILFILED EQUIPMENT USING ROADS WITH VERY SOFT ROAD BED IN FOUR SPOTS. REPAIRING AND REBUILDING DAMAGED ROADS	\$50,000	DUE TO SAFETY CONCERNS, 47TH ST NW JUST EAST OF 76TH AVE NW IS IN NEED OF ROAD REPAIRS. INSTALL CULVERTS, FABRIC ROADWAY, PACK TO GRADE, AND RIP RAP CULVERT ENDS. NEW CULVERTS & ROAD REPAIRS ARE ALSO NEEDED ON OTHER ROADS.	For Project #1, the most critical safety issue of the 4 areas identified. \$41,316	\$41,316
WILLIAMS COUNTY	WILLISTON	WILLIAMS	A140501	HIGH TRAVELED IMPACTED ROAD USED BY OIL INDUSTRY. COUNTY ROAD #15 PROJECT 2	\$600,000	PULVERIZING THE ROCK, SHAPING THE ROADWAY AND GRAVELING WITH BASE STABILIZER AND CHIP SEAL. 4 MILES OF ROAD.	Entire applications is a single safety related project	\$200,000

Number of Recommended Awards - 55

\$6,104,494

Motion: **That the Land Board adopt the Energy Impact Grants Advisory Committee and EIO recommendations for grant awards totalling \$6,104,494 from the Oil and Gas Impact Grant fund to the political subdivisions as identified in the preceding recommendation list.**

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

Energy Infrastructure and Impact Office 2013-2015 Biennium Status Update. The EIO provided a summary of oil and gas impact grant activities to date.

A total of eleven grant rounds have been held during FY 2014. The EIO directly managed seven grant rounds (City Infrastructure, two K-12 Schools, Dust Control Pilot Project, Fire Service Providers, Emergency Medical Service Providers and a General grant round). Four additional grant rounds (two Sheriff, an airport and a Higher Education grant round) were completed in coordination with the North Dakota Aeronautics Commission, the Bureau of Criminal Investigation, and the University System Chancellor's Office.

The Board approved several advisory committees with an increased focus the specific grant round underway.

A total of 653 applications have been processed. Of these requests, 293 grants were provided by the Board, thus 45% of applications received an award.

Applicants requested \$818,127,426 in funding, of which \$133,492,739 (16.3%) of awards have been approved by the Board. A total of \$35,238,848 has been pledged by the Board, to be formally granted in the subsequent fiscal year. Combining the pledged funds with awarded funds brings the total committed by the Board to \$168,731,587 which represents 20.6% of the total requests.

Summary of Awards for the 2013-2015 Biennium (as of April 23, 2014)

Round or Award	#Applications	Amount of Projects	Amount Requested	#Awards	Amount Awarded
Cities	115	\$831,599,364	\$661,401,695	27	\$61,666,162
Dust Control	3	\$7,500,000	\$3,000,000	3	\$3,000,000
Sheriffs	37	\$10,423,999	\$8,513,875	33	\$7,000,056
Airports	24	\$80,865,724	\$30,366,698	21	\$27,008,442
K-12	92	\$52,965,088	\$36,578,871	62	\$12,500,000
EMS	54	\$10,531,506	\$7,707,606	38	\$5,220,343
Fire	88	\$22,099,959	\$16,143,424	49	\$6,993,242
Higher Education	10	\$26,957,723	\$6,895,948	5	\$4,000,000
General	230	\$91,961,908	\$47,519,309	55	\$6,104,494
Totals	653	\$1,134,905,271	\$818,127,426	293	\$133,492,739

Pledges to Future Awards

Cities in FY 2015	\$31,158,848
Watford City Airport-FY14	\$1,080,000
McKenzie County PSD-FY15	\$3,000,000
Total Committed Funds	\$168,731,587

As of March 20, 2014, \$111.9 million has been deposited into the Oil and Gas Impact Grants Fund from Gross Production Tax collections.

As of April 14, 2014, \$22,516,239.39 has been reimbursed to completed projects. This amounts to 16.87% of the \$133,492,739 granted.

Legislative Designations. The legislative allocations for higher education, dust control, fire districts, sheriffs, and hub cities have been satisfied. Emergency Medical Services have received \$5,220,343 in grants, but \$7 million is designated. An additional grant round for EMS and Fire is scheduled September to November of 2014.

Within HB 1358, the 2013 Legislature identified \$103.5 million of the \$239,299,174 appropriation for oil and gas impact grants in the following designations:

Legislative Allocation	\$ Designated	Status
Counties experiencing new oil and gas development	\$5,000,000	Requirements not yet met by any county
Airports	\$60,000,000	\$27,008,442
Higher Education	\$4,000,000	Satisfied
Dust Control	\$3,000,000	Satisfied
Fire Districts	\$3,500,000	Satisfied
Emergency Medical Services (EMS)	\$7,000,000	\$5,220,343
Sherriff's Offices	\$7,000,000	Satisfied
Hub Cities (cap)	\$14,000,000	Satisfied

The Board has approved \$27 million of the \$60 million designated for airports. Section 9, paragraph 2 of House Bill No. 1358 reads:

No county has reached oil and gas development activity necessary to trigger an automatic grant under the threshold defined in Section 9 of HB 1358. The provision provides that a county that produced fewer than 100,000 barrels of oil before November 2012 and that has at least four rigs within the in the county in any one month, is to receive \$1.25 million of the \$5 million designated. Under a provision of SB 2013, any of the \$5 million that is not distributed as of January 1, 2015, may be utilized for other grants as determined by the Board.

Tioga Public School District-Request for Change of Use on Grants. Tioga Public School District recently opened bids for school construction and renovation projects. These bids came in \$1.7 million higher than estimates, budgeted, and bonding authorization approved by voters during a January school construction referendum.

The school board is requesting, a change of purpose be allowed on the following grants that the Land Board provided to Tioga PSD during fiscal year 2014:

Grant # G140042	\$180,000 TEMPORARY TEACHER HOUSING - ADD WATER/SEWER; Grant was provided for: electrical connections, 6 additional mobile housing units
Grant # G140218	\$279,000 ELEMENTARY KITCHEN/CAFETERIA; Grant was provided for: Kitchen/cafeteria needs resulting from increased student population.
Grant # G140219	\$115,000 SAFETY TPSD DOOR PROJECTS- HARDWARE AND LOCKS: Grant was provided for: Interior / Exterior Door Locks And Associated Hardware
Grant # G140220	\$ 56,000 TIOGA SCHOOL EAPC (ARCHITECT) CONVENTIONAL AND TEMPORARY; Grant was provided for: Design And Engineering Work For Temporary Classrooms, Preparation Of Bid Letting Documents For Conventional Construction
Total	\$630,000

The Director recommended approving the request, but suggested use of the funds be allowed with building site preparation and infrastructure for the new school. This would include dirt work, sewer and water extensions, electrical and/or other land enhancements necessary to ready the building site. Officials estimate the cost for this to be approximately \$446,423.

Motion: That the Board approve the use of the grants identified above to the Tioga Public School District, to be available for expenses for improvements of land and related infrastructure in preparation of building a new school or for the use identified in the original grant.

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

Tioga and Powers Lake School Officials had both sent letters to the Board seeking support for their local school construction efforts. Both schools were challenged with bids for construction that came in higher than available local resources.

Motion: That the Board approve a \$30,000 grant from the Oil and Gas Impact Grant Fund to the Tioga and Powers Lake School Districts for assistance in reviewing of financial options for the two districts' new school construction projects.

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

INVESTMENTS DIVISION

Global Tactical Asset Allocation Manager Recommendations. During its March 24, 2014 meeting the Board directed the Commissioner and RV Kuhns (RVK) to review money managers with a goal of developing recommendations for the 20% Global Tactical Asset Allocation (GTAA) allocation previously approved by the Board.

Based on total permanent trust assets of approximately \$3 billion at the end of February 2014, a 20% allocation to GTAA strategies totals approximately \$600 million.

On April 9, 2014, Commissioner Gaebe, Jeff Engleson and Levi Erdmann of the Department, along with representatives from RVK, interviewed the investment firms Grantham, Mayo, Van Otterloo (GMO), PIMCO (accompanied by Research Affiliates) and Westwood Holdings Group in RVK's Chicago offices.

The Commissioner and RVK recommend that this mandate be split equally among the three managers. This approach is recommended to provide the trusts' with a good risk/return profile compared with hiring any individual manager or any combination of two of the three managers.

Marcia Beard and Kristen Steffens from RVK discussed the recommendations of GTAA managers and introduced representatives of the firms to the Board.

Grantham, Mayo and Van Otterloo (GMO) – Edmund Bellord and Doug Keith. GMO is a privately owned firm that was founded in 1977 in Boston, Massachusetts. GMO's approach to investing combines both top-down quantitative analysis and bottom-up fundamental research.

The GMO Benchmark Free strategy is driven mainly by valuation based mean reversion. Although a quantitative model drives the asset allocation process, hands on research and analysis drives security selection. The portfolio invests primarily in GMO-managed mutual funds. The fee for this product, which is offered as a mutual fund (GBMBX), is 85 basis points

PIMCO/Research Affiliates - Rob Arnott (Research Affiliates), Mark Romano and Jeff Wilson. PIMCO was founded in 1977 and is located in Newport Beach, California. PIMCO is one of the largest money managers in the world and is currently owned by German based investment firm Allianz SE. Research Affiliates (RA) was founded in 2002 by Rob Arnott, and is primarily owned by its employees; it has been a leader in the development of fundamental (non-cap weighted) indexing.

In PIMCO's All Assets All Authority (AAAA) product, RA uses PIMCO managed mutual funds to make tactical asset allocation decisions to identify the most attractive asset classes and sectors in the current global economy/market cycle. This product combines PIMCO's ability to generate alpha with RA's quantitative models and research into a product that seeks to provide consistent real returns to investors. The fee for this mutual fund product (PAUIX) is 94 basis points.

Westwood Holdings Group – Mark Freeman and Jacqueline Finley. Westwood Holdings Group was founded in 1983 and is based in Dallas, Texas. The company is publicly traded, but 26% of the company's stock is held by employees and directors.

Westwood uses proprietary fundamental research to identify high quality companies with undervalued earnings and limited downside. The strategy uses income producing securities to make asset allocation decisions across a variety of attractively valued capital structures. Westwood offers this product in a number of different investment vehicles, with varied pricing. The product discussed is a separately managed account with a graduated fee schedule that will result in a fee of approximately 57 basis points on a \$200 million portfolio.

The Commissioner is researching the tax implications of certain securities used as part of Westwood's strategy and will seek the Board's guidance if it is ultimately determined that the firm's commingled fund or mutual fund vehicle is a better investment vehicle to gain exposure to Westwood's strategy.

It is important to note that because the recommended GMO and PIMCO investment products are both mutual funds, the fee schedules are set.

The Board discussed the use of mutual funds as an investment vehicle as opposed to separately managed funds.

Motion: That the Board authorize the Commissioner to enter into investment management agreements with Grantham, Mayo and Van Otterloo; PIMCO; and Westwood Holdings Group to enable investment in the identified products, with this mandate to be split proportionally between the three managers for the Board's allocation of 20% of the permanent trusts to Global Tactical Asset Allocation portfolios. The contracts are subject to final review and approval by the Attorney General.

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

Emerging Market Equity Manager Recommendations. Previously the Board directed the Department staff and RV Kuhns (RVK) to interview three money managers with a goal of creating recommendations for management of the emerging markets equity allocation of the permanent trusts' portfolio.

In its earlier adoption of the asset allocation, the Board discussed 3% of assets to be invested in emerging market equities. Based upon approximate February assets, 3% represents \$90 million based on total permanent trust assets of about \$3 billion.

On April 10, 2014, Department staff and representatives from RVK, interviewed the investment firms Harding Loevner, Dimensional Fund Advisors, and Franklin Templeton in RVK's Chicago offices. The interviews were conducted in the context of the emerging markets equity allocation

being split between two managers with different, low correlation approaches to investing. This strategy is expected to result in less the trusts with less volatility through diversification than hiring just one manager.

Marcia Beard and Kristen Steffens of RVK will introduced emerging market managers and discussed the manager recommendations with the Board.

Harding Loevner (HL) – Rick Schmidt and Steve Gannon. HL has been investing assets in global mandates since 1989 and is headquartered in Bridgewater, New Jersey. HL is owned approximately 40% by employees and management and 60% by Affiliated Managers Group, Inc., a global asset management firm.

HL's bottom-up approach to investing is backed by an analyst team that focuses on global sectors and industries, not countries. It employs a low turnover approach to investing that focuses on high-quality growth businesses that are reasonably priced. This strategy generally provides good downside protection and lags slightly on the upside. The fee for the newly created Class II mutual fund shares (HLEEX) is 115 bps, 15 basis points less than the fee charged for Class I shares.

Dimensional Fund Advisors (DFA) – John Law and Jessica Walton. DFA was created in 1981 and is headquartered in Austin, Texas. The firm is privately owned, with the majority of ownership held by the founders and senior management.

DFA believes that long-term stock returns are driven by market cap (small outperforms large) and valuations (value beats growth) over full market cycles. The result of DFA's top down approach results in a well-diversified portfolio of over 3,000 stocks and is not considered an enhanced index like product. This low-turnover approach to investing tends to do well in up markets, without capturing the full brunt of negative returns during down markets. The fee for this mutual fund (DFCEX) product is 63 basis points.

The Commissioner and consultants recommendation is that investment in the 3% allocation to Emerging Markets be evenly split between the two proposed managers. As the investment products are both mutual funds, the fee schedules are set in fund documents, and are not negotiable.

The Board discussed management fees and the process used to select investment firms for consideration

Motion: That the Board authorizes the Commissioner to enter into investment management agreement with Dimensional Fund Advisors to manage half of the Board's 3% emerging markets equity portfolio allocation for the permanent trusts, subject to final review and approval of the contract by the Attorney General.

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

Motion: That the Board authorize the Commissioner to enter into an investment management agreement with Harding Loevner to manage half of the Boards 3% emerging markets equity portfolio allocation for the permanent trusts, subject to final review and approval of the contract by the Attorney General.

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

The agenda item regarding the active investment to small cap equities was tabled to a subsequent meeting.

Dakota Spirit AgEnergy - Request for Modification of Loan Guarantee Terms. The 2013 Legislature expanded the biofuels loan guarantee program with the passage of SB 2287, which directed that up to \$25 million of the Strategic Investment and Improvements Fund be set aside to guarantee that up to 30% of loans related to the building of a biomass fuel production facility in Spiritwood, North Dakota. The Bank of North Dakota (BND) is responsible for managing this loan guarantee program and holding the funds that guarantee the loan. As the loan is paid down, the amount held by the BND to guarantee the loan will also decline. During the life of this program the SIIF will earn cash equivalent returns on the funds held at BND.

In June 2013 the Board adopted, an origination fee of 250 basis points (2.5%) of the total amount borrowed, of which 25 basis points (.25%) will be paid to the BND for administration. The Board also approved an annual fee of 50 basis points on the outstanding balance of the guarantee, half of which will go to the BND for administration.

In March 2014, the Department transferred \$18 million from the SIIF to the BND to serve as the guarantee of a \$60 million loan being secured by Dakota Spirit AgEnergy (DSA) for the construction of an ethanol plant. The project sponsors requested consideration of reducing the origination fee from 2.5% to 1%, referencing that the change would save \$270,000 of upfront costs. DSA cited their interpretation of legislative intent to have a low charge, though the law does not mention costs of the state guarantee.

The Commissioner compared the terms to other government programs for loan guarantee programs:

- USDA B&I guarantee is 3% origination and .5% annual
- SBA 7A guarantee program is 3.5% origination and .25% annual
- BND Beginning Entrepreneur Program is 2%
- USDA REAP is 1% origination and 1% annual

The Commissioner recommended no changes to the previously approved fee, citing that the project is owned by a standalone limited liability firm, separate from the strong credit rating of its holders and that the state loan guarantee is enabling the project to obtain \$60 million of senior debt.

Motion: That the Board lower the origination fee from 2.5% to 1% for Dakota Spirit AgEnergy (DSA) loan guarantee for the construction of an ethanol plant in Spiritwood, that is funded by the Strategic Investment and Improvements Fund (SIIF) .

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

REPORTS

Financial Statements. The Board reviewed the Financial Statement Summary and Total Assets by Trust as of January 2014. These reports are on file at the Department of Trust Lands office, no action was required.

City of Bismarck and Minot Park District Requests to Purchase Trust Land Under NDCC Ch. 15-09. The City of Bismarck has expressed interest in purchasing 4 acres in the northwest corner of the NW4 Section 36, T139N, R80W, Burleigh County for a fire station. An appraisal has been requested from Burleigh County as required under NDCC Ch. 15-09 and a second appraisal (04/14)

will be completed by a qualified commercial real estate appraiser. The City of Bismarck has agreed to pay for the appraisal and will make a final decision on proceeding with the purchase after the appraisal has been completed and a price is set by the Board.

The Minot Park District has submitted an application to purchase 240 acres in NW4 & N2SW4 Section 16, T155N, R83W, Ward County for a combination golf course, bike trail and Frisbee golf course. This tract is 1/2 mile west of the Hwy 85 bypass near Minot. The district has agreed to pay for two commercial appraisals to determine the value of the property at its highest and best use.

Spring 2014 Surface Lease Auction Results. The 2014 spring lease auctions were conducted in March. The summary of auction results (with comparisons to last spring's auctions) is shown in the table below.

	Spring 2013	Spring 2014
# Of Counties	23	25
# Of Tracts Offered	77	79
# Of Tracts Leased	66 (86%)	59 (75%)
# Of Leased Tracts Bid-Up	20 (30%)	18 (30%)
Minimum \$ Advertised (Leased Tracts)	\$104,069	\$101,511
\$ Amount Received	\$139,753 (34% over minimum)	\$155,764 (53% over minimum)

Of the 20 tracts that were not leased, 14 are located within and 1 lies adjacent to Reservation boundaries and have either sporadic or no leasing history.

All payments from spring auctions have cleared and no outstanding issues remain. The Commissioner has approved all leases acquired at the spring auctions.

Report of Easements Issued by Land Commissioner. (03-17-14 through 04-16-14)

TRI TOWNSHIP MCK-152-102-36-NE4	Road Right-of-Way	3/21/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-153-96-36-SE4	Amend: Gas Gathering Pipeline	3/21/2014
HESS BAKKEN INVESTMENTS II, LLC DUN-146-97-36-SE4, SW4	Amend: Horizontal Oil Well	3/21/2014
PETRO-HUNT LLC WIL-154-99-16-NE4, NW4, SW4	Amend: Salt Water Disposal Well	3/27/2014
SBG ENERGY SERVICES LLC MCK-149-99-16-NW4	Salt Water Pipeline	3/27/2014
MCKENZIE COUNTY WATER RES DIST MCK-149-95-16-NE4, NW4	Amend: Potable Water Pipeline	3/27/2014
ONEOK ROCKIES MIDSTREAM LLC BRK-161-91-36-SE4	Amend: Gas Gathering Pipeline	3/27/2014
BILLINGS COUNTY BIL-141-98-36-NW4	Aggregate Prospecting	3/27/2014
CITY OF RAY WIL-156-97-16-S2SW4	Sewage Lagoon	4/3/2014
MCKENZIE ELECTRIC COOPERATIVE INC MCK-152-102-36-SW4	Drop Line-Buried Electric Distribution Line	4/3/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-150-95-16-SW4	Amend: Gas Gathering Pipeline	4/3/2014

MCKENZIE ELECTRIC COOPERATIVE INC MCK-149-99-16-NE4, NW4	Drop Line-Buried Electric Distribution Line	4/3/2014
MCKENZIE ELECTRIC COOPERATIVE INC MCK-151-100-16-NW4	Drop Line-Buried Electric Dustrubytuin Line	4/4/2014
MCKENZIE ELECTRIC COOPERATIVE INC MCK-149-99-16-NE4, NW4	Electric Distribution Line - Above Ground	4/4/2014
MCKENZIE ELECTRIC COOPERATIVE INC MCK-152-102-36-SW4	Drop Line-Buried Electric Distribution Line	4/8/2014
STUTSMAN RURAL WATER DISTRICT STU-142-67-32-N2NE4	Potable Water Pipeline	4/13/2014
CALIBER MIDSTREAM ND LLC MCK-149-100-16-NE4, SE4	Multiple Pipelines	4/14/2014
MK WEEDEN CONSTRUCTION INC MOU-155-94-28-SE4	Aggregate Prospecting	4/14/2014

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. No fees are charged for this use.

ND GAME & FISH DEPT WEL-149-73-36-NE4	Letter of Permission: Access to School Land
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Quarterly Revenue Compliance Division Update. The Revenue Compliance Division updated the Board on its activities. The Division reviews oil and gas royalty payments to determine that they are in accordance with the Board's lease terms, rules and regulations, and North Dakota statutes. The FY 2014 total oil and gas royalty revenue collected through March 2014 was \$246,087,000. Included in this total is \$2,947,799 which is a result of enhanced efforts to examine royalty reports and submittals. The additional collections and corrections are detailed in the following table:

REVENUE COMPLIANCE SUMMARY			
	Biennium 2011-2013		Biennium to Date (07-01-13 thru 3-31-14)
Additional Royalties Collected	\$ 9,544,389		\$ 2,594,552
Additional Taxes or Other Deductions Collected	\$ 1,284,602		\$ 248,958
Penalties Collected	\$ 662,625		\$ 104,289
Total Collected	\$ 11,491,616		\$ 2,947,799
NDIC Report Corrections	55		148

The Department also works to identify non- and low producing leases. These efforts motivate operators to renegotiate lease terms, to increase production, or to acknowledge the lack of production and allow the lease to terminate. This action has resulted in 3,745 acres previously designated as "held by production," as available to lease again.

In addition to royalty collection efforts, the Revenue Compliance Division and the Minerals Division have been informing lessees and operators of the updated acreages of river tracts to the Ordinary High Water Mark survey.

A D J O U R N

There being no further business, the meeting was adjourned at 5:20 PM.

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 04, 2014**

The June 04, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 2:30 PM by Chairman Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Kelly Schmidt	State Treasurer (Via teleconference)
Wayne Stenehjem	Attorney General

Members Absent:

Kirsten Baesler	Superintendent of Public Instruction
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Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Administrator, Energy Infrastructure & Impact Office
Taylor Lee	Director, Revenue Compliance Division
Rick Owings	Grants Assistant Energy Infrastructure and Impact Office
Judith F. Schell	Administrative Assistant

Others in Attendance:

Brian Bjella	North American Coal
Jim Melchior	North American Coal
David Straley	North American Coal
Carroll Dewing	North American Coal
Jay Volk	BNI Coal
Kent Beers	Oasis Petroleum
Brian Bjella	Crowley Fleck
Craig Smith	Crowley Fleck
Hope Hogan	Attorney General's Office
Chris Harvey	Attorney General's Office
Nick Smith	Bismarck Tribune
Marcia Beard	RVK, Inc.
Kristen Steffens	RVK, Inc.
Scott Krouse	RVK, Inc.

APPROVAL OF MINUTES

A motion to approve the minutes of the April 23, 2014 meeting was made by Mr. Wayne Stenehjem and seconded by Mr. Alvin Jaeger. Motion carried.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE(EIIO)

Recommendations for EIIO Grants to Airports. In House Bill 1358, the 2013 Legislature identified \$60 million of the \$240 million appropriated for oil impact grants to be directed to airports impacted by oil and gas development. The Legislation also indicates consideration of availability of local funds and priority to projects having been awarded or are eligible to receive federal funding.

In May 2013 the Land Board committed \$25,597,760 to airports. In August 2013 the Board officially awarded \$27,008,442 to airports in oil impacted communities. These awards included the May committed funds.

The EIIO has worked with the North Dakota Aeronautics Commissioner implementing existing policies and procedures for airport assistance through the Energy Impact grants process. Recommendations for award were reviewed and approved by the Aeronautics Commission.

The following is the listing of recommended awards for the Board's consideration:

Airport Energy Impact Award Recommendations - 2014

\$8,893,066.00 - Funds that are recommended for award, and

Version: May 7th, 2014

**\$2,000,000.00 - Funds that are recommended to be pledged;
at the June 4th meeting of the Board of University and School Lands**

F - Federal Project

S - Supplemental

D - Deferred

* - Completed

FE - Eligible For Federal Funds

All Grant Allocations will be approved on a project percentage basis not to exceed the dollar amount approved. When project bids are officially accepted by the airport sponsor, notification will be required to the Aeronautics Commission Office and the Energy Infrastructure and Impact Office to determine the official grant allocation dollar amount. The remaining grant allocation balance for each project will then return to the Energy Infrastructure and Impact Office to be used for future airport project allocations.

COMMERCIAL AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
DICKINSON	1. FAA 2013 AIP #32 - Construct General Aviation Apron Expansion	F/D	54	\$3,096,500.00	\$154,825.00	\$154,825.00	Deferred \$46,160	80.0%
	2. Design Commercial Terminal Access Road Loop/Security Upgrades/ Paint Equipment Drive Unit		41	\$57,500.00	\$11,540.00	\$46,160.00		
	Remarks: The Airport received \$1,650,606 in Federal Dollars in 2013 and the airport is requesting \$2,786,850 in 2014 FAA Discretionary Funds for a needed General Aviation Apron Expansion. Any state funding for the Dickinson Airport project is recommended to be deferred until Fall 2014 when the federal participation is known.							
	State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$221,464							
	Sub Total			\$3,154,000.00	\$166,365.00	\$200,985.00	\$46,160	

GENERAL AVIATION AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
BOWMAN	1. FAA 2013 - AIP #2 - Construction of New Bowman Municipal Airport	F/S	56	\$8,631,740.00	\$528,071.00	\$790,182.00	\$693,700	30.0%
	2. Construct Public Fueling Facility	FE	22	\$280,000.00	\$140,000.00	\$140,000.00	\$140,000	50.0%
	Remarks: The Bowman Airport received \$9,431,074 from the federal government in 2012 and 2013 for the airport relocation project. The FAA AIP #2 project is a supplement to the 2013 project and changes the state participation from 27% to 30%. The airport is planning to receive an additional \$2,191,033 of federal aid in 2014. <i>State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$261,957</i>							
	Sub Total			\$8,911,740.00	\$668,071.00	\$930,182.00	\$833,700	
CROSBY	1. Reconstruct and Expand Apron	FE	54	\$524,000.00	\$121,500.00	\$419,200.00	\$283,500	70.0%
	Remarks: The Crosby Airport received \$702,947 from the FAA in for apron rehabilitation and drainage work. The airport would like to reconstruct the remaining portions of their apron while the contractor is at the airport to help reduce overall project costs. <i>State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$8,195</i>							
	Sub Total			\$524,000.00	\$121,500.00	\$419,200.00	\$283,500	
KILLDEER	1. Airport Reconstruction		56	\$5,286,603.85	\$3,086,603.85	\$4,229,283.00	\$2,200,000	80.0%
	Remarks: The airport pavement is in very poor condition and Dunn County is making efforts to revitalize the only airport in the county due to the increased traffic and forecasted growth. The airport is positioned to be a federally funded airport in the future if the airport can be successfully developed. Being the only public airport in Dunn County, a revitalization of this airport would benefit the state system of airports and help to provide relief for the other oil impacted airports. Along with the Runway, the apron and hangar taxilane will also be reconstructed to allow for adequate aircraft parking and the ability to provide for private/business hangar development. <i>State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$95,979</i>					*PLEDGED	\$2,000,000	80.0%
	Sub Total			\$5,286,603.85	\$3,086,603.85	\$4,229,283.00	\$4,200,000	
	*Amount is being Pledge instead of awarded to stay within 60% fiscal year award limit as identified within North Dakota Century Code 15-01-02.6							

GENERAL									
AVIATION AIRPORTS	PROJECT DESCRIPTION		PRIORITY		TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
MOHALL	1. 2014 FAA AIP #10 - Construct Hangar Taxilane/Partial Parallel Taxiway	F	55		\$812,202.48	\$87,680.48	\$381,620.00	\$260,000.00	35.0%
	Remarks: The airport has grown from 3 based aircraft to 30 based aircraft in two years, and currently has no area for additional hangar development, which is the main purpose of this project. The airport received \$243,332 in federal dollars in 2013 and is planning on receiving \$464,522 in federal aid for this project in 2014.								
	State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$30,956								
	Sub Total				\$812,202.48	\$87,680.48	\$381,620.00	\$260,000.00	
NEW TOWN	1. Airport Reconstruction		56		\$2,782,420.55	\$282,420.00	\$2,504,178.00	\$2,500,000.00	90.0%
	Remarks: The airport pavement is in poor condition and a current line of site safety issue exists with the runway. This reconstruction project will provide a runway that meets safety standards and is long enough to provide medical and business aircraft entry to the city that supports oil development. The apron and hangar taxilane will also be reconstructed to allow for adequate aircraft parking and the ability to provide for private/business hangar development.								
	State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$11,592								
	Sub Total				\$2,782,420.55	\$282,420.00	\$2,504,178.00	\$2,500,000.00	
TIOGA	1. 2014 FAA AIP #7 - Design and Construct Apron and Taxiways	F	56		\$5,488,333.50	\$548,833.50	\$4,388,500.00	Deferred	
	Remarks: The Tioga airport has seen a very large increase in the amount of traffic utilizing the airport. The size of aircraft utilizing the airport has also increased. The airport is in need of additional apron area to allow for a Fixed Based Operator to provide service and to provide for the needs of the current and forecasted traffic growth. Any state funding for this project is recommended to be deferred until the environmental clearance is provided and the project has been bid. \$551,000 of Federal Entitlements are planned to be utilized for this project.								
	State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$37,091								
	Sub Total				\$5,488,333.50	\$548,833.50	\$4,388,500.00	\$0.00	

GENERAL AVIATION AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
WATFORD CITY	1. FAA 2014 AIP #16 - Reconstruct Apron	F	54	\$2,353,000.00	\$235,691.00	\$1,688,122.00	\$1,640,000	70.0%
	2. Construct Airport Terminal Building	FE	52	\$1,030,000.00	\$630,000.00	\$412,000.00	\$400,000	50.0%
	3. Construct Parking Lot Expansion		22	\$160,000.00	\$16,000.00	\$144,000.00	\$0	
	Remarks: In 2012, the airport has been provided \$1,463,559 in federal dollars for the apron reconstruction project. Due to rising costs in construction and lack of additional federal funds, the airport has been unable to complete the needed construction of the aircraft apron. This project would complete an important portion of the apron in which local or transient aircraft will be able to safely park. \$477,309 of additional Federal Entitlements are planned for this project.							
	State Funding Grants Provided By The Aeronautics Commission 2012-2014 - \$54,234							
	Sub Total			\$3,543,000.00	\$881,691.00	\$2,244,122.00	\$2,040,000	
					</			

Motion: That the Land Board award \$8,893,066 from the Oil and Gas Impact Grant Fund to airports as identified in the included list of recommended awards and pledge \$2,000,000 for a future award to the Killdeer Airport. All grant disbursements are contingent upon notice being received by the Aeronautics Commission and the Energy Infrastructure and Impact Office, indicating that local and federal cost-share has been approved and is available for the identified projects.

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

Energy Infrastructure and Impact Office, City Infrastructure Pledge Recommendations & Biennium Program Status Update. The Board has targeted \$80 million for awards to non-Hub cities during the 2013-2015 biennium. Williston, Dickinson and Minot are precluded from receiving funds from this allocation as the Legislation 1358 identified them as hub-cities and provided a collective capped \$14 million.

In July of 2013, the Board provided \$39,666,162 in awards to cities for FY2014 for infrastructure needs. Additionally in July of 2013, the Board pledged \$31,158,848 of the FY2015 allocation. Of the \$80 million allocated to city needs, \$9,174,990 remains for the current grant round.

During the month of April 2014, 64 applications were received from 50 political subdivisions with projects totaling \$156.9 million. \$132.7 million was requested to fund these projects.

The EIO employed a civil engineer to assist with analyzing the projects and also consulted with the North Dakota Health Department regarding compliance issues for the cities that submitted applications. Applications were scored by the EIO staff and the engineer using the following established criteria.

- ☐ **Objective** – Does the project meets the legislative intent outlined in state law and also the focus of the city infrastructure grant round.
- ☐ **Financial Need** – Demonstration of financial need, indicated by the political subdivision's commitment of local resources coupled with a financial shortfall due to increased energy activity. The cost benefit (value for the investment) of this project compared to the other applicants was considered. Cash, outstanding grant balances, levy, revenue streams available, debt and additional financial details are considered.
- ☐ **Energy Impact** – Current rig counts and oil production numbers by county as detailed on the Industrial Commission website are used for scoring in this area.
- ☐ **Long Term Benefit** – Assessment of the project's contributions to economic vitality and development by removing growth restraints and obstacles from the community by enhancing the infrastructure of the political subdivision and supporting long term sustainable economic activity.
- ☐ **Public Safety** – Does the project relate to improving the safety of those receiving the award, the general public, the emergency services responders, emergency services Project Readiness/Achievability – Is project design, planning, cost estimates and any additional preparation in place allowing the project to move forward once funding is available?
- ☐ **Complete Application Received** – Did the applicant submit a complete application with financial reports outlining the revenue, levy with calculation, liabilities detailed and budget, details of the project plans, projected cost, maps and any additional documentation required to support the project defined in the application?

The applications were reviewed in a meeting of the Energy Impact Grants Advisory Committee on May 28, 2014. Committee members include:

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, township officer in Williams County
 Rick Larson, Energy Industry Representative (and former EDIO director)
 Grant Levi, Department of Transportation Director
 Lance Gaebe, State Land Commissioner

The committee discussed the best use of the remaining funds. Funding caps, the number of services a project supports, the cost to deliver these services, support of temporary vs. permanent housing and environmental compliance issues. The committee gave careful consideration and respectfully offered the following pledge recommendations:

POLITICAL SUB NAME	CITY	COUNTY	APP #	SHORT DESCRIPTION	PROJECT TOTAL	AMOUNT REQUESTED	Recommended Pledge Amount
CITY OF ALEXANDER	ALEXANDER	MCKENZIE	A150043	WATER INFRASTRUCTURE IMPROVEMENT PROJECT	\$2,835,584	\$2,835,584	\$1,000,000
CITY OF ARNEGARD	ARNEGARD	MCKENZIE	A150031	WASTEWATER FACILITIES IMPROVEMENT PROJECT	\$6,295,000	\$6,295,000	\$1,000,000
CITY OF BOTTINEAU	BOTTINEAU	BOTTINEAU	A150004	BOTTINEAU LAGOON CELL EXPANSION	\$419,708	\$200,000	\$200,000
CITY OF BOTTINEAU	BOTTINEAU	BOTTINEAU	A150005	WATER TRANSMISSION LINE EXTENSION	\$459,245	\$200,000	\$200,000
CITY OF KILLDEER	KILLDEER	DUNN	A150039	UTILITY IMPROVEMENTS AND PLANNING	\$8,385,000	\$8,385,000	\$1,000,000
CITY OF LIGNITE	LIGNITE	BURKE	A150027	LAGOON EXPANSION	\$544,355	\$331,000	\$331,000
CITY OF MEDORA	MEDORA	BILLINGS	A150046	RECONSTRUCTION OF THE WATER STORAGE RESERVOIR	\$550,000	\$440,000	\$440,000
CITY OF RICHARDTON	RICHARDTON	STARK	A150061	WATER AND SEWER IMPROVEMENTS	\$641,115	\$641,115	\$512,892
CITY OF ROSS	ROSS	MOUNTRAIL	A150049	WASTEWATER TREATMENT FACILITY EXPANSION	\$3,349,000	\$3,349,000	\$1,000,000
CITY OF STANLEY	STANLEY	MOUNTRAIL	A150012	TRUNK WATER TRANSMISSION PIPING IMPROVEMENTS	\$1,584,469	\$1,584,469	\$1,000,000
CITY OF TAYLOR	TAYLOR	STARK	A150029	SEWAGE LAGOON CONSTRUCTION	\$547,150	\$500,000	\$437,720
CITY OF WATFORD CITY	WATFORD CITY	MCKENZIE	A150033	CITY HEALTH AND SAFETY IMPROVEMENTS	\$17,817,000	\$17,817,000	\$1,000,000
CITY OF WESTHOPE	WESTHOPE	BOTTINEAU	A150050	WATER SYSTEM LOOPING	\$503,058	\$402,446	\$402,446
CITY OF WILDROSE	WILDROSE	WILLIAMS	A150044	WASTEWATER FACILITIES IMPROVEMENT PROJECT	\$5,374,000	\$5,370,000	\$650,932
							\$9,174,990

The North Dakota Century Code 15-01-02.6 provides that no more than 60% of the biennial appropriation can be awarded in any one fiscal year. Of the \$239,299,174 appropriated for awards by the 2013 Legislature to the oil and gas impact grant fund, 60% is \$143,579,504. The Board has (06/14)

approved \$142,415,805 so far during FY2014. It was suggested that the Board pledge awards to the cities as recommended until the start of FY2015 at which time the grants can be formally awarded.

Motion: That the Board commit to providing future grants of \$9,174,990 to cities as identified on the preceding list of recommended pledges, and to indicate its intent to approve formal awards during the 2015 fiscal year.

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

Energy Infrastructure and Impact Office. City of Bowman-Request for Change of Use on Previously Awarded Grant. The City of Bowman has requested a change of use on Grant G130009 of \$40,000 awarded in 2012 for the North Side Sewer Extension. The City requested a change of purpose be allowed to instead provide assistance with a water supply extension / loop to service the needs of the new Southwest Healthcare Services hospital and clinic being constructed in Bowman.

Motion: That the Board approve the use of the grant G130009 previously awarded to the City of Bowman to be available to assist with the installation of a water extension and loop in support of the new hospital and clinic facilities.

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

INVESTMENTS DIVISION

Potential Small Cap Active Mandate. At its February 27, 2014 meeting, the Board approved RVK's recommendation to allocate both U.S. and international developed market equity exposure to 100% passive investment.

However, subsequent to the decision to invest the entire developed market equity allocation into passive index funds, there were suggestions that the investment of small cap equities should take a more active approach, as there is more potential to add return over the index in the small cap arena. The staff and RVK have determined that the portfolio's current domestic small cap active allocation can be maintained as an existing active manager.

The Board currently uses Northern Trust Global Advisors (NTGA) to manage a portion of the small/mid cap portfolio in a manager of manager style. The portfolio is \$154 million with a fee of 71 basis points. Based upon the Board's action directing equity investment into index funds, this portfolio would have been completely liquidated and converted to a passive index investment.

RVK and staff have discussed with NTGA, the potential of making this active portfolio both more concentrated (less index-like) and small cap focused. NTGA proposed a suitable combination of four managers for such a portfolio. To maintain active management in the small cap domestic space, a cost effective way to keep that exposure would be to adjust the current portfolio managed by NTGA.

Once the final allocation is funded, the Board can revisit the topic of active small cap management, including international equities, to examine if active management might add value to the portfolio.

In September of 2013 the Land Board adopted an asset allocation that included a 17% allocation to domestic equities; no breakdown between small and large cap was adopted at that time. RVK and staff recommended that the Land Board should allocate 3.5% of the 17% domestic equity allocation to small cap equities. A 3.5% allocation is currently about \$100 million

Motion: That the Board adopt a 3.5% allocation to small cap domestic equities, and revise its February 27, 2014 decision to obtain 100% of the permanent trusts' domestic equity exposure through index funds, to instead obtain small cap domestic equity exposure through a revamped active small cap Northern Trust Global Advisors, manager of managers portfolio.

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

Review Real Estate Mandate and Approval of Managers to Interview. Marcia Beard, Kristen Steffens and Scott Krouse from RVK, Inc. met with the Board to continue the asset allocation implementation process.

RVK focused on the real estate portion of the portfolio and potential managers to review and interview for the core real estate investment. The Board has set a 15% allocation of permanent trust funds' portfolio to real estate investments, of which at least 5% of the portfolio is expected to be in core real estate.

RVK reviewed six open-ended diversified core equity real estate funds as potential additions to the Board's real estate investment portfolio. RVK recommended Morgan Stanley Prime Property Fund, UBS Trumbull Property Fund and Invesco Core Real Estate-USA be interviewed by RVK, Staff, and available Board members for consideration of recommendation for the Board to consider.

Motion: That the Board direct RVK and Staff to review and interview the investment firms Morgan Stanley (Prime Property Fund) Invesco Core Real Estate-USA and UBS (Trumbull Property Fund) as potential candidates for the core real estate portion of the permanent trusts' portfolio, and to provide candidate recommendations to the Board.

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

MINERALS MANAGEMENT DIVISION

Protective Lease of Unleased Mineral Tracts – McKenzie and Williams Counties. Due to the challenges of managing the sovereign mineral underneath the Yellowstone and Missouri rivers, some mineral tracts were precluded from nomination or leasing until policies, procedures, and legal questions were resolved. The Ordinary High Water Mark delineation study initiated in 2009 revealed new tracts that were not historically in the Department's inventory; while existing tracts shifted, expanded, or contracted. The tracts referenced in this action were not part of the Department's inventory before the delineation. All of the tracts referenced were drilled by Oasis Petroleum and currently have producing wells, though without an active lease for the sovereign minerals. The royalties for these tracts are being held in suspense.

Specific tract locations and corresponding well names are as follows:

<u>Schmitz Federal 44-34H-2</u>	<u>Missouri 5302-44-35H</u>	<u>Aune 32-29H</u>
153-102-27: NE4	153-102-26: SW4	153-102-29: SW4
153-102-27: SE4	153-102-35: NE4	
153-102-34: NE4	153-102-35: NW4	
(389.15 net acres)	(252.64 net acres)	(79.20 net acres)

Oasis has leases from private mineral owners in the disputed areas and had approached the Department in 2010 indicating interest in leasing the tracts before drilling commenced. However, because the tracts were in pending status, Oasis was unable to nominate the tracts. As a result of their inability to nominate the tracts, and the significant investments made since 2010, Oasis is requesting that the Department issue a lease directly to Oasis.

The tracts at issue are sovereign lands; the areas of navigable waterways between the ordinary high water mark. (N.D.C.C. § 61-33-01). In 1989, the ND legislature divided management authority of sovereign lands between the state engineer and the Board, with the Board managing the possessory interest in oil, gas, and related hydrocarbons. (N.D.C.C. § 61-33-03).

There are several century code sections that address mineral leasing. NDCC Chapter 38-09 outlines procedures for leasing oil and gas rights for exploration and production which applies to all departments or agencies of the state government as well as any county or political subdivision. *Id.* The procedure requires public notice of the time and place for leasing and must allow for written or oral bidding. N.D.C.C. §§ 38-09-15, 38-09-17. NDCC Chapter 15-05 addresses mineral leasing specifically for lands under the control of the Board. This chapter allows these lands to be leased for oil and gas development but does not provide any specific procedure. N.D.C.C. § 15-05-09. This section allows the Board to establish rules and regulations for development and drilling operations. *Id.* N.D.C.C. Chapter 15-07 addresses sale and leasing of nongrant lands. The legislature again did not provide any specific procedure but specified that leasing can be with or without advertisement and competitive bidding and directs the Board to establish reasonable rules and regulations for the leasing of these lands. N.D.C.C. § 15-07-20.

The requirements for leasing set forth in NDCC Chapters 38-09, 15-05, and 15-07 are likely not applicable to the sovereign lands at issue here. The legislature exempted sovereign lands from the other leasing provisions found elsewhere in the code. N.D.C.C. § 61-33-02. There are no other requirements provided in NDCC Chapter 61-33 for the leasing of sovereign lands. Thus, it appears the legislature has impliedly delegated to the Board complete discretion in leasing minerals on sovereign lands. There are no statutory requirements for public notice or competitive bidding for mineral leasing of sovereign lands.

While the Board has rules which outline procedures to issue leases by public auction, the Board has full discretion in leasing sovereign minerals and is not bound by other leasing restrictions found elsewhere in the Century Code. The Commissioner recommended that the Board issue a negotiated lease to Oasis for the identified tracts because Oasis was unable to nominate the tracts in 2010 and has made significant investments in producing the minerals.

The Board reviewed a letter from Oasis describing the particular problems that have and could occur as they continue to produce without a lease. The letter outlined the terms which Oasis offered for these leases, including a bonus of \$8,000, (the average bonus paid for leases in this area 2010, was approximately \$4,409 per acre; a nearby tract was auctioned in May of 2014 for a bonus of \$14,100 per acre). Oasis is offering a higher royalty rate of 20% (3/16 is the current rate in this area and the rate was 1/6 in 2010). Oasis is also offering an overriding royalty of 1.25%; which means that if at a later time it is determined that acres are not sovereign minerals, the state will continue to receive 1.25% royalty on the production. This action will free up royalties, which are currently being held in suspense.

Motion: That the Board authorizes the Commissioner to issue an oil and gas mineral lease on 720.99 acres (more or less) to Oasis Petroleum North America, LLC for the tracts identified herein under the aforementioned terms.

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

Modification of Existing Coal Leases - Legal Opinion. The Board has discussed at several prior meetings the formal requests from North American Coal Corporation and BNI Inc. to renegotiate the royalty of current coal leases both within active mines, and in a planned project area where mining has not yet commenced.

Specifically, North American Coal Corporation has requested that 13 leases for minerals that are currently being mined, or are anticipated to be mined within the Falkirk Mining Company of McLean County; and 14 leases within the Coteau Freedom Mine of Mercer County be lowered from their present 6% royalty rate. The leases were issued from 2002 to 2010.

The BNI request involves 5 leases within the proposed new mine southeast of Center in Oliver County. The leases were issued in 2012 at the statutory royalty rate of 6%. BNI secured the leases in advance of its mine permit application to the Public Service Commission. This mine is not yet in operation.

In March 2014 the Board discussed the requests and initiated the following courses of action:

- 1) Directed the Commissioner to examine individual coal leases to determine which tracts may not be mined because the existing royalty rate makes the coal uneconomical to access and extract.
- 2) Asked the Commissioner to evaluate the value of lignite compared with other energy sources to ensure the competitiveness of the trusts' lignite compared with the potential displacement by Powder River Basin Coal, natural gas, or energy produced in other parts of the region.
- 3) Requested Attorney General Stenehjem's legal review of the Board's authority to renegotiate active coal leases.

The Attorney General presented a memo outlining his conclusions about the limitation in adjusting the royalty on the lease. As part of the Board's Fiduciary responsibility to beneficiaries, consideration can only be given to the benefit of a change to the trusts.

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

Foreclosed Property Land Retention and Sales. The board administers 50,646 acres of foreclosed agricultural property containing 12,224 acres of cropland/hayland. Most tracts were foreclosed in the 1930s and 1940s with a smaller amount foreclosed in the 1980/90s. Foreclosures and sales of foreclosed property continue to occur, but not as frequently with the stronger farm economy. The vast majority of foreclosed property has been resold with the most recent sale being in Richland County in 2013.

1,560 acres of foreclosed property were purchased by the Board from the State Treasurer and 2,154 acres foreclosed by the Land Board were retained as an investment under a policy approved by the Board on December 19, 1991 (attached). Because the Land Board no longer manages foreclosed property for the Bank of North Dakota and the State Treasurer, the revisions to the attached *Criteria for Acquiring or Retaining Foreclosed Property* are recommended.

Foreclosed property is tracked as pre-1980 foreclosures (46,932 acres) and post 1980 foreclosures (3,714 acres) because of the difference in the way the income is allocated to the trusts.

The pre-1980 foreclosed property was sold based on an application by an interested buyer and sales were driven solely by demand. Beginning with the foreclosures in the 1980s, the Board actively made a decision to either retain or sell property acquired through recent foreclosures (attached policy). Of farm loan pool property foreclosed since 1980, the Board has sold 31,279 acres and acquired or retained 3,714 acres. When land prices were low and rental prices were high retention of the 3,714 acres was a positive investment for the trust funds. That situation has now reversed and land prices are high while rent has not kept pace.

Current land values suggest that it is appropriate to consider selling two categories of cropland/hayland, 1) Pre-1980 foreclosed tracts which are predominantly cropland/hayland and have a low productivity rating and/or erosion problems (approximately 1,053 acres), and 2) Post-1980

foreclosed tracts which are predominantly cropland with current high values (approximately 2,194 acres).

Several of the tracts which would be candidates for sale have leases that expire in 2014. In addition, 712 acres in Bottineau County are part of a drainage district but because trust lands cannot be assessed as part of a drainage district, it may be appropriate to sell these lands to increase the acreage within the drainage district.

Motion: That the Board directs the Commissioner to obtain appraisals of selected tracts of acquired cropland/hayland where the sale would financially benefit the trusts and to return to a subsequent meeting with a recommendation, and that the Board amend, as indicated, its December 19, 1991 policy, entitled "Criteria for Acquiring or Retaining Foreclosed Property".

**NORTH DAKOTA
BOARD OF UNIVERSITY & SCHOOL LANDS**

CRITERIA FOR ~~ACQUIRING OR~~ RETAINING FORECLOSED PROPERTY

The following criteria shall be considered in determining whether a foreclosed property should be retained ~~or acquired~~.

~~1. Much of the acquired property is being leased to former owners for a three (or four) year period. Negotiated sales to former owners during, or at the end of these leases, should be allowed to continue.~~

~~2. As to tracts not purchased by the former owner, it seems reasonable that these properties should be evaluated for sale or retention on a case-by-case basis.~~ The fundamental issue question in this review should be whether the individual property would make a good long-term investment for the school trust funds. Relevant criteria would appear to include: the appraised value of the property compared to the rental income being received (current return); the quality and perceived long-term leaseability of the land; and the difficulty or ease of managing the property. Application of these criteria to individual properties would lead to sales where the appraised value is high relative to current rental income, or the land quality, leaseability or manageability is low. Only good quality, easily managed properties with a high current return would be retained.

~~3. The Bank of North Dakota has been a strong advocate of rapid sales of the properties held by the State Treasurer as trustee, so that sales proceeds can be used to meet current bond payment obligations. These properties constitute the vast majority of the foreclosed land managed by the Department. However, as to those BND/Treasurer properties which meet the "retain" criteria set out above, school trust monies could be used to purchase these properties from the Bank of North Dakota/State Treasurer. This would allow the Bank to realize the current value of these properties, while giving the trust funds a good, long-term investment. (There is approximately \$15 million in Farm Loan Pool funds which is not needed for loans. Use of a portion of these funds to acquire BND/Treasurer properties would allow title to be held by the various school and institutional funds in the same shares as the Board's own recent land acquisitions from the Farm Loan Pool.)~~

2. Properties which have been acquired by the Board's Farm Loan Pool and which meet the above criteria could ~~simply~~ be designated "retain" by the Board.

~~4. Both the Farm Loan Pool properties retained and the properties purchased from the BND/Treasurer would be added to the inventory of "acquired" properties which has been retained and managed by the Board since the 1920s and 1930s. They would not be sold in the foreseeable future unless the Board changes its current sales policy.~~

History:

Adopted: December 19, 1991

Revised: June 4, 2014

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

East Bismarck Market Study Proposal – Section 36, T139N, R80W, Burleigh County/ On April 26, 2012, the Land Board authorized step one below in analyzing/selling the East Bismarck tract (attached map).

- 1) **Marketability Study/Property Analysis:** An analysis of the likely sales of a specific type of real estate product.
- 2) **Market Analysis:** A study of the supply and demand conditions in a specific area for a specific type of property or service.

The Marketability Study and Property Analysis was completed and presented to the Board in June, 2013. Two important observations from the study are:

- 1) “Currently, there is high interest in commercial and industrial development in the Bismarck-Mandan area. Some development experts have been inundated with inquiries; however, they anticipate the increased interest and development will continue for the next two to three years and then decrease...” Page 10.
- 2) “Industrial land has been and remains in short supply...Large tracts of industrial land in the 20–50 acre size category are especially hard to locate in the Bismarck-Mandan metropolitan area ...” Page 10.

Based on the results of this study, it appears that the land along the west and south boundaries of section 36 would be most in demand. Based on surrounding land use and the location of the transmission lines, this property will most likely be developed for light industrial or commercial uses.

To explore all possible and allowable public uses of Section 36 the following discussions were held since the analysis was completed:

- 1) The location was discussed for a possible use as a school, but other areas were chosen by the Bismarck School Board.
- 2) The Bismarck Park District reviewed the concept of establishing a park/green way in the area, primarily including the lower drainage area through the center of the tract. It was determined by the park district that this did not fit within its long-term strategic plan.
- 3) The concept of implementing a water management plan to possibly enhance the property values was explored with the City of Bismarck, but was ultimately rejected based on cost and the impact it might have on flexibility for future owners/developers.
- 4) Four acres in the northwest corner of the NW4 section 36 are being considered for a possible fire station. The Department has initiated an appraisal and the City of Bismarck will decide whether to proceed with the application to purchase the land based on the appraised value of the property.

With the completion of the Marketability Study/Property Analysis and discussions with local officials concerning possible public uses for Section 36, it is appropriate to proceed with step 2, the Market Analysis. The Real Estate Market Analysis would review the current market for the land in

section 36 and recommend sale parcel locations and sizes based on demand and current market conditions.

Motion: That the Board authorize the Commissioner to solicit proposals for a market analysis, including a recommendation on how best to divide the property for potential sale. Following the formal procurement process, a recommended contractor will be presented for Board approval.

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

R E P O R T S

Investment Performance Report for Quarter Ended March 31, 2014. The investment performance report covers the performance of the Land Board's investment program for the period of January 1, 2014 – March 31, 2014

This report is prepared quarterly to evaluate the performance of the investment portfolio and the performance of the individual money managers in place to help meet the Board's investment goals and objectives.

Financial Statements. The Board reviewed the Financial Statement Summary and Total Assets by Trust as of March 31, 2014. These reports are on file at the Department of Trust Lands office and were for the Board's information only; no action was required.

February and May 2014 Oil and Gas Lease Auction Results. The Board reviewed a report of the results from the February 4, 2014 and the May 6, 2014 oil and gas lease sales, which were held in the House Chambers in the North Dakota State Capitol. The memo is on file at the Department of Trust Lands office and was for the Board's information.

Report of Easements Issued by Land Commissioner. (04-16-14 through 05-21-14)

BASIN ELECTRIC POWER COOP INC MER-145-88-16-NW4	Electric Transmission Line	5/1/2014
USG MIDSTREAM BAKKEN 1 LLC DIV-163-101-16-NE4 NORTH OF HWY, NE4 SOUTH OF HWY, NW4	Multiple Pipelines	4/22/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-92-36-SW4	Drop Line-Electric Distribution Line	5/15/2014
CALIBER MIDSTREAM ND LLC MCK-152-102-36-NE4, SE4, SW4	Multiple Pipelines	5/5/2014
WESTERN ECOSYSTEMS TECH INC WAR-155-84-1-SW4NW4 LYING N & E OF RIVER CENTERLINE	General Land Surveys	4/24/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP WIL-155-95-16-NW4, SW4	Electric Distribution Line - Above Ground	4/22/2014
TARGA BADLANDS LLC MCK-153-102-36-E2SW4 E OF ROAD, SE4	Amend: Oil Gathering Pipeline	5/13/2014
BURKE-DIVIDE ELECTRIC COOP DIV-162-99-16-NE4, SE4	Electric Distribution Line - Above Ground	5/1/2014

(06/14)

MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-91-30-NE4	Drop Line-Electric Distribution Line	4/24/2014
RESERVATION TELEPHONE COOP MCK-147-101-16-NE4, NW4, SE4 MCK-148-101-36-NW4, SW4 MCK-149-100-16-NE4, NW4, SW4 MCK-149-99-16-NW4	Communication Cable – Buried	5/5/2014
MCKENZIE ELECTRIC COOP INC DUN-146-97-36-SW4	Drop Line-Buried Electric Distribution Line	4/16/2014
SHERIDAN ELECTRIC COOP INC WIL-158-103-16-SE4	Electric Transmission Line	5/15/2014
PETRO-HUNT LLC BRK-159-94-16-NW4	Amend: Salt Water Pipeline	4/16/2014
BNSF RAILWAY, A DELAWARE CORP MOU-156-89-16-NE4 N OF RR, NW4 N RR	Railroad Right-of-Way	5/16/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-150-98-36-SE4	Amend: Gas Gathering Pipeline	5/5/2014
HESS NORTH DAKOTA PIPELINES LLC MOU-157-93-16-NE4	Drop Line-Gas Gathering Pipeline	5/15/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-93-36-NW4	Amend: Electric Distribution Line -	4/24/2014
QEP ENERGY COMPANY MCK-150-95-16-NE4	Amend: Horizontal Oil Well	5/1/2014
WHITING OIL AND GAS CORPORATION BIL-140-100-16-NW4	Directional Wellsite Location	5/5/2014
ONEOK ROCKIES MIDSTREAM LLC DUN-147-95-16-NE4 N OF HWY, NE4 S OF HWY, NW4 N OF HWY	Drop Line-Gas Gathering Pipeline	5/5/2014
ONEOK ROCKIES MIDSTREAM LLC WIL-155-102-16-NE4	Gas Gathering Pipeline	5/5/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-153-94-16-NE4, NW4, SW4	Amend: Gas Gathering Pipeline	4/16/2014
ONEOK ROCKIES MIDSTREAM LLC DUN-147-95-16-NE4 SOUTH OF HWY, SE4, SW4 SOUTH OF HWY	Amend: Gas Gathering Pipeline	4/30/2014
SLOPE COUNTY SLO-136-102-16-NE4, SE4NW4, LOTS 1,2,3, SW4	Road Right-of-Way	5/7/2014
EMMONS COUNTY EMM-134-75-36-SW4	Temporary Construction	5/5/2014
ONEOK ROCKIES MIDSTREAM LLC DIV-163-100-36-SW4	Amend: Drop Line-Pipeline	5/5/2014
PETRO-HUNT LLC WIL-154-99-16-NE4, NW4, SW4 (06/14)	Salt Water Disposal Well - Extension	5/5/2014

ROUGH RIDER ELECTRIC COOP, INC.
BIL-143-101-36-NE4

Electric Distribution Line – Buried

5/20/2014

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. No fees are charged for this use.

USDA-NRCS, BISMARCK-ND
BEN-151-70-16-NE4
BEN-152-71-33-SW4
SIO-130-90-36-NE4

Access to School Land

STREAMLINE WATER SERVICES LLC
MCK-150-98-36-SE4

Access to School Land

BOUNTIFUL TANKS LLC
MOU-153-90-6-E2SW4, LOTS 6,7, NE4

Access to School Land

BIRDING DRIVES DAKOTA
STU-142-68-16-SW4

Access to School Land

A D J O U R N

There being no further business, the meeting was adjourned at 4:46 PM.

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 26, 2014**

The June 26, 2014 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
Kirsten Baesler	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

None

Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Linda Fisher	Unclaimed Property Administrator
Catelin Newell	Office Manager

Others in Attendance:

Jim Melchior	North American Coal
David Straley	North American Coal
Brian Bjella	Crowley Fleck
Jay Volk	BNI Coal

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 04, 2014 meeting was made by Attorney General Stenehjem and seconded by Secretary Jaeger. Motion carried.

M I N E R A L S M A N A G E M E N T D I V I S I O N

Modification of Existing Coal Leases with North American Coal (Coteau Mine). Coteau Properties Company (a subsidiary of North American Coal Corporation) requested an adjustment of fourteen existing coal leases within the Coteau Mine in Mercer County. The leases are in place at the previously mandated rate of \$0.25 per ton or 6% of the cost of coal, whichever is greater.

The Commissioner reached an agreement in principle with North American Coal to sustain the royalties received on currently producing tracts and to reduce royalties on the remaining tracts in order for the coal in those tracts to be mined.

Coteau is currently mining six Board-managed tracts. Four are owned by the Common Schools Trust and two are mineral tracts acquired via Bank of North Dakota transactions. Coteau's proposal offered to lock in the historic average royalty rate of \$0.88 per ton on five of the currently producing tracts, and \$0.85 per ton on the remaining tract.

Coteau also sought a royalty adjustment on the eight remaining leases within the mine to \$0.16 per ton for coal and \$0.13 royalty for surface, both with a 3% annual escalator. Without this adjustment Coteau indicated that it will avoid mining seven of these tracts. The state has a 5% mineral interest in the single tract which would be mined absent of an agreement.

In analyzing the offer, the Commissioner used Coteau's estimates of recoverable tonnage and its anticipated year of production. The analysis included a 6% annual discount rate and a 3% annual royalty escalator for the tracts proposed to be adjusted to a lower royalty. Tonnage referenced by Coteau as adjoining, unmined under utility lines, or unleased was not included in the review, except in the NE4 and SE4 of Section 16, T145N, R88W, which is in immediate proximity to recoverable tonnage slated for mining.

Coteau's proposal is a net positive for Common Schools Trust Fund, since the royalties on the production of coal in four tracts within section 36 of T145N-R88W will continue at the historical level of \$0.88/ton; and the coal reserves in the four tracts within section 16 of T145N-R88W and the single tract of the NE ¼ of section 36 T146N- R 87W will receive 'market royalty' and will not be avoided. The estimated present value of Coteau's offer to Common Schools Trust Fund is approximately \$5.9 million, compared to the \$4.1 million if the current leases are mined at the current 6% rate, and the coal in currently inactive tracts are left untouched.

With respect to the impact on the state minerals held within the BND account, adoption of the proposal is also positive. Producing tracts within the NW4 of section 34; T146N -R87W- will continue at the historic royalty of \$0.85/ton and the NW4 of section 27; of T146N-R87W production will generate \$0.88/ton royalty. The estimated present value of royalties generated if the leases are not amended, is slightly over \$650,000, while the combined royalties will be closer to \$700,000 if the requested changes are implemented and Coteau produces the million recoverable tons in the NW4 of Section 11, T145N – R88W and 405,000 tons in the SE4 of section 22; T146-R87W at \$.16/ton.

A review of the private leases that Coteau has in this area indicate that the offer of \$0.16/ton to the mineral owner and \$0.13/ton to the surface is consistent with local royalty rates.

When considering Coteau's stated intent to avoid mining the majority of the remaining leased tracts, it is in the trusts' best interest to amend existing lease royalties as indicated herein. The company indicated its intent to mine the tracts if a reduction is implemented. The recommendation is for the leases changes to go in to effect on July 1, 2014.

Motion: That the Board approves the issuance of replacement amended coal leases using the new lease form and under existing Board rules, to the Coteau Properties Company for the right to produce coal on the following tracts for the stated royalty per ton produced:

Common Schools Trust Tracts:

145-88-36-NW	\$ 0.880	
145-88-36-SW	\$ 0.880	
145-88-36-SE	\$ 0.880	
145-88-16-NW	\$ 0.290	with 3% annual escalator
145-88-16-NE	\$ 0.160	with 3% annual escalator
145-88-16-SW	\$ 0.160	with 3% annual escalator
145-88-16-SE	\$ 0.160	with 3% annual escalator
146-87-36-NW	\$ 0.160	with 3% annual escalator

Bank of North Dakota Acquired State Minerals

145-88-11-NW	\$ 0.16	with 3% annual escalator
146-87-34-NW	\$ 0.85	
146-87-27-NW	\$ 0.88	
146-87-27-NE	\$ 0.16	with 3% annual escalator
146-87-22-SE	\$ 0.16	with 3% annual escalator

With lease terms to commence July 1, 2014.

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

INVESTMENTS DIVISION

Status of the Strategic Investment and Improvements Fund. The 2011 Legislature created the Strategic Investment and Improvements Fund (SIIF) when it merged the former Lands and Minerals Trust Fund with the Permanent Oil Tax Trust Fund. The Board oversees the SIIF.

Projections indicate that \$217 million of mineral bonuses, rentals and royalties will be collected and \$884 million of oil and gas tax revenue will be deposited into the SIIF during the current biennium. Projections also indicate that the SIIF will end the 2013-15 biennium with a fund balance over \$1.4 billion. The fund balance of the SIIF was \$1.15 billion as of May 31, 2014.

The fund balance is made up of two parts: The **obligated fund balance** is that portion of the fund that has been set aside related to title disputes on riverbed leases, dedicated to various statutory loan programs, or appropriated to be spent during the 2013-15 biennium. The **unobligated fund balance** is the portion of the fund that is unencumbered, and is thus available to be budgeted by the Governor and dedicated or appropriated by the Legislature.

The obligated fund balance of the SIIF is approximately \$887.22 million. Listed below is a brief explanation of those obligations and their status:

Assigned Fund Balance (\$141,197,060): This is the amount of mineral lease bonuses and rents set aside until potential title disputes related to certain riverbed issues are resolved. Although the court has determined that the state holds title to the high water mark, there are many issues related to riverbed leases that remain to be resolved.

Biofuels Loan Guarantee (\$18 million): In March, \$18 million was transferred to the Bank of North Dakota (BND) to be held in an account to guarantee \$60 million of loans being secured by Dakota Spirit AgEnergy for the construction of an ethanol plant in Spiritwood, ND. In April 2014, the Board reduced the origination fee for this loan guarantee from 2.5% to 1%. The SIIF will earn a money market like interest on these funds as well as an annual .25% loan guarantee fee.

School Construction Loans (\$150 million): The legislature dedicated \$150 million of the SIIF to low interest school construction loans. Demand for these loans has exceeded supply; the Department of Public Instruction is maintaining a waiting list for school districts. Procedures have been developed for the new gross production tax backed school construction loan program; it is expected that the first tax backed loan to be funded this summer. The average yield of these loans is 1.27%.

Medical Facility Construction Loans (\$50 million): The legislature dedicated \$50 million of the SIIF for a medical facility construction loan program, to be managed by the BND. The \$50 million was transferred to the BND in September 2013 will earn money market-like interest rates until it lent out. To date no loans have closed. Any income generated by this program will be transferred back to the SIIF, after deduction of the expenses incurred by the BND.

Remaining Appropriated Transfers (\$528 million): A total of \$543.75 million of transfers are appropriated from the SIIF in the 2013-15 biennium. This includes:

- \$520 million transfer to the General Fund
- \$9.6 million to the Attorney General's Office for law enforcement grants
- \$9.6 million to Human Services
- \$4.5 million to the Commerce Department.

To date \$15.75 million has been transferred to various agencies; the \$520 million transfer to the General Fund is planned for January 2015.

The unobligated balance of the SIIF was approximately \$262.38 million as of May 31, 2014. With the June deposit of \$83.5 million of oil tax revenues, this portion of the SIIF will exceed \$300 (06/14)

million. In accordance with NDCC 15-08.1-08, once the unobligated balance in the SIIF reaches \$300 million, 25% of all revenues received for deposit in the fund in subsequent months must be deposited instead into the Legacy Fund

Starting in July 2014 the State Treasurer will deposit 25% of the "state's share" of oil and gas tax revenues previously targeted for the SIIF into the Legacy Fund and the Department of Trust Lands will begin to transfer 25% of the royalty, bonus and other revenues received by the SIIF into the Legacy Fund. The transfer of SIIF royalty and other income to the Legacy Fund will happen during the first week of the subsequent month, once all royalty and other payments have been booked and reconciled.

Motion: The Board affirms that in June 2014 the Strategic Investment and Improvements Fund reached an unobligated balance exceeding \$300 million and in accordance with NDCC 15-08.1-08, in subsequent months 25% of all oil and gas tax revenue that were designated for deposit into the SIIF and 25% of all other revenues received by the SIIF will be deposited into or transferred to the Legacy Fund.

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

Investment Policy for Strategic Investment and Improvements Fund. When the Strategic Investment and Improvements Fund (SIIF) was created in 2011, the Legislature provided no guidance as to how the Board should invest the fund. NDCC 15-08.1-08 provides that certain moneys must be deposited into the fund, that the money in SIIF may be expended for one-time expenditures relating to improving state infrastructure or for initiatives to efficiency and effectiveness of state government, and that money should be appropriated from the SIIF only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized.

The SIIF had a fund balance of \$969.1 million on June 30, 2013. Projections indicate that approximately \$1.0 billion of royalty, bonus and oil taxes will flow into the SIIF during the 2013-2015 biennium. \$543.75 million of spending was appropriated from the SIIF for the 2013-2015 biennium and another \$218 million was dedicated to school construction loans, medical facility construction loans and a biofuels loan guarantee program. It is projected that the SIIF will have a balance of approximately \$1.41 billion on June 30, 2015, of which \$1.05 billion will be unobligated, or available to appropriate.

The SIIF is not like the permanent trust funds managed by the Board. Not only can the Legislature appropriate (or obligate) the SIIF balance every two years, but once those appropriations/obligations are established, the actual timing of the cash outflows is often not known until shortly before it is requested.

Because of the nature of cash flows, the SIIF has historically been invested in high quality fixed income securities that have a maturity of two years or less. In the recent past it has been invested entirely in U.S. Treasury bonds and bills. The Commissioner seeks to invest for maturities matching known outflow dates, and any additional revenues or maturities are invested to the end of the biennium.

This strategy is conservative, with almost no chance of loss of principal. However, in the current low interest rate environment, the SIIF earns very little on these investments. During the past two years, the SIIF averaged an annual investment return of less than 20 basis points, or 0.2%.

There are some investment products and strategies that could add some return over the current Treasury-only strategy. By adding a little duration risk or some credit risk, additional returns could be achieved, but not without some chance of principal loss if cash must be withdrawn prematurely or during a downturn.

Theoretically, the funds in the assigned fund balance (the money reserved for possible claims on sovereign minerals beneath navigable rivers) could be invested for a longer term, since it cannot be spent in the short-term.

Although the money earns little investment income, the Commissioner recommended a continued focus on portfolio preservation by investing in treasuries. He suggested that until Legislative guidance is provided on whether the SIIF should be invested for near or long-term, the Board should continue with its current investment strategy. The RVK study also suggests keeping these funds in cash-like investments.

The Board's investment practice for the SIIF will be included in the forthcoming formal investment policy statement which will summarize all of the Board's investment preferences.

By consensus, the Board directed the Commissioner to evaluate options to invest the SIIF into additional fixed income strategies that might generate stronger returns, but with a similar risk profile to U.S. Treasuries.

O P E R A T I O N S

Consideration of a Consolidated Fee Schedule. The Board's last comprehensive fee schedule was established 34 years ago and was last reviewed on July 25, 1985. The Board has instituted additional stand-alone fees since 1985 which has resulted in fragmentation of fees for different requests and tasks. The recommended action is intended to rescind the 1980 fee schedule as revised in 1985 and promulgate a new fee policy to bring the Board's fee rules, policies and independent actions, together into one document. Future changes or adoptions will be incorporated into a centralized fee schedule rather than disparate lists of approved charges as has been done for nearly 30 years.

"Fees" in the context of this request are those payments which are not specific to any trust fund or tract of land but are deposited in the maintenance fund, which serves as the Department's operating fund. The attached "Exhibit A" is the proposed new rule which will consolidate all fees into one location, instead of in separate policies and Board rules for oil, aggregate and surface. Future fee changes would only need to be made in the consolidated policy and not in each individual rule or schedule.

The following changes were suggested to consolidate fees into a single point of reference:

1. **Exhibit B: Surface Management Division Fee Schedule**
Rescind in its entirety.
2. **Exhibit C: Fee Schedule for Public Information Requests**
Rescind in its entirety as these items have been rolled into the consolidated fee schedule which is being presented for approval.
3. **Exhibit D: Mineral Leasing**
Delete paragraph 85-06.14.
4. **Exhibit E: Potash and Other Subsurface Minerals – Solution Mining**
Delete references to fees embedded in the document as shown and delete paragraph 85-06-07-14.
5. **Exhibit F: Shut-In Well Policy**
Remove reference to application fee in paragraph 2.
6. **Exhibit G: Construction Aggregate Rules**
Delete reference to application fee in paragraph 85-06-03-03 and delete paragraph 85-06-03-31.

Motion: **That the Board adopt the consolidated fee schedule identified in Exhibit A, and also adopt the policy amendments and recommendations as outlined in items 1 – 6 described herein, and presented in subsequent Exhibits B through G.**

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

Exhibit A

TITLE 85
BOARD OF UNIVERSITY AND SCHOOL LANDS
ARTICLE 85-06
Chapter 85-06-01
FEES

Section

- 85-06-01-01 Definitions
- 85-06-01-02 Public Information Requests
- 85-06-01-03 Minerals
- 85-06-01-04 Surface

85-06-01-01 DEFINITIONS. The terms used throughout this chapter and in documents used pursuant herewith have the same meaning as in the North Dakota Century Code Chapter 15-01 and 15-02, except:

1. **"Board"** means the Board of University and School Lands.
2. **"Commissioner"** means the Commissioner of University and School Lands.
3. **"North Dakota Department of Trust Lands"** means the Office of the Commissioner of University and School Lands.

85-06-01-02 PUBLIC INFORMATION REQUESTS. The following fees may be charged:

- | | |
|--|------------------------------|
| 1. Locating records (excludes first hour) | \$25.00 per hour per request |
| 2. Printing – paper copies | \$0.25 per page |
| 3. Electronic copies (excludes first 30 minutes) | \$25.00 per hour per request |
| 4. Postage | Actual cost |
| 5. Certified copy of deed/patent | \$100.00 per document |

85-06-01-03 MINERALS. The following fees may be charged:

- 1. Coal leasing**
 - a. Application filing fee \$50.00 per lease (non-refundable)
 - b. Lease assignment filing fee \$10.00 (non-refundable)
- 2. Oil and gas leasing**
 - a. Application filing fee \$10.00 per tract (non-refundable)
 - b. Lease assignment filing fee \$10.00 per tract (non-refundable)
 - c. Certified copies of oil and gas leases \$25.00 per document
 - d. Lease filing fee (advertising fee) \$10.00 per tract
- 3. Subsurface mineral leasing – potash and other subsurface minerals mining solution**
 - a. Application filing fee \$50.00 per tract
 - b. Lease assignment filing fee \$50.00 per tract (non-refundable)
 - c. Certified copies \$25.00 per document
 - d. Lease filing fee (advertising fee) \$50.00 per tract

General Authority
NDCC 15-01-02.1
History: Effective June 26, 2014

Law Implemented
NDCC 15-01-02.1

85-06-01-04 SURFACE. The following fees may be charged:

- 1. Construction Aggregate Leasing**
Application filing fee \$50.00 per quarter section, \$100.00 minimum
- 2. Easements/Permits**
Application filing fee \$50.00 per quarter section, \$100.00 minimum
- 3. Exploration and Prospecting (geophysical, coal, construction, etc.)**
Application filing fee \$50.00 per quarter section, \$100.00 minimum
- 4. Land Sale Fee (deed preparation/recording costs)** \$100.00 per tract
- 5. Survey access (five year permit)** \$500.00
- 6. Trespassing**
Inspection fee Assessed at the discretion of the Commissioner if it is determined that NDCC 15-08-20 would apply.

General Authority
NDCC 15-01-02.1
History: Effective June 26, 2014

Law Implemented
NDCC 15-01-02.1

Exhibit B

~~NORTH DAKOTA STATE LAND DEPARTMENT
SURFACE MANAGEMENT DIVISION
FEE SCHEDULE~~

SOVEREIGN LANDS	APPLICATION FEE	PERMIT FEE	
Boat docks – commercial	\$ 0.00	\$200.00)	Promulgated by the
Boat docks – private	\$25.00	NC)	Board of University
Boat ramps	\$25.00	NC)	and School Lands on

(06/14)

~~Bank stabilization-----\$ 0.00-----NC) October 30, 1980.~~

~~Public bridges-----\$ 0.00-----NC) Fees are subject to
revision.~~

~~Utility River Crossings-----\$50.00-----\$100.00 per crossing on Little
Missouri River* \$300.00 per~~

~~*River crossings involving-----crossing on other rivers*
transmission facilities to
be negotiated by Board.~~

~~APPLICATION FEE (non refundable)-----EASEMENT FEE~~

~~-----\$50.00 minimum or \$25.00 per
quarter section, per project,
whichever is greater.~~

~~Transmission Lines~~

~~----- (electric, fluid and gas)-----\$50.00-----Payment equal to adjacent land
owners settlement.~~

~~Rural Electric Distribution
Lines**~~

~~----- (overhead & underground)-----\$ 0.00-----\$50.00 per quarter section~~

~~Rural Telephone Lines**~~

~~----- (overhead & underground)-----\$ 0.00-----\$50.00 per quarter section~~

~~Rural Water~~

~~Distribution Lines**-----\$ 0.00-----\$50.00 per quarter section~~

~~Pipelines ----- up to~~

~~10" in diameter-----\$50.00-----To be negotiated by Board.~~

~~Pipelines greater than 10"-----\$50.00-----To be negotiated by Board.~~

~~Small Surface Obstructions-----\$25.00 each~~

~~Utility Sites~~

~~----- (compressor stations,
substations, etc.)-----\$50.00-----To be negotiated by Board.~~

~~----- PERMIT FEES~~

~~Access Roads-----\$50.00-----To be negotiated by Board.~~

~~Temporary Slope-----\$50.00-----Payment equal to adjacent land
owners settlement.~~

~~----- ROYALTY RATES~~

~~Construction Aggregate Lease~~

~~----- (sand, scoria & gravel)-----\$50.00-----45¢ per cubic yard or
highest bid at public auction~~

~~Prospecting permit-----\$25.00 per hole~~

~~Oil and gas-----16 2/3% of production for producing
counties except for McHenry~~

~~and Hettinger Counties~~

~~12.5% of production for non-producing~~

~~counties including McHenry and
Hettinger Counties~~

~~Coal-----To be negotiated with the Board~~

~~**APPLICATION FEES HAVE BEEN INCORPORATED INTO THE EASEMENT
FEE FOR THE CONVENIENCE OF THE COOPERATIVES~~

Application Fee for Coal Leases (per tract)	\$50.00
Application Fee for Uranium Leases (per tract)	\$50.00
Application Fee for Oil & Gas Leases (per tract)	\$10.00
Assignment Fee for Oil & Gas Leases (per tract)	\$10.00
Ratification Fee for Oil & Gas Leases	\$10.00
One Year Farm Lease Application Fee	\$10.00
Patent Fee	\$10.00
Deeds Issued on Land Sold for Public Purposes	\$10.00
Quit Claim Deeds	\$10.00
Assignment of Contract	\$10.00
Contract Fee	\$10.00
Certified Copies	\$10.00
Land Sale Cost	\$75.00
Recording Fees	Actual
Seismic Charges (per hole)	\$50.00
Vibroseising (per mile)	\$100.00

~~HISTORY:~~

~~Adopted: October 30, 1980~~

~~Revised: July 25, 1985~~

Exhibit C

NORTH DAKOTA BOARD OF UNIVERSITY & SCHOOL LANDS Fee Schedule for Public Information Requests

The Land Department's ability to compile and provide various reports is a valuable service, at a reduced cost, to the parties requesting this information. Information retrieved from the Land Department data management system will be available to the public, as mandated by law, through a terminal or terminals for public access. Information can also be printed or be made available on a diskette upon request. The following fee schedule to cover costs will be used to determine the amount of fee charged for the service performed.

Full County Reports:

Report Compilation	\$25.00
Postage and Handling	\$5.00 min.
Printing Costs	\$0.25/page

Reports by Township or by Lessee:

Report Compilation	\$5.00
Postage and Handling	\$5.00 min.
Printing Costs	\$0.25/page

All other requests:

Operator Time	\$75.00/hour
Postage and Handling	\$5.00 min.
Printing Costs	\$0.25/page

*Additional materials (i.e., diskettes), will be charged at a reasonable rate.

History:

~~Adopted: May 31, 1990~~

Exhibit D

TITLE 85
BOARD OF UNIVERSITY AND SCHOOL LANDS
ARTICLE 85-06
MINERAL LEASING

Chapter 85-06-06
OIL AND GAS

Section

85-06-06-01	Definitions
85-06-06-02	Lease Applications
85-06-06-02.1	Sovereign Lands
85-06-06-03	Advertisement and Public Auction
85-06-06-04	Rejection of Applications and Bids
85-06-06-05	Form and Terms of Lease
85-06-06-06	Pooling or Unit Agreements
85-06-06-07	Assignments and Releases
85-06-06-08	Royalties
85-06-06-08.1	Disputed Title Royalty Escrow Account
85-06-06-09	Breach of Lease
85-06-06-10	Reports of Lessee - Delinquency Penalty
85-06-06-11	Audits and Inspections
85-06-06-12	Preservation of Archaeological, Historical and Paleontological Resources
85-06-06-13	(reserved for future use)
85-06-06-14	Fees (<u>Repealed</u>)

85-06-06-01. DEFINITIONS. The terms used throughout this chapter and in documents used pursuant herewith have the same meaning as in the North Dakota Century Code Chapter 15-05, 15-08.1, 15-08.2, and 38-09, except:

1. **"Arm's length transaction"** means a transaction between parties with adverse economic interests where each party to the transaction is in a position to distinguish his economic interest from that of the other party and does not mean a transaction made by a corporation or other entity with itself, or a parent, subsidiary, or interrelated corporation or entity, or between partners or co-joint venturers, or between corporations or other entities having interlocking directorships or close business relationships which may compromise their individual interests.
2. **"Board"** means the board of university and school lands.
3. **"Commissioner"** means the commissioner of university and school lands.
4. **"Completion"** means, in the case of an oil well, when the first commercial oil is produced through wellhead equipment into lease tanks from the ultimate producing interval after casing has been run; in the case of a gas well, when the well is actually producing commercial gas through wellhead equipment from the ultimate producing zone after casing has been run.
5. **"Fund"** means any one of the various trust funds or assets under the control and jurisdiction of the board.
6. **"Gas"** means all natural gas and all other gaseous or fluid hydrocarbons not defined as oil, but shall not include coal, lignite, oil shale, or similar hydrocarbons.
7. **"Gas well"** shall mean a well producing gas or natural gas from a common source of gas supply as determined by the North Dakota industrial commission.
8. **"Gross proceeds"** shall be the sum of all consideration in whatever form or forms, paid for the gas attributable to the lease.
9. **"Leased premises"** means the land area subject to a given oil and gas lease under the authority of the board of university and school lands.
10. **"Lessee"** means the party specified in an oil and gas lease as the lessee, and his permissible assignees or other successors in interest.
11. **"Lessor"** means the state of North Dakota acting by and through the board of university and school lands and its agent, the commissioner of university and school lands.
12. **"Market value"** means the price a willing buyer would pay a willing seller in an arm's length transaction in which the buyer is not compelled to buy or seller is not compelled to sell.
13. **"Net mineral interest"** means all or that undivided portion of the total oil and gas mineral estate in a tract of land, the title to which is in the state of North Dakota acting by and through the board of university and school lands.
14. **"Oil"** means crude petroleum oil and other hydrocarbons regardless of gravity produced in liquid form and the liquid hydrocarbons known as distillate or condensate recovered or extracted from gas, other than gas produced in association with oil and commonly known as casinghead gas.
15. **"Oil well"** shall mean any well capable of producing oil and which is not a gas well as defined herein.
16. (reserved for future use)
17. **"North Dakota Department of Trust Lands"** means the office of the commissioner of university and school lands.
18. (reserved for future use)
19. **"When run"** means that point in the time when the production from a well is removed or sold from the leased premises and delivered to the purchaser or user of such production; for purposes of computing royalties, that point in time shall be considered to be 7:00 a.m., local time, on the day the production is delivered to the purchaser or user regardless of the actual time delivered.

General Authority
NDCC 15-01-02.1
History: Effective July 26, 1979

Law Implemented
NDCC 15-01-02.1

85-06-06-02. LEASE APPLICATIONS. Lease applications in writing, by facsimile transmission, or by electronic email, may be made only for tracts not already leased for the production of oil and/or gas as shown on the tract books of the North Dakota Department of Trust Lands, except applications may be accepted for a tract already under lease when it appears that such lease will expire prior to the date of the lease sale. An application shall be accompanied by a nonrefundable application fee specified in section 85-06-06-14 of this chapter and shall indicate the bonus offered. Each tract is limited to a maximum of one quarter section within the same quarter or governmental lots corresponding thereto within the same section. Applications of more than one quarter section will be divided and considered a separate application. Applications not accompanied by the application fee and not in the proper form shall be rejected. All applications are to be submitted to the North Dakota Department of Trust Lands, P.O. Box 5523, Bismarck, North Dakota 58506-5523 (telephone no. 701-328-2800), prior to the "cut-off date" for each sale, which date may be obtained by calling or writing the department.

General Authority
NDCC 15-01-02.1
History: Effective July 26, 1979
Amended: March 27, 1986, April 30, 2009, July 30, 2009

Law Implemented
NDCC 15-01-02.1

85-06-05-02.1 SOVEREIGN LANDS. Notwithstanding section 85-06-06-02, a lease application for navigable lakes and streams may include up to a section if the tract or tracts cannot reasonably be subdivided by quarter or half section. Sovereign lands lease acreage, including islands, may be offered for lease as, more or less, and may be adjusted for accretions, relictions, or avulsive changes, as survey information is obtained, the ordinary high watermark is delineated, and other reliable relevant facts are identified. Lease acreage adjustments will be limited to within the same quarter section, half section or section.

General Authority
NDCC 15-01-02.1 and NDCC 61-33-06
History: Effective April 30, 2009

Law Implemented
NDCC 15-01-02.1

85-06-06-03. ADVERTISEMENT AND PUBLIC AUCTION. Prior to the offering of oil and gas leases for sale, the commissioner shall publish notice of the sale in the official newspaper of the county or counties in which lands for lease are located, and in the Bismarck Tribune. The notice must be published once each week for two weeks, the last publication being at least ten days prior to the day of the lease sale. The advertisement shall specify the date, time and place of the lease sale; and shall specify how any interested person may obtain a list of the tracts that are being offered for lease. Bidding shall be on the basis of such bonus as the bidder may offer. Every oil and gas lease granted by the commissioner shall be issued to the successful bidder as soon as possible after collected funds are received from the successful bidder. Before any lease shall be issued the successful bidder shall pay one year's rental, the bonus bid and the advertising fee specified in section 85-06-06-14. Should publication of any notice be inadvertently omitted by any newspaper or should such notice as published contain typographical errors, the commissioner may proceed with the scheduled leasing where it appears that the omission or error is not prejudicial to the fund. Bids may be accepted in writing before an oil and gas lease sale. The highest of those bids will be the opening bid of a particular tract of minerals. Land Department personnel may not bid incrementally on anyone's behalf.

General Authority
NDCC 15-01-02.1
History: Effective July 26, 1979
Amended: March 27, 1986; October 10, 1988; June 29, 1989, November 27, 2000, April 30, 2009

Law Implemented
NDCC 15-01-02.1

85-06-06-04. REJECTION OF APPLICATIONS AND BIDS. The commissioner may reject any and all applications or bids at any time prior to the issuance of a lease.

General Authority
NDCC 15-01-02.1
History: Effective July 26, 1979

Law Implemented
NDCC 15-01-02.1

85-06-06-05. FORM AND TERMS OF LEASE. Leases shall be issued on forms furnished by the commissioner. All leases shall be made for a term of not less than five years and shall continue in effect under the terms thereof for as long as oil and/or gas may be produced from the leased premises in commercial quantities or for as long as extended as provided therein. The lease may provide for a reasonable shut-in clause, force majeure clause, and drilling and reworking continuation clause. The lease shall provide for a bonus of not less than one dollar per acre and an annual delay rental of not less than one dollar per acre per year based on the acreage shown in the records of the North Dakota Department of Trust Lands at the time the lease is issued. The lease shall provide for a one sixth (1/6) royalty of all oil and gas produced from the leased premises in all counties except Billings, Divide, Dunn, Golden Valley, McKenzie, Mountrail and Williams counties, which will be set at three/sixteenths (3/16). The fraction of percentage established by the board as a royalty shall be construed to mean such fraction or percentage of the net mineral interests. The lease may contain such terms and conditions as the board or commissioner shall deem appropriate.

General Authority
NDCC 15-01-02.1
History: Effective July 26, 1979
Amended: August 28, 2008, January 26, 2012

Law Implemented
NDCC 15-01-02.1

85-06-06-06. POOLING OR UNIT AGREEMENTS. The board may enter into an agreement for the consolidation of the leased premises with other lands for the purpose of joint development and operation of an entire consolidated area as a unit. Such agreement shall provide that the leased premises shall share in the royalty on oil and/or gas produced from a consolidated tract in the proportion that the leased premises bears to the total area of such unit, or upon such other royalty sharing basis as may appear equitable to the board. The operations or production on such an area shall have the same effect as operations or production under the terms of each such lease included therein. All such agreements must be submitted to and approved by the board.

General Authority
NDCC 15-01-02.1
History: Effective July 26, 1979

Law Implemented
NDCC 15-01-02.1

85-06-06-07. ASSIGNMENTS AND RELEASES. All leases may be assigned or released in whole or in part, (assignments being subject to the approval of the board). An assignment, when submitted to the board for approval, shall be executed and acknowledged in the same manner prescribed for the conveyance of interests in real estate and shall be filed in duplicate with the commissioner. One copy shall be filed in the North Dakota Department of Trust Lands and a duplicate returned to the assignee. The approval of the board acting by and through the commissioner shall be noted upon all copies. All lease obligations of assignor must be current at the time such assignment is approved. Upon payment of the then current assignment fee and upon approval of an assignment by the board, lessee shall be relieved of all obligations with respect to assigned portions. Provided all lease obligations are current at the time a release or partial release is made, all lease obligations and liabilities shall cease as to the released portions.

General Authority
NDCC 15-01-02.1
History: Effective July 26, 1979, April 30, 2009

Law Implemented
NDCC 15-01-02.1
15-05-15

85-06-06-08. ROYALTIES. If a sale of gas, carbon black, sulfur, or any other products produced or manufactured from gas produced and marketed from the leased premises, including liquid hydrocarbons recovered from such gas processed in a plant, does not constitute an arm's length transaction, the royalties due lessor shall be as follows:

1. As a royalty on any gas produced and marketed (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products), one-sixth (1/6) part in all counties except Billings, Divide, Dunn, Golden Valley, McKenzie, Mountrail and Williams counties, which will be set at three/sixteenths (3/16), of the gross production or the market value thereof, at the option of the lessor, such value to be based on the highest market price paid for gas of comparable quality and quantity under comparable conditions of sale for the area where produced and when run, or the gross proceeds of sale, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease

contract shall not at any time exceed 14.73 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to a test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

2. As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, one-sixth (1/6) part in all counties except Billings, Divide, Dunn, Golden Valley, McKenzie, Mountrail and Williams counties, which will be set at three/sixteenths (3/16), of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the lessor. All royalties due herein shall be based on eighty percent (80%) or that percent accruing to lessee, whichever is greater, of the total plant production of residue gas attributable to gas produced from the leased premises, and on forty percent (40%) or that percent accruing to lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from the leased premises; provided that if a third party or parties are processing gas through the same plant pursuant to arm's length transaction and one such transaction accounts for an annual average of 10% or more, or all such transactions collectively account for an annual average of 30% or more of the gas being processed in such plant, the royalty shall be based on the gross proceeds of sale that would accrue to lessee if the gas were processed under the terms of the most remunerative third party transaction for processing gas in such plant. Respective royalties on residue gas and on liquid hydrocarbons where the requirements for using third party transactions cannot be met shall be determined by 1) the highest market price paid for any gas (or liquid hydrocarbons) of comparable quality and quantity under comparable conditions of sale in the general area F.O.B. at the plant after processing, 2) the gross proceeds of sale for such residue gas (or the weighted average gross proceeds of sale for the respective grades of liquid hydrocarbons), F.O.B. at the plant after processing, or 3) the gross proceeds of sale paid to a third party processing gas through the plant, whichever is greater. Lessee shall furnish copies of any and all third party gas processing agreements pertaining to the plant upon lessor's request.
3. As a royalty on carbon black, sulfur or any other products produced or manufactured from gas (excepting liquid hydrocarbons), whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing, one-sixth (1/6) part in all counties except Billings, Divide, Dunn, Golden Valley, McKenzie, Mountrail and Williams counties, which will be set at three/sixteenths (3/16), of the gross production of such productions, or the market value thereof, at the option of lessor. Such market value is to be 1) the highest market price paid for each of the products of comparable quality and quantity under comparable conditions of sale in the general area during the same month in which such products are produced, or 2) the average gross proceeds of sale for each of the products for the same month in which such productions are produced, whichever is greater; provided that if a third party transaction is used to determine royalty in accordance with subsection 2 above, the royalty due under this subsection shall be determined in accordance with such transaction.
4. Lessee agrees that all royalties accruing to lessor under this rule shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, vapor recovery, compressing, processing, transporting, conditioning, removing impurities, depreciation, risk capital, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

General Authority

NDCC 15-01-02.1

History: Effective July 26, 1979

Amended: January 26, 2012

Law Implemented

NDCC 15-01-02.1

15-05-10

85-06-06-08.1. DISPUTED TITLE ROYALTY ESCROW ACCOUNT. Any lessee, assignee, or entity that assumes, or agrees to perform, any of the lessee's rights and responsibilities under the lease, that proposes to withhold royalty payments based upon an ownership dispute must establish an escrow deposit account and must deposit the disputed payments into this account. The account must be established at the Bank of North Dakota, or other state or national chartered insured financial institution approved by the Commissioner, with the Board as a party to the escrow agreement. Upon final resolution of the dispute, and with consent of the Commissioner, the escrow agent shall be authorized to release all monies held in the account to the entity that established the escrow account for proper distribution to the rightful owners. The Board shall be entitled to any interest income earned on the account attributable to the State's ownership interest. This section applies to matters where the amount of the disputed royalties is ten thousand dollars or more over a twelve (12) month period. This section may apply to leases executed prior to the effective date of this section if agreed to by the Commissioner and the lessee, assignee, or entity that assumes, or agrees to perform, any of the lessee's rights and responsibilities under the lease.

General Authority

NDCC 15-01-02.1

History: Effective April 23, 2010

Law Implemented

NDCC 15-01-02.1

15-05-10

85-06-06-09. BREACH OF LEASE. The board may pursue any legal remedy for nonpayment of any sum due under the lease or for breach of any of the terms or conditions of a lease. In addition, the board may cancel any lease for nonpayment of any sum due under the lease or for breach of any of the terms or conditions of a lease provided that such cancellation shall not release lessee from liability for any sum due lessor or from any damages on account of the breach. Before a lease shall be canceled, the commissioner, at the direction of the board, shall mail to the lessee by registered or certified mail addressed to the post office address of such lessee as shown by the records of the North Dakota Department of Trust Lands, a thirty (30) day notice of intention to cancel such lease, specifying the reason for cancellation. If lessee shall not have remedied the default within thirty (30) days after receipt of such mailing, the commissioner, with board approval, may enter cancellation upon his records. A lease shall be canceled only after reasonable attempts have been made to secure voluntary payment of any sum due and compliance with the lease terms and conditions. The pursuit of one remedy shall not bar the pursuit of other remedies. The commissioner may, in writing, waive any breach of a lease except such terms and conditions as are required by law, but any such waiver shall extend only to the particular breach so waived and shall not limit lessor's rights with respect to any future breach. Notwithstanding the foregoing, failure to pay the annual delay rental by the date due shall result in automatic termination of a lease. An annual mineral lease rental payment shall be considered paid if the payment is postmarked or received in the office of the Commissioner on the day the payment is due. If for any reason a payment is received in the office of the Commissioner more than seven calendar days after the date the payment was due, the lease involved shall automatically terminate effective as of the date the payment was due.

General Authority

NDCC 15-01-02.1

History: Effective July 26, 1979

Amended: November 27, 2000

Law Implemented

NDCC 15-01-02.1

85-06-06-10. REPORTS OF LESSEE - DELINQUENCY PENALTY. Lessee shall immediately notify the commissioner in writing when a permit to drill a well on the leased premises has been issued and shall indicate the location of the proposed well. Immediately upon obtaining production of oil and/or gas in commercial quantities, the producing lessee shall notify the commissioner in writing, giving the date production was commenced. Within ninety (90) days following initial production of oil and within one hundred twenty (120) days following initial production of gas, lessee shall file with the commissioner a production and royalty statement showing total production and indicating the royalty due together with payment of such royalty. Thereafter, such statement and payment of royalty shall be due each month on or before the last day of the month succeeding each month of production. These time limits may be extended by the commissioner for good cause. The commissioner reserves the right to request other information and to require that such reports be made on forms furnished by the commissioner. Any sum, other than annual delay rentals, not paid when due shall become delinquent and will be subject to a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or fraction thereof.

In addition to the delinquency penalty, unpaid royalties also bear interest in accordance with N.D.C.C. sec. 47-16-39.1. The commissioner may initially seek to collect either the delinquency penalty or interest, or both. Failure to seek collection of both penalty and interest shall not constitute a waiver of the right to seek the full amount of both penalty and interest if the initial claim is not satisfactorily settled. At such time as a claim for unpaid royalties, if any, and penalties and interest is settled and payment received, the amount of penalty and interest not collected shall be deemed waived. In addition to the discretion to seek only penalty or interest in the initial claim for payment, the commissioner may, for good cause waive up to \$2500 of the penalty or interest initially sought. In determining whether good cause exists, the commissioner may consider one or more of the following: the reason for the late payment; the degree of control the payor had over the late payment; any unusual or mitigating circumstances involved; and any other relevant factors. Only in extremely rare circumstances will the commissioner consider waiving penalty or interest below the equivalent of the loss of interest earnings to the trust fund involved. Requests for interest or penalty waivers in excess of \$2,500 shall be presented to the Board, with the commissioner's recommendation thereon, for review and decision. Lessor shall have a first lien upon all oil and gas produced from the leased premises to secure payment of all unpaid royalties or other payments that may become due under this lease.

General Authority

Law Implemented

NDCC 15-01-02.1

NDCC 15-01-02.1

History: Effective July 26, 1979

Amended October 27, 1988; January 26, 1989; April 29, 1993

85-06-06-11. AUDITS AND INSPECTIONS. The cuttings, cores, and well logs of all wells on the leased premises and all books, accounts, receipts, and discharges of all wells, tanks, pools, meters, pipelines, and all contracts and other records pertaining to the production, transportation, sale, and marketing of the oil and/or gas or other products produced on the leased premises shall at all reasonable times be subject to examination and audit by the commissioner or his representative.

General Authority

Law Implemented

NDCC 15-01-02.1

NDCC 15-01-02.1

History: Effective July 26, 1979

85-06-06-12. THE PROTECTION OF ARCHAEOLOGICAL, HISTORICAL AND PALEONTOLOGICAL RESOURCES. Where an archaeological, historical, or paleontological resource is known at the time of leasing and needs to be protected, the board will include in its oil and gas leases a stipulation requiring that, at least twenty (20) days prior to beginning any surface disturbance on the leased premises, the lessee shall notify the North Dakota Department of Trust Lands of the location of the intended surface disturbance. The North Dakota Department of Trust Lands shall, based upon advice from the North Dakota Historical Board according to N.D.C.C. § 55-02-07, notify the lessee of the protection requested to preserve the resource. If the lessee objects to the requested protection, the lessee may present its objection to the North Dakota Department of Trust Lands. The commissioner, subject to appeal to the board, shall make the final determination as to what protection or preservation measures must be undertaken before surface disturbance begins. The board's oil and gas leases shall also contain a provision stating that in those instances in which a historical, archaeological, or paleontological resource, not known at the time of leasing, is discovered by the lessee during its operations on the leased premises, the lessee shall immediately stop work and do nothing to disturb or alter the resource. Upon discovery of such a resource the lessee shall immediately notify the North Dakota Department of Trust Lands. The lessee shall not resume work until the North Dakota Department of Trust Lands notifies the lessee what protective measures, if any, the commissioner may require to preserve or protect the resource. The lessee shall comply with all protective measures required by the commissioner or the board pursuant to this section. For the purposes of this section "surface disturbance" means any disturbance of the top soils or subsoil.

General Authority

Law Implemented

NDCC 15-05-0

NDCC 15-01-02.1

History: Effective June 29, 1989

55-02-07

85-06-06-13. (reserved for future use)

85-06-06-14. FEES (Repealed).—The following fees may be charged:

1. ~~For filing application to lease or other applications~~

~~\$10.00 (per tract)~~

2. ~~For filing each set of lease assignments~~

~~\$10.00 (per tract)~~

3. ~~For photostatic copies~~

~~\$.25 (per page)~~

4. ~~For certified copies~~

~~\$10.00~~

5. ~~For advertising costs per tract~~

~~\$10.00~~

General Authority

Law Implemented

NDCC 15-01-02.1

NDCC 15-01-02.1

History: Effective July 26, 1979

Amended: July 25, 1985; March 27, 1986

Repealed: June 26, 2014

Exhibit E

TITLE 85
BOARD OF UNIVERSITY AND SCHOOL LANDS
ARTICLE 85-06
SUBSURFACE MINERAL LEASING
Chapter 85-06-07
POTASH AND OTHER SUBSURFACE MINERALS
SOLUTION MINING

Section

85-06-07-01	Definitions
85-06-07-02	Lease Applications
85-06-07-02.1	Sovereign Lands
85-06-07-03	Advertisement and Public Auction
85-06-07-04	Rejection of Applications and Bids
85-06-07-05	Form and Terms of Lease
85-06-07-06	Pooling or Unit Agreements
85-06-07-07	Assignments and Releases
85-06-07-08	Royalties
85-06-07-08.1	Disputed Title Royalty Escrow Account
85-06-07-09	Breach of Lease
85-06-07-10	Reports of Lessee - Delinquency Penalty
85-06-07-11	Audits and Inspections
85-06-07-12	Preservation of Archaeological, Historical and Paleontological Resources
85-06-07-13	(reserved for future use)
85-06-07-14	Fees <u>(Repealed)</u>

85-06-07-01. DEFINITIONS. The terms used throughout this chapter and in documents used pursuant herewith have the same meaning as in the North Dakota Century Code Chapters 15-05, 15-08.1, 38-09, 38-11.2 38-12 , and 61-33, including:

1. **"Arm's length transaction"** means a transaction between parties with adverse economic interests where each party to the transaction is in a position to distinguish his economic interest from that of the other party and does not mean a transaction made by a corporation or other entity with itself, or a parent, subsidiary, or interrelated corporation or entity, or between partners or co-joint ventures, or between corporations or other entities having interlocking directorships or close business relationships which may compromise their individual interests.
2. **"Board"** means the board of university and school lands.
3. **"Commissioner"** means the commissioner of university and school lands.
4. **"Completion"** means, in the case of a subsurface mineral well, when the first commercial marketable quantity is produced through surface equipment into tanks from the ultimate producing interval after casing has been run.
5. **"Fund"** means any one of the various trust funds or assets under the control and jurisdiction of the board.
6. **"Byproducts"** means all potassium, sodium, phosphorus and other chemical substances of a similar occurrence and their salts and compounds.
7. **"Extraction Facility"** means any well or mine or other extractive process operated for the purpose of recovering subsurface minerals
8. **"Gross proceeds"** shall be the sum of all consideration in whatever form or forms, paid for the potash and byproducts attributable to the lease.
9. **"Leased premises"** means the land area subject to a given potash lease under the authority of the board of university and school lands.
10. **"Lessee"** means the party specified in a potash lease as the lessee, and his permissible assignees or other successors in interest.
11. **"Lessor"** means the state of North Dakota acting by and through the board of university and school lands and its agent, the commissioner of university and school lands.
12. **"Market value"** means the price a willing buyer would pay a willing seller in an arm's length transaction in which the buyer is not compelled to buy or seller is not compelled to sell without deductions of any kind including transportation discounts.
13. **"Net mineral interest"** means all or that undivided portion of the total subsurface mineral estate in a tract of land, the title to which is in the state of North Dakota acting by and through the board of university and school lands.
14. **"Solution Mine"** means the extraction of soluble minerals from subsurface strata by injection of fluids, and the controlled removal of mineral-laden solutions.
15. **"State Land Department"** means the office of the commissioner of university and school lands.

16. **"Subsurface minerals"** means all naturally occurring elements and their compounds, volcanic ash, precious metals, carbonates, and natural mineral salts of boron, bromine, calcium, fluorine, iodine, lithium, magnesium, phosphorus, potassium, sodium, thorium, uranium, and sulfur, and their compounds, but does not include hydrocarbons (i.e. oil and gas), sand and gravel and rocks crushed for sand and gravel.
17. **"When run"** means that point in the time when the production from a well is removed or sold from the leased premises and delivered to the purchaser or user of such production; for purposes of computing royalties, that point in time shall be considered to be 7:00 a.m., local time, on the day the production is delivered to the purchaser or user regardless of the actual time delivered.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

85-06-07-02. LEASE APPLICATIONS. Lease applications in writing, by facsimile transmission, or by electronic email, may be made only for tracts not already leased for the production of subsurface minerals as shown on the tract books of the state land department, except applications may be accepted for a tract already under lease when it appears that such lease will expire prior to the date of the lease sale. ~~An application shall be accompanied by a nonrefundable application fee of \$50.00 per tract plus other fees specified in section 85-06-07-14 of this chapter and shall indicate the bonus offered.~~ The bonus offered will serve as a bid in the auction. Each tract is limited to a maximum of one quarter section within the same quarter or governmental lots corresponding thereto within the same section. Applications of more than one quarter section will be divided and considered a separate application. Applications not accompanied by the application fee and not in the proper form shall be rejected. All applications are to be submitted to the State Land Department, P.O. Box 5523, Bismarck, North Dakota 58506-5523 (telephone no. 701-328-2800).

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-07-02.1 SOVEREIGN LANDS. Notwithstanding section 85-06-07-02, a lease application for navigable lakes and streams may include up to a section if the tract or tracts cannot reasonably be subdivided by quarter or half section. Sovereign lands lease acreage, including islands, may be offered for lease as, more or less, and may be adjusted for accretions, relictions, or avulsive changes, as survey information is obtained, the ordinary high watermark is delineated, and other reliable relevant facts are identified. Lease acreage adjustments will be limited to within the same quarter section, half section or section.

General Authority

NDCC 15-01-02.1 and NDCC 61-33-06

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-06-03. ADVERTISEMENT AND PUBLIC AUCTION. Prior to the offering of subsurface mineral leases for sale, the commissioner shall publish notice of the sale in the official newspaper of the county or counties in which lands for lease are located, and in the Bismarck Tribune. The notice must be published once each week for two weeks, the last publication being at least ten days prior to the day of the lease sale. The advertisement shall specify the date, time and place of the lease sale; and shall specify how any interested person may obtain a list of the tracts that are being offered for lease. Bidding shall be on the basis of such bonus as the bidder may offer. Every subsurface mineral lease granted by the commissioner shall be issued to the successful bidder as soon as possible after collected funds are received from the successful bidder. Before any lease shall be issued the successful bidder shall, no later than seven calendar days from the conclusion of the auction, pay five years rental, the bonus, ~~and the advertising fee specified in section 85-06-07-14.~~ Should publication of any notice be inadvertently omitted or should such notice as published contain typographical errors, the commissioner may proceed with the scheduled leasing where it appears that the omission or error is not prejudicial to the fund.

Bids may be accepted electronically for a subsurface mineral lease sale. The highest of those bids received in writing before an electronic auction will be the opening bid of a particular tract of minerals. Land Department personnel may not bid incrementally on anyone's behalf.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-07-04. REJECTION OF APPLICATIONS AND BIDS. The commissioner may reject any and all applications or bids at any time prior to the issuance of a lease.

General Authority

NDCC 15-01-02.1

History: March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-07-05. FORM AND TERMS OF LEASE. Leases shall be issued on forms furnished by the commissioner. All leases shall be made for a term of not less than five years and shall continue in effect under the terms thereof for as long as potash and subsurface minerals may be produced from the leased premises in commercial quantities or for as long as extended as provided therein. The lease may provide for a reasonable shut-in clause, force majeure clause, and drilling and reworking continuation clause. The lease shall provide for a bonus of not less than \$1.00 dollar per acre and an

annual delay rental of not less than one dollar per acre per year based on the acreage shown in the records of the state land department at the time the lease is issued. The lease shall provide for a royalty of two and one-half percent (2.50%) of all potash and subsurface minerals produced from the leased premises without deductions of any kind, regardless of the place of sale. The fraction of percentage established by the board as a royalty shall be construed to mean such fraction or percentage of the net subsurface mineral interests. The lease may contain such terms and conditions as the board or commissioner, acting on behalf of the Board, shall deem appropriate.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-07-06. POOLING OR UNIT AGREEMENTS. The board, or commissioner acting on behalf of the board may enter into an agreement for the consolidation of the leased premises with other lands for the purpose of joint development and operation of an entire consolidated area as a unit. Such agreement shall provide that the leased premises shall share in the royalty on potash and other subsurface mineral substances produced from a consolidated tract in the proportion that the leased premises bears to the total area of such unit, or upon such other royalty sharing basis as may appear equitable to the board. The operations or production on such an area shall have the same effect as operations or production under the terms of each such lease included therein. All such agreements must be submitted to and approved by the board or the commissioner acting on behalf of the board.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-06-07. ASSIGNMENTS AND RELEASES. All leases may be assigned or released in whole or in part. An assignment, when submitted to the board for approval, shall be executed and acknowledged in the same manner prescribed for the conveyance of interests in real estate and shall be filed in duplicate with the commissioner. One copy shall be filed in the state land department and a duplicate returned to the assignee. The approval of the board acting by and through the commissioner shall be noted upon all copies. All lease obligations of assignor must be current at the time such assignment is approved. Upon payment of the then current assignment fee and upon approval of an assignment by the board, lessee shall be relieved of all obligations with respect to assigned portions. Provided all lease obligations are current at the time a release or partial release is made, all lease obligations and liabilities shall cease as to the released portions.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

15-05-15

85-06-07-08. ROYALTIES. If a sale of potash or any other subsurface mineral substance produced or manufactured from the leased premises does not constitute an arm's length transaction, the royalties due the lessor shall be as follows: Two and one-half percent (2.50%) without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, vapor recovery, compressing, processing, transporting, conditioning, removing impurities, depreciation, risk capital, and otherwise making the potash and other subsurface mineral products produced hereunder ready for sale or use.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

15-05-10

85-06-07-08.1. DISPUTED TITLE ROYALTY ESCROW ACCOUNT. Any lessee, assignee, or entity that assumes, or agrees to perform, any of the lessee's rights and responsibilities under the lease, that proposes to withhold royalty payments based upon an ownership dispute must establish an escrow deposit account and must deposit the disputed payments into this account. The account must be established at the Bank of North Dakota, or other state or national chartered insured financial institution approved by the Commissioner, with the Board as a party to the escrow agreement. Upon final resolution of the dispute, and with consent of the Commissioner, the escrow agent shall be authorized to release all monies held in the account to the entity that established the escrow account for proper distribution to the rightful owners. The Board shall be entitled to any interest income earned on the account attributable to the State's ownership interest. This section applies to matters where the amount of the disputed royalties is ten thousand dollars or more over a twelve (12) month period. This section may apply to leases executed prior to the effective date of this section if agreed to by the Commissioner and the lessee, assignee, or entity that assumes, or agrees to perform, any of the lessee's rights and responsibilities under the lease.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

15-05-10

85-06-07-09. BREACH OF LEASE. The board may pursue any legal remedy for nonpayment of any sum due under the lease or for breach of any of the terms or conditions of a lease. In addition, the board may cancel any lease for nonpayment of any sum due under the lease or for breach of any of the terms or conditions of a lease provided that such cancellation shall not release lessee from liability for any sum due lessor or from any damages on account of the breach. Before a lease shall be canceled, the commissioner, at the direction of the board, shall mail to the lessee by registered or certified mail addressed to the post office address of such lessee as shown by the records of the state land department,

a thirty (30) day notice of intention to cancel such lease, specifying the reason for cancellation. If lessee shall not have remedied the default within thirty (30) days after receipt of such mailing, the commissioner, with board approval, may enter cancellation upon his records. A lease shall be canceled only after reasonable attempts have been made to secure voluntary payment of any sum due and compliance with the lease terms and conditions. The pursuit of one remedy shall not bar the pursuit of other remedies. The commissioner may, in writing, waive any breach of a lease except such terms and conditions as are required by law, but any such waiver shall extend only to the particular breach so waived and shall not limit lessor's rights with respect to any future breach. Notwithstanding the foregoing, failure to pay the annual delay rental by the date due shall result in automatic termination of a lease. An annual mineral lease rental payment shall be considered paid if the payment is postmarked or received in the office of the Commissioner on the day the payment is due. If for any reason a payment is received in the office of the Commissioner more than seven calendar days after the date the payment was due, the lease involved shall automatically terminate effective as of the date the payment was due.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-07-10. REPORTS OF LESSEE - DELINQUENCY PENALTY. Lessee shall immediately notify the commissioner in writing when a permit to drill a well on the leased premises has been issued and shall indicate the location of the proposed well. Immediately upon obtaining production of potash and subsurface minerals in commercial quantities, the producing lessee shall notify the commissioner in writing, giving the date production was commenced. Within ninety (90) days following initial production of oil and within one hundred twenty (120) days following initial production of gas, lessee shall file with the commissioner a production and royalty statement showing total production and indicating the royalty due together with payment of such royalty. Thereafter, such statement and payment of royalty shall be due each month on or before the last day of the month succeeding each month of production. These time limits may be extended by the commissioner for good cause. The commissioner may request other information and to require that such reports be made on forms furnished by the commissioner. Any sum, other than annual delay rentals, not paid when due shall become delinquent and will be subject to a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or fraction thereof.

In addition to the delinquency penalty, unpaid royalties also bear interest in accordance with N.D.C.C. 47-16-39.1. The commissioner may initially seek to collect either the delinquency penalty or interest, or both. Failure to seek collection of both penalty and interest shall not constitute a waiver of the right to seek the full amount of both penalty and interest if the initial claim is not satisfactorily settled. At such time as a claim for unpaid royalties, if any, and penalties and interest is settled and payment received, the amount of penalty and interest not collected shall be deemed waived. In addition to the discretion to seek only penalty or interest in the initial claim for payment, the commissioner may, for good cause waive up to \$2500 of the penalty or interest initially sought. In determining whether good cause exists, the commissioner may consider one or more of the following: the reason for the late payment; the degree of control the payor had over the late payment; any unusual or mitigating circumstances involved; and any other relevant factors. Only in extremely rare circumstances will the commissioner consider waiving penalty or interest below the equivalent of the loss of interest earnings to the trust fund involved. Requests for interest or penalty waivers in excess of \$2,500 shall be presented to the Board, with the commissioner's recommendation thereon, for review and decision. Lessor shall have a first lien upon all oil and gas produced from the leased premises to secure payment of all unpaid royalties or other payments that may become due under this lease.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-07-11. AUDITS AND INSPECTIONS. The cuttings, cores, and well logs of all wells on the leased premises and all books, accounts, receipts, and discharges of all wells, tanks, pools, meters, pipelines, and all contracts and other records pertaining to the production, transportation, sale, and marketing of the subsurface minerals or other products produced on the leased premises shall at all reasonable times be subject to examination and audit by the commissioner or his representative.

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

85-06-07-12. THE PROTECTION OF ARCHAEOLOGICAL, HISTORICAL AND PALEONTOLOGICAL RESOURCES. Where an archaeological, historical, or paleontological resource is known at the time of leasing and needs to be protected, the board's potash lease will include a stipulation requiring that, at least twenty (20) days prior to beginning any surface disturbance on the leased premises, the lessee shall notify the state land department of the location of the intended surface disturbance. The state land department shall, based upon advice from the North Dakota Historical Board according to N.D.C.C. § 55-02-07, notify the lessee of the protection requested to preserve the resource. If the lessee objects to the requested protection, the lessee may present its objection to the state land department. The commissioner, subject to appeal to the board, shall make the final determination as to what protection or preservation measures must be undertaken before surface disturbance begins. The board's subsurface mineral leases shall also contain a provision stating that in those instances in which a historical, archaeological, or paleontological resource, not known at the time of leasing, is discovered by the lessee during its operations on the leased premises, the lessee shall immediately stop work and do nothing to disturb or alter the resource. Upon discovery of such a resource the lessee

shall immediately notify the state land department. The lessee shall not resume work until the state land department notifies the lessee what protective measures, if any, the commissioner may require to preserve or protect the resource. The lessee shall comply with all protective measures required by the commissioner or the board pursuant to this section. For the purposes of this section "surface disturbance" means any disturbance of the top soils or subsoil.

General Authority

NDCC 15-05-0

History: Effective March 31, 2011

Law Implemented

NDCC 15-01-02.1

55-02-07

85-06-07-13. (Reserved for future use)

85-06-07-14. FEES-~~Repealed~~ ~~The following fees may be charged:~~

- | | |
|---|--------------------------------|
| 1. For filing application to lease or other applications | \$50.00 (per tract) |
| 2. For filing each set of lease assignments | \$50.00 (per tract) |
| 3. For photostatic copies | \$.25 (per page) |
| 4. For certified copies | \$10.00 |
| 5. For advertising costs per tract | \$10.00 |

General Authority

NDCC 15-01-02.1

History: Effective March 31, 2011

Repealed: June 26, 2014

Law Implemented

NDCC 15-01-02.1

Exhibit F

NORTH DAKOTA BOARD OF UNIVERSITY AND SCHOOL LANDS SHUT-IN WELL POLICY

1. Any lessee desiring to shut in a well, without lease termination, must submit a letter of application to the Commissioner of University and School Lands, Box 5523, Bismarck, ND 58506. This letter of application must contain the following information:
 - a. The name and well number (as established by the Oil and Gas Division) of the well to be shut-in.
 - b. The exact location of the well to be shut-in.
 - c. A description of the lease on which the shut-in well is located, including the date of the lease, the acreage covered by the lease and the present lessee(s) of the lease.
 - d. The name and address of the operator of the well to be shut-in.
 - e. A statement as to each of the three months immediately prior to the shut-in request, showing the total amount of oil and gas produced and the total number of days of production.
 - f. The name, mailing address and telephone number of the individuals designated to receive notice relating to the shut-in agreement.
2. An application fee of ~~Ten Dollars (\$10.00)~~ and a shut-in royalty payment of One Dollar (\$1.00) per net mineral acre must be submitted with each application. (If the application is denied, the shut-in royalty payment will be refunded.)
3. Within 15 days of receipt of a complete application, the Commissioner will do one of the following:
 - a. Notify the applicant that the request has been approved.
 - b. Notify the applicant that additional information is needed to evaluate the request, in which case the application will be deemed to have been received when the additional information requested is received.
 - c. Notify the applicant that an additional 15-day period is necessary to consider the request.
 - d. Notify the applicant that the request for shut-in approval has been denied.
 - e. Notify the applicant that the request has been approved, subject to conditions imposed by the Commissioner.
 - f. Notify the applicant that the request will be placed on the agenda of the next meeting of the Board.

If the Commissioner does not notify the applicant pursuant to sub-paragraphs a through f, above, the application shall be deemed to have been approved. Notification shall be considered given when mailed by the Commissioner.
4. All shut-in agreements will be effective for one year from date of approval.
5. If, during the term of the shut-in agreement, the Commissioner determines that any portion of the shut-in unit is being drained by an offsetting well(s), the Commissioner will notify the lessee(s) of such determination. The lessee(s) will have 60 days from the receipt of such notice to re-establish production from the shut-in well(s) or begin paying compensatory royalty in an amount approved by the Commissioner. If neither of these steps are taken within the time period specified, all rights under the shut-in agreement will be forfeited and the oil and gas lease(s) will terminate (unless extended by virtue of other provisions of said lease).

6. The Board reserves the right to revoke any and all shut-in agreements if it determines that such action is justified by economic or other conditions. The Commissioner is also given the authority to revoke individual shut-in agreements if in his judgment such action is necessary to protect the interest of the Board. If any or all shut-in agreements are revoked, the lessee(s) must re-establish production from the shut-in well(s) within 60 days from the receipt of notice of such revocation, or the oil and gas lease(s) will terminate (unless extended by virtue of other provisions thereof).
7. If an applicant/lessee disagrees with any action taken by the Commissioner pursuant to this policy, it may appeal such action to the Board by giving notice to the Commissioner of its intent to appeal. When the Commissioner receives a notice of appeal, he will place the appeal on the agenda of the next meeting of the Board; provided, however, that if the notice is received less than three days prior to the next meeting of the Board, the Commissioner may place the appeal on the agenda of the immediately following meeting of the Board.
8. The Commissioner will provide an annual report to the Board of all action taken pursuant to this policy.

History

Adopted: May 1986
 Revised: April 26, 1990
 Revised: May 30, 1991
 Revised: March 26, 1992
 Revised: June 24, 1993
 Revised: March 4, 1994

Revised: February 23, 1995
 Revised: April 3, 1998
 Revised: January 25, 2001
 Revised: October 11, 2004
 Revised: June 26, 2014

Exhibit G

ARTICLE 85-06 MINERAL LEASING AND EXPLORATION Chapter 85-06-03

Construction Aggregate Rules

85-06-03-01 DEFINITIONS. The terms used throughout this chapter have the same meaning as in the North Dakota Century Code Chapter 15-05 except:

1. **"Board"** means the board of university and school lands.
2. **"Commissioner"** means the commissioner of university and school lands.
3. **"Construction aggregate"** means gravel, sand, scoria, road material, building stone, colloidal or other clays, and cement materials.
4. **"Fair market value"** means the price set by the commissioner after an analysis of prices paid for pit run construction aggregate in the area of the leased premises. The commissioner will determine what constitutes the "area of the leased premises."
5. **"Disturbed"** means any alteration of the topsoil resulting from a mining operation.
6. **"Leased premises"** means the land area subject to a given construction aggregate lease.
7. **"Lessee"** means the party specified in a construction aggregate lease and permissible assignees or other successors in interest.
8. **"Lessor"** means the state of North Dakota acting by and through the board of university and school lands and its agent, the commissioner of university and school lands.
9. **"Net construction aggregate interest"** means the undivided portions of the total construction aggregate estate on a given tract of land the title to which is in the state of North Dakota acting by and through the board of university and school lands.
10. **"Person"** means an individual, corporation, cooperative, partnership, a joint venture, an unincorporated association, or other legal entity.

85-06-03-02 POLICY. It is the policy of the board to provide for the orderly development and maximum extraction of construction aggregate while adequately protecting the environment. Persons may produce construction aggregate by obtaining a lease in accordance with these rules

85-06-03-03 LEASE APPLICATIONS. Lease applications must be made only on forms furnished by the commissioner. Applications must be accompanied by the application fee ~~specified in section 85-06-03-31.~~ Each application and lease is limited to a maximum of one hundred sixty contiguous acres (about 65 hectares) of like net construction aggregate interest. Lease applications must designate the type of construction aggregate desired.

85-06-03-04 REJECTION OF APPLICATIONS AND BIDS. The commissioner may reject any and all applications or bids at any time prior to the issuance of a lease.

85-06-03-05 LEASE TERMS - DESIGNATION OF LANDS. Lease terms may be for a maximum of five years. The board may designate any tracts as open or closed to construction aggregate leasing.

85-06-03-06 NEGOTIATED LEASES. The commissioner is authorized to approve and issue construction aggregate leases on the board's behalf, under the following conditions:

1. The construction aggregate lease is to the state or a political subdivision of the state for a term of one year or less with a fixed royalty rate, or for a term greater than one year with an annually adjusted royalty rate based on fair market value.
2. The applicant is a private entity requesting less than 5,000 cubic yards for a term of one year or less,
3. When the construction aggregate is needed for an emergency situation for a term of one year or less.

If the above conditions are not met, or if the commissioner otherwise determines that board review is desirable, the application will be brought before the board for its consideration. The commissioner will prepare a monthly report for the board of the construction aggregate leases issued since the previous board meetings.

85-06-03-07 AUCTIONED LEASES. Except as provided in section 85-06-03-06(1), leases with a term greater than one year must be offered at public auction. The commissioner, on behalf of the board, is authorized to approve leases for a term greater than a year. If the commissioner determines that board review is warranted, the application will be brought before the board for its consideration. Notice of such an auction must be published in the official newspaper of the county where the lands are located and in the Bismarck Tribune. Such notice must be published once, at least ten days prior to the day of the auction. The notice must contain the legal description of the land, the lease term, and the time and place where the auction will be held. Bidding must be on a royalty per yard basis with proportionate per ton adjustments rounded to the nearest cent. The commissioner will prepare a report for the board of the construction aggregate leases issued since the previous board meetings.

85-06-03-08 USE OF LEASED OR LICENSED PREMISES. Lessee may use as much of the leased premises as necessary for prospecting, mining, removal of construction aggregate and reclamation subject to section 85-06-03-24, where applicable.

85-06-03-09 ADVANCE ROYALTIES. As consideration for a lease with a term greater than one year, lessee must pay to lessor as advance royalty on the date a lease is issued not less than one thousand dollars. This amount must be paid annually for each year in which the lease is in force; payment is due prior to the lease anniversary date. Advance royalties paid in a given year may be credited against construction aggregate mined during that year. Advance royalty payments for which a credit is not claimed in the year for which the payment was made must be forfeited. The board, upon its own motion, may adjust the advance royalty payment; any adjustment takes effect on the anniversary date of the lease following six months notice to lessee.

The commissioner, at his option, may require an advance royalty deposit for leases with a term of one year or less. The deposit will be credited against construction aggregate mined during the lease.

85-06-03-10 ROYALTIES. ~~Lessee must pay to lessor for construction aggregate, a royalty of not less than forty five cents per yard or the fair market value, whichever is greater.~~ Royalties must be paid by the last day of the calendar month following sale, utilization, or removal from the leased premises. Royalties must be paid in full on any stockpiled construction aggregate remaining on the leased premises 90 days prior to the expiration of the lease.

85-06-03-11 TESTING. In the first year of a multiple year lease a lessee must conduct drilling tests on the leased premises unless the commissioner issues a written waiver of this requirement. Sufficient test holes must be drilled to outline the boundaries, thickness, and depth of the construction aggregate deposit and estimate the quality, quantity, and type of construction aggregate located on the leased premises. Lessee must furnish lessor a map of the leased premises showing the boundaries of the construction aggregate deposit and furnish lessor a written report estimating the thickness, depth, quality, quantity, and type of construction aggregate located on the leased premises. Failure to conduct test drilling or failure to furnish the required information will result in automatic termination of the lease at the end of the first year. All holes must be filled at the conclusion of testing. The commissioner, at his option, may require similar testing on a lease with a term of one year or less.

85-06-03-12 MINING AND RECLAMATION PLAN. Prior to mining construction aggregate on the leased premises, lessee must submit a mining and reclamation plan to the commissioner for review. The plan must indicate the exact location of the mining operation in relation to the construction

aggregate deposit, an estimate of the thickness, depth, quantity, quality and type of construction aggregate to be removed from such location, what the construction aggregate will be used for, and a plan for the reclamation of the surface once all construction aggregate has been removed from the exact location. The reclamation plan must include the leveling of the disturbed surface at the close of mining operations to as close to its original contour as is reasonably possible taking into consideration the amount of construction aggregate removed, the saving and resspreading of topsoil present on the surface prior to mining, and the revegetation of the surface with appropriate flora. The intent of these reclamation plans is to reclaim the land to its previous potential use and previous potential productivity. The reclamation plan may be modified by the commissioner. Mining may not begin on the leased premises unless the mining and reclamation plan is approved by the commissioner. In the event that the commissioner does not approve a reclamation plan or approves a reclamation plan that is unacceptable to lessee then all consideration paid for the lease will be refunded to lessee.

Special reclamation plans for the propagation of wildlife habitat, the creation of a nature preserve, or other alternate land use may be required by the commissioner, provided the costs of such reclamation do not exceed the cost of reclamation to its previous potential use and previous potential productivity.

85-06-03-13 BOND. Payment of all royalties and reclamation of any portion of the leased premises that is disturbed by lessee, lessee's agent or lessee's assigns, is the responsibility of lessee. To assure payment of royalties and proper reclamation, lessee must obtain and retain in force a bond, in an amount and in the form required by the commissioner. If the commissioner consents, lessee may, in-lieu of a bond, file another form of security. The commissioner may adjust bonding amounts yearly, with the adjustment based on the estimated cost to reclaim the remaining disturbed site and the amount of stockpiled construction aggregate. If the commissioner determines that additional bond or other securities are required, lessee must submit additional security within 30 days after requested by the commissioner in the form as required by this section. Lessee may submit a written request to the commissioner stating the reasons for a full or partial release of the bond or other security. At the commissioner's sole discretion, a bond or other security may be released in whole or in part.

When all royalties have been paid and reclamation is accomplished by lessee pursuant to a reclamation plan approved by the commissioner, the commissioner will release the bond or other security. If royalties owed are not paid or reclamation is not accomplished in accordance with the approved reclamation plan, the bond or other security must be forfeited. The commissioner will determine whether or not reclamation has been accomplished. The forfeiture of the reclamation bond or other reclamation security by the lessee will not absolve the lessee of the duty and responsibility to reclaim the leased premises. The commissioner may specifically enforce lessee's contractual and statutory duty to reclaim through appropriate court proceedings.

The commissioner may waive the requirement for a bond from a political subdivision.

Lessees may appeal any decision made by the commissioner under this section, to the board. A written explanation of the reason why the commissioner's decision should be changed must accompany an appeal.

85-06-03-14 RECLAMATION CONTRACTS. The board may contract with lessees, or any person for the reclamation of the leased premises. The costs of such reclamation may be paid for from forfeited bonds, or through credits applied against construction aggregate sold, utilized, or stockpiled by lessee.

85-06-03-15 THEFT OF CONSTRUCTION AGGREGATE. Royalty for all construction aggregate mined must be paid by lessee in accordance with section 85-06-03-10. Lessee shall be responsible for the loss or theft of any construction aggregate from the leased premises and such loss or theft does not relieve the lessee from the responsibility to pay for the construction aggregate.

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85-06-03-17 MINING OPERATIONS. Lessee must conduct mining operations in a good and workmanlike manner and in accordance with all local, state and federal laws. Lessee must take reasonable steps to prevent mining operations from unnecessarily causing or increasing soil erosion or drainage, and damage to crops, pasture, or trees.

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85-06-03-19 TERMINATION BY LESSOR. For any breach of the lease conditions or for violation of any local, state or federal laws, a lease may be cancelled by lessor. Cancellation by lessor will not release lessee from liability for royalty or rental owed to lessor or from any damages resulting from a breach of a lease condition or from the responsibility to reclaim the leased premises. Lessor may cancel a lease by giving written notice of the breach to lessee at the address specified in the lease.

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85-06-03-21 CONDITIONS ON EXPIRATION OR TERMINATION. At the expiration, cancellation, or termination of a lease and, unless waived, upon the completion of reclamation, lessee must remove its property from the leased premises within one hundred twenty days from the date of termination or the date reclamation is completed. Lessee will be liable to lessor for the costs of removal of any property remaining on the leased premises after time for removal has expired. Lessee must remove all stockpiled construction aggregate from the leased premises by the lease expiration date.

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85-06-03-31 FEES (Repealed June 26, 2014) .~~The following fees may be levied by the commissioner:~~

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~~The board, upon its own motion, may adjust these fees. For a current fee schedule, please write to the Surface Management Division, State Land Department, 1707 N 9th Street, PO Box 5523, Bismarck, ND 58506-5523, (701) 328-2800.~~

History

Adopted: June 29, 1978
 Revised: July 25, 1985
 Revised: June 28, 1990
 Revised: August 28, 1997
 Revised: April 27, 2000
 Revised: May 31, 2012
 Revised: August 30, 2012
Revised: June 26, 2014

OPERATIONS (Continued)

Agricultural Lease Fees, Easement/Permit Payments and Surface Damage Policies. The Commissioner also requested adoption of an updated Board payment schedules for agricultural lease fees, surface damage agreements, and easements/permits. Unlike the fees referenced in the previous action, these payments are accounted on a tract specific, on a trust specific basis.

The document presented in "Exhibit I" replaces the portions of the 1980 policy as it applies to the surface management division.

Easement/Permit Compensation. Oil and gas development on trust lands generates significant revenue for surface damage and easements/permits. In FY13, \$4.5 million was collected for the trusts. The Board's policy for easements, permits and damage payments promulgated in 1980 has not been updated since 1985. The revised policy represented in "Exhibit I" allows the Commissioner to negotiate surface use charges consistent with local conditions. The revised policy also incorporates a base royalty for construction aggregate, and as result that reference can be removed from paragraph 85-06-03-10 of the Board's construction aggregate rules ("Exhibit K").

Surface Damage Payments for Agricultural Lessees. Agricultural leases are subject to all leases, easements and permits that the Board may issue. Furthermore, paragraph 12 of each lease states:

"LESSEE shall not be entitled to any compensation by reason of such leases, permits, easements, rights-of-way, or servitudes unless otherwise provided for by LESSOR."

In April 1987 the board approved a schedule for agricultural lease damage payments to lessees ("Exhibit J"). Approximately \$162,000 was paid out to agricultural lessees for damage and disruption payments in FY13 under this policy.

The changes as shown on the attached surface agricultural lease damage payment policy ("Exhibit J") are recommended to represent current standard operating procedures within the Department.

Agricultural Lease Fee: The surface lease fee is part of the methodology originally promulgated by the Board in 1989 to calculate the minimum opening bid at public auction for agricultural leases. The lease fee was set in 1995 to partially offset the cost of conducting public lease auctions held each fall in each county. The original fee was two cents per acre but costs have risen and an adjustment to 5 cents per acre was requested.

Surface Lease fee: *A lease fee of ~~2~~5 cents per gross acre shall be charged annually to partially offset the expenses of conducting the lease auctions and issuing surface leases. This amount shall be included as part of the minimum opening bid (Paragraph IV.A.3, of the FAIR MARKET VALUE METHOD FOR ESTABLISHING MINIMUM BIDS ON TRUST LANDS).*

Motion: That the Board adopt the payment schedule as outlined in "Exhibit I" and remove references to the royalty rate for construction aggregate in paragraph 85-06-03-10 in "Exhibit K". Furthermore, that the Board revise the surface agricultural lease damage payment schedule as shown in "Exhibit J" and adjust the agricultural lease fee from 2 cents to 5 cents per gross acre as detailed above.

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

Exhibit I

NORTH DAKOTA BOARD OF UNIVERSITY AND SCHOOL LANDS Payment Schedule Surface Management Division

Easements, Permits, Surface Damage Agreements, and Geophysical Exploration.

The Commissioner of University and School Lands or his/her agent may negotiate a fair compensation for the trust funds at no less than the prevailing market value.

Sand and Gravel, Scoria, Road Material, Building Stone, Borrow Material and Colloidal or Other Clays.

Sand and Gravel, Scoria, Road Material, Building Stone

1. All leases offered at public auction shall be at no less than \$1.00 per cubic yard as measured in the stock pile and at no less than fair market value.
2. All negotiated leases under the Board's Construction Aggregate rule **85-06-03-06** shall be at a fair compensation to the trust funds but at no less than fair market value and at no less than \$1.00 per cubic yard as measured in the stock pile.

Borrow Material, and Colloidal or Other Clays

1. All leases offered at public auction shall be at no less than \$1.00 per cubic yard as measured in place and at no less than fair market value.
2. All negotiated leases under the Board's Construction Aggregate rule **85-06-03-06** shall be at a fair compensation to the trust funds but at no less than fair market value and at no less than \$1.00 per cubic yard as measured in place.

Prospecting and Soil Testing Permits (Including Coal, Soil and Construction Aggregate)

1. \$25.00 per test hole.

Land Sales.

In addition to the land sale fee, the successful purchaser of any tract shall pay appraisal and advertising costs.

Adopted: June 26, 2014

Exhibit J

**NORTH DAKOTA
BOARD OF UNIVERSITY AND SCHOOL LANDS**

SURFACE DAMAGE PAYMENTS FOR AGRICULTURAL LESSEES

	<u>Lease</u> Damages (\$)/rod						<u>Lease</u> Damages (\$)/acre				
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Pipelines	.50	.25	.15	.10	0		26.40	13.20	7.92	5.28	0
Roads	1.00	.50	.30	0	0		52.80	26.40	15.84	<u>0</u>	<u>0</u>
Well Pads	NA	NA	NA	NA	NA		52.80	26.40	15.84	0	0
Tank Batteries	NA	NA	NA	NA	NA		52.80	26.40	15.84	0	0
Pump Stations	NA	NA	NA	NA	NA		52.80	26.40	15.84	0	0

~~Seismic Fee to be split evenly between the surface lessee and the State, with the State receiving not less than \$50 per test hole or \$100 per mile for vibroseisng.~~

~~1. Transmission lines—Surface lessee shall be paid actual damages subject to review by the Commissioner.~~

~~* The damages during the 4th and succeeding years would be reduced to acres or AUMs of forage lost continuing for the life of the project.~~

~~The following conditions would also apply:~~

- ~~1. 1-Surface damage payments for an agricultural lessee shall be determined by the above schedule.~~
- ~~4.2. The surface-lessee would may receive a one-time payment from the Department project developer based on the number of years remaining in his-the surface-lease (ex. 320 rods of pipeline across a tract with 3 years remaining on the lease would result in a payment of \$0.50+\$0.25+\$0.15=\$0.90/rod for a total of \$288).~~
- ~~3. The cumulative surface damage payment should shall not exceed the cost of the surface agricultural lease rental in any given year.~~
- ~~4. Surface agricultural lease damage payments paid to an agricultural lessee for geophysical exploration on trust lands shall be determined by the Commissioner on a case by case basis.~~
- ~~5. The above schedule would shall applies to grassland tracts only. The surface damage payment for hayland and cropland shall be based on actual crop losses and shall be determined by the Commissioner on a case-by-case basis.~~

6. ~~The surface damage payment for transmission lines shall be determined by the Commissioner of University and School lands on a case by case basis. Transmission lines — Surface lessee may be paid actual damages subject to review by the Commissioner. The State would receive compensation equal to that paid to adjacent landowners, minus the damages paid to the surface lessee. In no case shall the payment made to the State be less than the fees promulgated by the Board on June 25, 1985.~~

HISTORY: April 30, 1987

Revised: June 26, 2014

Exhibit K

ARTICLE 85-06 MINERAL LEASING AND EXPLORATION Chapter 85-06-03 Construction Aggregate Rules

85-06-03-01 DEFINITIONS. The terms used throughout this chapter have the same meaning as in the North Dakota Century Code Chapter 15-05 except:

1. **"Board"** means the board of university and school lands.
2. **"Commissioner"** means the commissioner of university and school lands.
3. **"Construction aggregate"** means gravel, sand, scoria, road material, building stone, colloidal or other clays, and cement materials.
4. **"Fair market value"** means the price set by the commissioner after an analysis of prices paid for pit run construction aggregate in the area of the leased premises. The commissioner will determine what constitutes the "area of the leased premises."
5. **"Disturbed"** means any alteration of the topsoil resulting from a mining operation.
6. **"Leased premises"** means the land area subject to a given construction aggregate lease.
7. **"Lessee"** means the party specified in a construction aggregate lease and permissible assignees or other successors in interest.
8. **"Lessor"** means the state of North Dakota acting by and through the board of university and school lands and its agent, the commissioner of university and school lands.
9. **"Net construction aggregate interest"** means the undivided portions of the total construction aggregate estate on a given tract of land the title to which is in the state of North Dakota acting by and through the board of university and school lands.
10. **"Person"** means an individual, corporation, cooperative, partnership, a joint venture, an unincorporated association, or other legal entity.

85-06-03-02 POLICY. It is the policy of the board to provide for the orderly development and maximum extraction of construction aggregate while adequately protecting the environment. Persons may produce construction aggregate by obtaining a lease in accordance with these rules

85-06-03-03 LEASE APPLICATIONS. Lease applications must be made only on forms furnished by the commissioner. Applications must be accompanied by the application fee ~~specified in section 85-06-03-31.~~ Each application and lease is limited to a maximum of one hundred sixty contiguous acres (about 65 hectares) of like net construction aggregate interest. Lease applications must designate the type of construction aggregate desired.

85-06-03-04 REJECTION OF APPLICATIONS AND BIDS. The commissioner may reject any and all applications or bids at any time prior to the issuance of a lease.

85-06-03-05 LEASE TERMS - DESIGNATION OF LANDS. Lease terms may be for a maximum of five years. The board may designate any tracts as open or closed to construction aggregate leasing.

85-06-03-06 NEGOTIATED LEASES. The commissioner is authorized to approve and issue construction aggregate leases on the board's behalf, under the following conditions:

4. The construction aggregate lease is to the state or a political subdivision of the state for a term of one year or less with a fixed royalty rate, or for a term greater than one year with an annually adjusted royalty rate based on fair market value.
5. The applicant is a private entity requesting less than 5,000 cubic yards for a term of one year or less,
6. When the construction aggregate is needed for an emergency situation for a term of one year or less.

If the above conditions are not met, or if the commissioner otherwise determines that board review is desirable, the application will be brought before the board for its consideration. The commissioner will prepare a monthly report for the board of the construction aggregate leases issued since the previous board meetings.

85-06-03-07 AUCTIONED LEASES. Except as provided in section 85-06-03-06(1), leases with a term greater than one year must be offered at public auction. The commissioner, on behalf of the board, is authorized to approve leases for a term greater than a year. If the commissioner determines that board review is warranted, the application will be brought before the board for its consideration. Notice of such an auction must be published in the official newspaper of the county where the lands are located and in the Bismarck Tribune. Such notice must be published once, at least ten days prior to the day of the auction. The notice must contain the legal description of the land, the lease term, and the time and place where the auction will be held. Bidding must be on a royalty per yard basis with proportionate per ton adjustments rounded to the nearest cent. The commissioner will prepare a report for the board of the construction aggregate leases issued since the previous board meetings.

85-06-03-08 USE OF LEASED OR LICENSED PREMISES. Lessee may use as much of the leased premises as necessary for prospecting, mining, removal of construction aggregate and reclamation subject to section 85-06-03-24, where applicable.

85-06-03-09 ADVANCE ROYALTIES. As consideration for a lease with a term greater than one year, lessee must pay to lessor as advance royalty on the date a lease is issued not less than one thousand dollars. This amount must be paid annually for each year in which the lease is in force; payment is due prior to the lease anniversary date. Advance royalties paid in a given year may be credited against construction aggregate mined during that year. Advance royalty payments for which a credit is not claimed in the year for which the payment was made must be forfeited. The board, upon its own motion, may adjust the advance royalty payment; any adjustment takes effect on the anniversary date of the lease following six months notice to lessee.

The commissioner, at his option, may require an advance royalty deposit for leases with a term of one year or less. The deposit will be credited against construction aggregate mined during the lease.

85-06-03-10 ROYALTIES. ~~Lessee must pay to lessor for construction aggregate, a royalty of not less than forty five cents per yard or the fair market value, whichever is greater.~~ Royalties must be paid by the last day of the calendar month following sale, utilization, or removal from the leased premises. Royalties must be paid in full on any stockpiled construction aggregate remaining on the leased premises 90 days prior to the expiration of the lease.

85-06-03-11 TESTING. In the first year of a multiple year lease a lessee must conduct drilling tests on the leased premises unless the commissioner issues a written waiver of this requirement. Sufficient test holes must be drilled to outline the boundaries, thickness, and depth of the construction aggregate deposit and estimate the quality, quantity, and type of construction aggregate located on the leased premises. Lessee must furnish lessor a map of the leased premises showing the boundaries of the construction aggregate deposit and furnish lessor a written report estimating the thickness, depth, quality, quantity, and type of construction aggregate located on the leased premises. Failure to conduct test drilling or failure to furnish the required information will result in automatic termination of the lease at the end of the first year. All holes must be filled at the conclusion of testing. The commissioner, at his option, may require similar testing on a lease with a term of one year or less.

85-06-03-12 MINING AND RECLAMATION PLAN. Prior to mining construction aggregate on the leased premises, lessee must submit a mining and reclamation plan to the commissioner for review. The plan must indicate the exact location of the mining operation in relation to the construction aggregate deposit, an estimate of the thickness, depth, quantity, quality and type of construction aggregate to be removed from such location, what the construction

aggregate will be used for, and a plan for the reclamation of the surface once all construction aggregate has been removed from the exact location. The reclamation plan must include the leveling of the disturbed surface at the close of mining operations to as close to its original contour as is reasonably possible taking into consideration the amount of construction aggregate removed, the saving and respreading of topsoil present on the surface prior to mining, and the revegetation of the surface with appropriate flora. The intent of these reclamation plans is to reclaim the land to its previous potential use and previous potential productivity. The reclamation plan may be modified by the commissioner. Mining may not begin on the leased premises unless the mining and reclamation plan is approved by the commissioner. In the event that the commissioner does not approve a reclamation plan or approves a reclamation plan that is unacceptable to lessee then all consideration paid for the lease will be refunded to lessee.

Special reclamation plans for the propagation of wildlife habitat, the creation of a nature preserve, or other alternate land use may be required by the commissioner, provided the costs of such reclamation do not exceed the cost of reclamation to its previous potential use and previous potential productivity.

85-06-03-13 BOND. Payment of all royalties and reclamation of any portion of the leased premises that is disturbed by lessee, lessee's agent or lessee's assigns, is the responsibility of lessee. To assure payment of royalties and proper reclamation, lessee must obtain and retain in force a bond, in an amount and in the form required by the commissioner. If the commissioner consents, lessee may, in-lieu of a bond, file another form of security. The commissioner may adjust bonding amounts yearly, with the adjustment based on the estimated cost to reclaim the remaining disturbed site and the amount of stockpiled construction aggregate. If the commissioner determines that additional bond or other securities are required, lessee must submit additional security within 30 days after requested by the commissioner in the form as required by this section. Lessee may submit a written request to the commissioner stating the reasons for a full or partial release of the bond or other security. At the commissioner's sole discretion, a bond or other security may be released in whole or in part.

When all royalties have been paid and reclamation is accomplished by lessee pursuant to a reclamation plan approved by the commissioner, the commissioner will release the bond or other security. If royalties owed are not paid or reclamation is not accomplished in accordance with the approved reclamation plan, the bond or other security must be forfeited. The commissioner will determine whether or not reclamation has been accomplished. The forfeiture of the reclamation bond or other reclamation security by the lessee will not absolve the lessee of the duty and responsibility to reclaim the leased premises. The commissioner may specifically enforce lessee's contractual and statutory duty to reclaim through appropriate court proceedings.

The commissioner may waive the requirement for a bond from a political subdivision.

Lessees may appeal any decision made by the commissioner under this section, to the board. A written explanation of the reason why the commissioner's decision should be changed must accompany an appeal.

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Revised: June 26, 2014

R E P O R T S

Status of Permanent Fund Asset Allocation Transition. After the Board's work in selecting additional investment managers, RVK, Inc. and staff have initiated the process of transitioning assets with the portfolio to the new Board-approved asset allocation.

On June 5, 2014, the following transactions took place. The sales and purchases were coordinated to make sure that when the permanent trusts sold an interest in one asset they purchased an interest in the new asset the same day.

SOLD

S&P 500 Index¹:	\$150 million of shares to bring it down to new target of 13.5%
SSGA Sm/Mid²:	\$19 million of shares to bring it closer to target, still overweight in the small/mid cap portion of the portfolio
NTGI TIPS³:	\$35 million of securities to reduce exposure
P&R Aggregate⁴:	\$61 million of securities to reduce exposure
JP Morgan Inter⁵:	\$59 million of securities to reduce exposure
P&R Low Duration:	\$151 million of shares sold to reduce exposure
P&R Cash:	\$29 million of cash equivalents (monthly cash flows on hand)
TOTAL AMOUNT SOLD - \$504 million	

FUNDED

GMO - GTAA	\$205 million of shares purchased
Westwood - GTAA	\$205 million of shares purchased
DFA – EM	\$47 million of shares purchased
Harding Loevner	\$47 million of shares purchased

TOTAL AMOUNT PURCHASED - \$504 million

In addition to the sales noted, the Lazard account was reduced by approximately \$150 million from mid-May to mid-June, from about \$276 million to \$126 million. Lazard was given extra time to generate the funds needed as high yield bonds are less liquid than some other securities and it was determined that a month was the proper time frame to generate the funds in a cost effective and efficient way. Funds from the Lazard account were moved to the P&R Cash account nightly to prevent drag on the portfolio. The proceeds were used to fund other mandates in late-June as described below.

On June 19, 2014 the following transactions took place.

SOLD

P&R Cash:	\$178 million of cash equivalents (\$28 million of regular cash flows and \$150 million of cash generated from Lazard)
P&R Low Duration:	\$27 million of shares sold to reduce exposure

TOTAL AMOUNT SOLD - \$205 million**FUNDED**

PIMCO – GTAA	\$205 million of shares purchased
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There are a number of tasks occurring that will be completed by the end of the June, including:

- **NTGI** is in the process of transitioning the current small/mid cap manager of manager's portfolio to a focus on small cap stocks. This will entail liquidating the three mid-cap managers and reallocating funds to the four small cap managers that will be retained in the portfolio. While this restructure is occurring, the \$45 million generated will be pulled from the account to reduce the size of the portfolio to the 3.5% target allocation for small cap domestic stocks. This transition started last week and should be completed before month's end.
- **NTGI** was instructed to liquidate the EAFE Index account they manage for the Board. Once the shares are liquidated, the cash will be transferred to SSGA and will be invested in the new passive World Ex-US account.
- **SSGA** is in the process of transitioning the International Alpha active quantitative portfolio to a World Ex-US passive index mandate. This transition started last week and should be completed by end of the month.

The following table summarizes the status of reallocation process as of the end of June.

ND Board of University and School Lands							
Reallocation of Permanent Trust Assets							
As of June 30, 2014							
Account/Asset Class	Adjusted Market Value	%	Target Allocation	%	In Progress Late June	Actual After Rebalance	%
Total Lrg Cap	\$ 433,463,396	13.6%	\$ 428,973,435	13.5%	\$ -	\$ 433,463,396	13.6%
Total Small	\$ 374,893,092	11.8%	\$ 111,215,335	3.5%	\$ (45,000,000)	\$ 329,893,092	10.4%
Total Intl. Large Cap	\$ 381,313,965	12.0%	\$ 381,309,720	12.0%	\$ -	\$ 381,313,965	12.0%
Total EM Equity	\$ 94,000,000	3.0%	\$ 95,327,430	3.0%	\$ -	\$ 94,000,000	3.0%
Total Equities	\$ 1,283,670,453	40.4%	\$ 1,016,825,920	32.0%	\$ (45,000,000)	\$ 1,238,670,453	39.0%
Total Absolute Return	\$ 615,000,000	19.4%	\$ 635,516,200	20.0%	\$ -	\$ 615,000,000	19.4%
Total Real Estate	\$ 233,433,388	7.3%	\$ 476,637,150	15.0%	\$ -	\$ 233,433,388	7.3%
Total Real Assets	\$ 139,404,864	4.4%	\$ 317,758,100	10.0%	\$ -	\$ 139,404,864	4.4%
Total US Invest Grade	\$ 604,125,001	19.0%	To Be Determined		\$ 45,000,000	\$ 649,125,001	20.4%
Total Intl. Invet Grade	\$ 153,947,616	4.8%			\$ -	\$ 153,947,616	4.8%
Total Loans	\$ 21,613,627	0.7%			\$ -	\$ 21,613,627	0.7%
Total High Yield	\$ 126,386,066	4.0%			\$ -	\$ 126,386,066	4.0%
Total Em Debt	\$ -	0.0%			\$ -	\$ -	0.0%
Total Fixed Income	\$ 906,072,310	28.5%	\$ 730,843,630	23.0%	\$ 45,000,000	\$ 951,072,310	29.9%
Total Asset	\$ 3,177,581,016	100.0%	\$ 3,177,581,000	100.0%	\$ -	\$ 3,177,581,016	100.0%
					Asset Class Subcategories		
					Board Adopted Asset Classes		

Some of the most important things to note about the table above are:

- **Equities** are overweight versus the trusts' new allocation by about 7%; the entire amount is in the SSGA Completeness Fund which will be liquidated during the transition. All other equity portfolios are now structured as approved by the Board.
- The three GTAA managers recently hired by the Board to invest the **Absolute Return** portion of the portfolio have been fully funded.
- The **Real Estate** portion of the portfolio is underfunded by 7.7%. While the plan is to have recommendations for core real estate managers to the Board in late-July, it will take time to fund this mandate.
- The **Real Asset** portion of the portfolio is underfunded by 5.6%. Board discussion related to this asset class will occur in the next several months.
- The **Fixed Income** portion of the portfolio is overweight by about 6.9%. Much of the overweight is a result of the assets currently being held in the Payden & Rygel Low Duration Fund in anticipation of being used to restructure the portfolio. RVK will attend the July Board meeting to begin discussions related to the structure of the fixed income portfolio.

Financial Statements. The Board reviewed the Financial Statement Summary and Total Assets by Trust as of April 30, 2014. These reports are on file at the Department of Trust Lands office and were for the Board's information; no action was required.

Report of Easements Issued by Land Commissioner. (05-21-14 through 06-18-14)

HESS BAKKEN INVESTMENTS II, LLC WIL-158-95-36-SE4	Tank Battery	5/22/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP WIL-155-102-36-N2SE4, LOTS 9,10, N2SW4, LOTS 11,12	Electric Transmission Line	6/12/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-92-16-NE4, SE4	Electric Distribution Line – Above Ground	6/9/2014
SIOUX COUNTY SIO-129-87-16-NE4, SE4	Road Right-of-Way	6/4/2014
RESERVATION TELEPHONE COOP MCK-152-102-36-NE4	Communication Cable – Buried	6/12/2014
MEADOWLARK MIDSTREAM CO LLC WIL-158-97-16-NE4	Multiple Pipelines	6/4/2014
WEST RIVER TELECOM COOP SIO-130-83-31-NE4, NW4	Amend: Communication Cable	6/12/2014
WILLIAMS COUNTY HWY DEPT WIL-156-101-16-NE4, NW4 WIL-156-102-16-NE4, NW4	Road Right-of-Way	6/13/2014
MOUNTRAIL COUNTY HIGHWAY DEPT MOU-157-93-36-NW4, SE4, SW4	Road Right-of-Way	5/29/2014
COYOTE CREEK MINING COMPANY MER-143-88-8-SE4 LESS HAUL ROAD, SW4 LESS HAUL ROAD	Road Right-of-Way	6/16/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-152-102-36-SW4	Drop Line-Gas Gathering Pipeline	5/22/2014
ROUGH RIDER ELECTRIC COOP INC OLI-141-81-16-SE4 LESS SCHOOL SITE, SW4	Electric Distribution Line – Above Ground	5/29/2014
RESERVATION TELEPHONE COOP MCK-148-101-36-NW4, SW4	Easement Release	6/9/2014
MIDSTATE TELEPHONE CO BIL-141-101-21-NW4 EAST OF ROAD, NW4 WEST OF ROAD	Amend: Communication Cable	6/4/2014
PETRO-HUNT LLC WIL-154-99-16-NW4, SW4	Amend: Salt Water Disposal Well	6/4/2014
ONEOK ROCKIES MIDSTREAM LLC DUN-147-95-16-SE4, SW4 SOUTH OF HWY	Amend: Gas Gathering Pipeline	6/16/2014
WEST RIVER TELECOM COOP SIO-131-82-16-NE4 W OF HWY, SE4 W OF HWY	Amend: Communication Cable	6/12/2014

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. No fees are charged for this use.

PETRO-HUNT LLC WIL-154-99-16-NE4	Letter of Permission: Access to School Land
ND DEPT OF HEALTH, DIV OF WATER QUAL HET-135-96-16-NE4, NW4, SE4, SW4	Letter of Permission: Access to School Land

ND DEPT OF HEALTH, DIV OF WATER QUAL
SLO-133-98-16-NW4, SE4, SW4

Letter of Permission: Access to School Land

WEST DAKOTA WATER LLC
MCK-151-100-36-NW4, SE4, SW4

Letter of Permission: Access to School Land

WESTERN STATES LAND COMMISSIONERS ASSOCIATION CONFERENCE

The Board was invited to participate in the Western States Land Commissioners Association (WSLCA) summer conference that the Commissioner and Department of Trust Lands are hosting in Bismarck from July 20-24, 2014.

The organization involves trust land management agencies and officers from 23 western states. These land managers are collectively responsible for the administration of over 440 million acres of public and school trust land assets. These counterparts have an essentially similar mission to that of North Dakota's Land Board and Commissioner to manage resources to support educational beneficiaries.

The organization has not held a meeting in North Dakota since 1997.

ADJOURN

There being no further business, the meeting was adjourned at 10:25 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 31, 2014**

The July 31, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:02 AM by Chairman Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Kelly Schmidt	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction
Wayne Stenejem	Attorney General

Members Absent:

None

Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Administrator, Energy Infrastructure & Impact Office
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director, Revenue Compliance Division
Rick Owings	Grants Assistant Energy Infrastructure and Impact Office
Judith F. Schell	Administrative Assistant

Others in Attendance:

David Straley	North American Coal
Jay Volk	BNI Coal
Jan Swenson	Badlands Conservation Alliance
Mike McEnroe	ND Chapter of the Wildlife Society
Brady Pelton	ND Assoc. of Oil & Gas Producing Counties
Marcia Beard	RVK
Kristen Steffens	RVK
Giuseppe Infusino	RVK

APPROVAL OF MINUTES

A motion to approve the minutes of the June 26, 2014 meeting was made by Attorney General Stenejem and seconded by Superintendent Baesler. Motion carried.

INVESTMENTS DIVISION

Core Real Estate Manager Recommendations. At its June 4, 2014 meeting, the Board directed the Department and RVK to interview three investment managers to generate recommendations for management of the core real estate allocation of the permanent trusts' portfolio.

The Board has previously adopted a broad real estate allocation of 15%. The Commissioner and RVK recommended that 8% of the 15% real estate allocation be devoted to core real estate portfolios. The remaining 7% of the real estate allocation could be split between non-core real estate (approximately 5%) and REITs (approximately 2%). The exact ratio of this split will depend on the type of non-core real estate manager(s) the Board hires. The Commissioner/RVK will make recommendations for liquid non-core real estate managers to interview at a subsequent meeting. With current financial assets of approximately \$3.2 billion, an 8% allocation would represent \$256 million.

Between June 16th and June 23rd, Department staff and RVK interviewed representatives of Morgan Stanley, UBS and Invesco about their respective core real estate products. Invesco was interviewed in person, while UBS and Morgan Stanley were interviewed via phone with the assistance of web-ex tools.

Marcia Beard, Kristen Steffens and Giuseppe Infusino from RVK introduced two recommended core real estate managers to the Board.

Morgan Stanley Prime (MS Prime)- Scott Brown and Megan Golder

Morgan Stanley Real Estate Investing is part of a large public financial services company that is headquartered in New York. MS Prime is one of the largest and oldest open-ended real estate funds in the U.S.

Morgan Stanley draws on the talent of over 70 real estate professionals to manage MS Prime; they emphasize strategic and tactical use of debt on both a secured and unsecured basis in their Prime product. At the present time, the queue to get into the MS Prime fund is 2 or 3 quarters.

UBS Trumbull Property Fund (UBS-TPF) - Pamela Thompson, Maria Bascetta and Thomas J. O'Shea

UBS Realty is part of UBS AG, a large Swiss financial services company; UBS Realty manages all of UBS' U.S. real estate assets. UBS-TPF is one of the oldest core real estate funds in the U.S.

UBS-TPF seeks to maintain a broadly diversified portfolio, by both asset type and geographical region. UBS-TPF has historically used less leverage than many funds, which has served the fund well during down market cycles. At the present time the queue to get into UBS-TPF is 4 to 6 quarters.

Motion: The Board authorizes the Commissioner to enter into investment management agreements with both Morgan Stanley and UBS to manage core real estate for the permanent trusts, subject to final review and approval of the contract by the Attorney General; the initial allocation will be 4% of investable assets to each firm.

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

Attachments: RVK and Manager Candidate Presentations

Fixed Income Asset Class Discussion, RVK's Kristen Steffens and Marcia Beard continued discussion with the Board on the permanent trusts' asset allocation with a focus on the fixed income portfolio. They covered the role of fixed income in a portfolio and discussed the various types of risk associated with fixed income assets.

—RVK showed that over the past 10 years the permanent trusts' fixed income portfolio has outperformed the Barclays Global Aggregate Bond Index, with less volatility (or risk) than the Barclays global index; and RVK is supportive of the Board's current fixed income managers and strategies

Although the fixed income portfolio has done well over the past 10 years, markets have changed and RVK believes the portfolio could be further diversified by adding a global multi-sector fixed income manager.

As part of the fixed income portfolio review, RVK had discussions with Payden & Rygel about amending the portfolio guidelines for the aggregate bond portfolio Payden currently manages for the trusts. RVK believes the expanded guidelines will allow Payden to broaden the opportunity set of available securities, increase diversification, and add non-correlated securities to the portfolio. The changes will also allow Payden to manage more efficiently and effectively. The intent would be to give Payden more opportunities to add value and reduce risk. Specifically Payden would like to expand the guidelines to:

- include 144A securities without registration rights (5% maximum)
- increase the maximum allocation to below investment grade non-agency mortgage-backed securities from 5% to 20%
- allow futures, swaps and CDX to be used (15% maximum)
- include collateralize loan obligations (CLO's), (10% allocation).

Motion: The Board directed the Commissioner and RVK to begin a search of global multi-sector fixed income managers for possible interview, and that the Board amend portfolio guidelines for the Payden & Rygel aggregate portfolio as described herein.

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

MINERALS MANAGEMENT DIVISION

BNI Coal Request to Modify Existing Leases (Oliver County). BNI Coal has formally requested that the Board consider adjusting the royalty on five tracts of leased coal minerals located in Oliver County.

141-83-16: W2, SE4

141-83-17: SW4

141-83-18: NW4, less SE4 of the NW4
(approx. 620 net mineral acres)

These leases were entered in ~~June 2011~~April 26, 2012 and the mining of coal has not yet commenced. All tracts lay within the bounds of a recently permitted mine in Oliver County. BNI acquired the State trust leases as a requirement of mine development permits. If it were not for permitting considerations, BNI indicated that it would not have nominated these tracts because of the statutory royalty rates in effect at the time.

Detailed information on each tract was reviewed by the Board. There were various factors to consider, including lower quality coal and high overburden above the coal. BNI considered revising mine plans to forgo all or portions of State managed coal. BNI indicated that the current royalty rate of 6% is uneconomical to mine the greater portion of these tracts.

Before the adoption of SB 2312 by the 2013 Legislature (the bill that dropped the statutory minimum royalty), BNI skipped a tract of Board managed coal in an area of the current active mine. The decision to not mine was based on the fixed royalty and the economics of recovering coal from a tract that has a high overburden. As part of the consideration for adjusting the royalty rates for the new mine, BNI Coal

(07/14)

committed to negotiate a lease on avoided tract and mine a portion of the coal, if it could be leased at an economically royalty.

The Department has validated the royalty rates of private owners throughout the BNI Coal Mine. The rate on Trust Land leases is higher than those of the surrounding landowners. However, most of the coal managed by the Department is of a poorer standard than the neighbors. To solve this issue, the coal is blended with higher quality coal from other areas of the mine. These factors are what lead BNI to state that state coal leases are uneconomical at current rates and would be avoided where possible.

The Commissioner and BNI Coal reached an agreement for a replacement royalty of \$0.35 per ton (\$0.20 per ton for the coal and an additional \$0.15 per ton for surface consideration). According to BNI, these rates would increase the likelihood of trust coal being developed.

They will also likely nominate 142-84-29: SE1/4 in the active mine, at the same royalty rate and prep for mining in the near future.

Motion: To maximize the recovery of coal, the Board authorized the issuance of replacement amended coal leases using the current lease template and under the current Board rules to BNI Coal for the right to produce coal at a the royalty rate of \$0.20 per ton for coal, plus \$0.15 per ton where the Board manages the surface on following tracts in Oliver County:

141-83-16: W2, SE4

141-83-17: SW4

141-83-18: NW4, less SE4 of the NW4

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

Strategic Investment and Improvements Fund Assigned Fund Balance. Revenues from sovereign lands are deposited into the Strategic Investment and Improvements Fund (SIIF). In August, 2013 the Board classified \$133,985,322 of this fund as of June 30, 2013, as a "Assigned Fund Balance" that should not be transferred out of the fund until title claims to certain riverbed leases have been resolved. The Board also stipulated that any similar revenues received during FY 2014 be included in the "Assigned Fund Balance".

The Board established an "Assigned Fund Balance" within the SIIF to reserve funds for potential disputes to the State's ownership of the minerals beneath navigable bodies of water. Although the courts recently ruled that the state does own sovereign minerals up to the ordinary high water mark, ownership issues related to riverbed leases are not entirely resolved. It will take time for the courts and subsequent negotiations to resolve all ownership issues. The 2011 Legislature affirmed the Land Board's authority to set these monies aside when they passed House Bill 1451, which created the SIIF.

There are approximately 668 tracts that contain acreage that could potentially be disputed or questioned, with bonuses and rentals associated with these acres totaling an estimated \$141,197,060. The "Assigned Fund Balance" calculation includes all bonus and rentals received for river tracts within the Fort Berthold Reservation, as well as an estimate of the bonus and rentals collected from the approximate "shore zones" of the Missouri and Yellowstone Rivers.

Since the Supreme Court affirmed state ownership to the high water mark, the Department has been diligently working with operators to collect royalties. Some operators concur with the high water mark decision and are making arrangements to submit previously suspended royalties. As the Department receives royalties on previously questioned tracts, the Commissioner will suggest a revision to the methodology of determining the Assigned Fund Balance.

Motion: The Board declared \$141,197,060 as the cumulative "Assigned Fund Balance" of the Strategic Investment and Improvements Fund, as of June 30, 2014. These funds should not be transferred from the SIIF until title claims related to these leases have been resolved. Second, any amounts collected on potentially disputed riverbed acreage during FY 2015 should be similarly designated for both distribution and financial statement purposes.

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

ENERGY INFRASTRUCTURE AND IMPACT OFFICE (EIIO)

North Dakota Century Code 15-01-02.6 indicates no more than 60% of the appropriated funding can be awarded in any one fiscal year.

To assist some applicants with planning and project efforts, during the 2014 fiscal year, city, airport and K-12 school projects were provided commitments to future awards on these projects.

Following is a listing of the commitments made by the Board during fiscal year 2014 for consideration of granting an award during the 2015 fiscal year.

July 2013 Pledges - Cities

At the July 25, 2013 meeting, the Land Board made commitments to the following cities for awards in Fiscal Year 2015 as follows:

POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	Award Recommendation
CITY OF ALEXANDER	MCKENZIE	WASTEWATER INFRASTRUCTURE IMPROVEMENTS PROJECT	Water and sewer infrastructure resulting from energy-related growth, excludes road related costs	\$3,000,000
CITY OF BEACH	GOLDEN VALLEY	SANITARY SEWER REPLACEMENT, SEWAGE LAGOON & DRAINAGE DITCH CONSTRUCTION	New sewage lagoon construction	\$666,240
CITY OF BELFIELD	STARK	WATER TOWER, PUMP STATION, TRANSMISSION LINE AT LAGOON CONSTRUCTION	\$1.7478M for lagoon, \$2.480M for water tower, remaining for forcemain/booster station	\$1,916,568
CITY OF BOTTINEAU	BOTTINEAU	WATER TRANSMISSION LINE EXTENSION	Water transmission extension to support new development and improve pressure	\$160,000
CITY OF BURLINGTON	WARD	INFRASTRUCTURE IMPROVEMENTS	12" force main. Road replacement is not being funded	\$789,360
CITY OF CROSBY	DIVIDE	2013 WATER AND WASTEWATER INFRASTRUCTURE EXPANSION	Waste and sewer infrastructure resulting from energy-related growth	2,000,000
CITY OF GRENORA	WILLIAMS	EAST STREET WATER, SEWER & PAVING IMPROVEMENTS	Water & sewer supporting new growth. Individual service connections excluded	\$488,994
CITY OF GRENORA	WILLIAMS	HICKMAN STREET WATER, SEWER & PAVING PROJECT	Water & sewer supporting new growth. Individual service connections excluded	\$478,990
CITY OF KENMARE	WARD	INFRASTRUCTURE IMPROVEMENTS	City Lagoon Expansion	\$1,367,040
CITY OF NEW TOWN	MOUNTRAIL	WATER TREATMENT PLANT EXPANSION	Water Treatment Plant Expansion	\$9,140,037

POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	Award Recommendation
CITY OF PARSHALL	MOUNTRAIL	WASTEWATER TREATMENT FACILITY AND SYSTEM EXPANSION / STREET AND UTILITY IMPROVEMENTS	Phase I Wastewater Treatment Facility System Expansion	\$1,677,536
CITY OF POWERS LAKE	BURKE	INFRASTRUCTURE EXTENSION - WATER, SEWER, AND STREETS	Water & sewer to support new growth. Individual service connections excluded (wye's, service line, curb stop & box etc.)	\$319,171
CITY OF RAY	WILLIAMS	WATER TANK & WATER MAIN UPGRADE	.75MG Tank design/construction and water transmission main	\$3,818,952
CITY OF RAY	WILLIAMS	WASTEWATER SYSTEM IMPROVEMENTS – SEWER MAIN REPLACEMENT	Partial award for portion of the wastewater system improvements and sewer main replacement that will serve additional housing	1,335,960
CITY OF TIOGA	WILLIAMS	WASTEWATER TREATMENT FACILITY & INFRASTRUCTURE IMPROVEMENTS	Water and sewer infrastructure resulting from energy-related growth, excludes road related costs	\$4,000,000
Total Non-Hub City Award Recommendations				\$31,158,848

March 2014 Pledge – McKenzie County Public School District #1

On March 24, 2014, the Board made a commitment to the McKenzie County Public School district for a Fiscal Year 2015 award to the School for \$3 million for construction related infrastructure.

POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	Award Recommendation
McKenzie County Public School #1	McKenzie	Construction Related Infrastructure	Infrastructure investments for roadways and utilities around the school.	\$3,000,000

June 2014 Pledge – Killdeer Airport

On June 4, 2014, the Board made a \$2 million commitment to the Killdeer Airport of a 2015 fiscal year award for airport reconstruction efforts.

POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	Award Recommendation
Killdeer Airport	Dunn	Airport Reconstruction	The Runway, apron and hangar taxilane will also be reconstructed to allow for adequate aircraft parking and the ability to provide for private/business hangar development.	\$2,000,000

June 2014 Pledges - Cities

On June 4, 2014, the following commitments were provided to cities for infrastructure projects for awards to be made during fiscal year 2015.

POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	Award Recommendation
CITY OF ALEXANDER	MCKENZIE	WATER INFRASTRUCTURE IMPROVEMENT PROJECT	WITH THE INCREASE IN POPULATION, THE CITY HAS EXPERIENCED THE WATER TANK REACHING DANGEROUSLY LOW LEVELS ON AT LEAST TWO OCCASIONS. POPULATION IS EXPECTED TO INCREASE FROM AN ESTIMATED 1,100 TO 3,500 IN THE NEXT FIVE YEARS.	\$1,000,000
CITY OF ARNEGARD	MCKENZIE	WASTEWATER FACILITIES IMPROVEMENT PROJECT	WASTEWATER INFRASTRUCTURE WAS INSTALLED IN THE 1940'S AND HAS EXCEEDED ITS USEFUL LIFE. UNDERSIZED IN THE AREAS WHERE GROWTH IS OCCURRING. DUE TO THE POOR CONDITION OF THE COLLECTION PIPING, THIS CAUSES A NEGATIVE EFFECT ON THE LAGOON SYSTEM.	\$1,000,000
CITY OF BOTTINEAU	BOTTINEAU	BOTTINEAU LAGOON CELL EXPANSION	CITY UTILIZES A 3 CELL LAGOON SYSTEM FOR ITS SEWER TREATMENT AND CURRENTLY STRUGGLES TO MEET THE DISCHARGE REQUIREMENTS OF THE STATE HEALTH DEPARTMENT. ADDITIONAL CAPACITY NEEDED TO MEET THE GROWING POPULATION.	\$200,000
CITY OF BOTTINEAU	BOTTINEAU	WATER TRANSMISSION LINE EXTENSION	THIS EXTENSION LINE WILL COMPLETE A LOOP AROUND THE CITY. THE NEW WATER LINE WILL PROVIDE IMPROVED FIRE PROTECTION AND WATER PRESSURE. THE COMPLETION WILL ALSO PROVIDE THE CITY WITH ADDITIONAL DEVELOPMENT AREAS EAST AND NORTH OF TOWN.	\$200,000
CITY OF KILLDEER	DUNN	UTILITY IMPROVEMENTS AND PLANNING	7 PROJECTS- HIGH ST & NORTH HWY EXTENSION WATER MAIN; STREET & UTILITIES; AUDITOR'S LOT WATER MAIN AND STREET ACCESS; HUTCHINSON STREET; CITY PARK DEVELOPMENT; LAGOON EXPANSION & STORMWATER MGMT; AND FLOODPLAIN MAPPING.	\$1,000,000
CITY OF LIGNITE	BURKE	LAGOON EXPANSION	ADDING A FOURTH CELL TO THE EXISTING LAGOON SYSTEM TO HELP WITH GROWING POPULATION AND EXPANDING BUSINESSES CAUSING AN INCREASE IN DEMAND ON THE CITY'S LAGOON SYSTEM.	\$331,000
CITY OF MEDORA	BILLINGS	RECONSTRUCTION OF THE WATER STORAGE RESERVOIR	REQUESTING FUNDING SO FIRE PROTECTION PROVISIONS CAN BE UPGRADED TO MEET MINIMUM REQUIREMENTS PER THE UNIFORM FIRE CODE. DURING THE SUMMER SEASON WATER CONSUMPTION EXCEEDS 200,000 GALLONS/DAY; CURRENTLY HAVE A 50,000 GALLON TANK.	\$440,000
CITY OF RICHARDT ON	STARK	WATER AND SEWER IMPROVEMENTS	3 PROJECTS- WESTSIDE LIFT STATION REHABILITATION \$103,356; SOUTHSIDE SHOP SEWER EXTENSION \$52,445; AND LIFT STATION AND FORCE MAIN UPGRADES \$485,314.	\$512,892
CITY OF ROSS	MOUNTRAIL	WASTEWATER TREATMENT FACILITY EXPANSION	DUE TO INCREASED DEMAND IMPROVEMENTS NEED TO BE MADE TO THE CURRENT WASTEWATER TREATMENT INFRASTRUCTURE AND LAGOONS. EXISTING LAGOONS ARE FULL AND SUSPECTED TO BE LEAKING WHICH POSES A SIGNIFICANT HEALTH RISK FOR THE CITY.	\$1,000,000
CITY OF STANLEY	MOUNTRAIL	TRUNK WATER TRANSMISSION PIPING IMPROVEMENTS	3 PROJECTS. EXISTING INFRASTRUCTURE HAS BECOME OVERBURDENED AND CAN'T PROVIDE ADEQUATE SERVICES. EAST SIDE PROJECT \$916,344; WEST SIDE PROJECT \$572,313; AND WEST SIDE TO MAIN STREET PROJECT \$1,584,469.	\$1,000,000

POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	Award Recommendation
CITY OF TAYLOR	STARK	SEWAGE LAGOON CONSTRUCTION	EXISTING TWO-CELL LAGOON SYSTEM IS AT OR NEAR CAPACITY AS A RESULT OF RECENT POPULATION INCREASE. THERE IS A DEVELOPMENT IN TOWN THAT IS POISED TO BEGIN CONSTRUCTION ON SINGLE FAMILY HOMES BUT IS BEING RESTAINED BY THE LACK OF LAGOON CAPACITY.	\$437,720
CITY OF WATFORD CITY	MCKENZIE	CITY HEALTH AND SAFETY IMPROVEMENTS	CONSTRUCTION OF A NEW WATER RESOURCE RECOVERY FACILITY THAT WILL TREAT SEWAGE FROM THE CITY AND SURROUNDING AREAS AND UPGRADES TO THE WATER DISTRIBUTION SYSTEM.	\$1,000,000
CITY OF WESTHOPE	BOTTINEAU	WATER SYSTEM LOOPING	CURRENT INFRASTRUCTURE IS INADEQUATE TO ACCOMMODATE SIGNIFICANT ADDITIONAL GROWTH. THIS PROJECT WILL LOOP THE EXISTING WATER MAINS AT SIX LOCATIONS ON THE NORTH AND SOUTH SIDES OF THE CITY LIMITS.	\$402,446
CITY OF WILDROSE	WILLIAMS	WASTEWATER FACILITIES IMPROVEMENT PROJECT	REPLACEMENT AND RELOCATION OF THE EXISTING TREATMENT SYSTEM, COMPLETE REPLACEMENT OF THE WASTEWATER COLLECTION SYSTEM, INSTALLATION OF A NEW LIFT STATION AND FORCE MAIN TO ACCOMMODATE ADDITIONAL GROWTH.	\$650,932
Total City Award Recommendations				\$9,174,990

The total of all pledge amounts being recommended for award above is \$45,333,838.

Motion: That the Land Board award a total of \$45,333,838 from the Oil and Gas Impact Grant Fund as follows: \$31,158,848 to cities for pledges made July 25, 2013; \$3,000,000 to McKenzie County Public School District for a pledge made March 24, 2014; \$2,000,000 to the Killdeer Airport for a pledge made June 4, 2014; and \$9,174,990 for pledges made to cities June 4, 2014; all awards to be made to the political subdivisions as identified in the listings above.

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

Energy Infrastructure and Impact Office (EIIO). Consideration of Grant Recommendations to K-12 School Districts

At the start of the 2013-2015 Biennium, the Board allocated \$25 million of the appropriated oil and gas impact grant fund to benefit to K-12 Schools during the 2013-2015 biennium.

In fiscal year 2014, the Board awarded 64 grants totaling \$12,530,000 to K-12 school districts. In its previous action, the Board awarded \$3 million to the McKenzie County Public School District for construction related infrastructure. With commitments to-date, \$9,470,000 was available for K-12 schools in FY 2015.

On May 21, 2014, the EIIO opened a grant round for K-12 schools experiencing direct impacts resulting from oil and gas development. Applications were accepted through June 18, 2014.

The grant round focused primarily on addressing needs that could be completed by the start of the 2014-2015 school year. Fifty-seven applications were received from 33 K-12 schools with projects totaling \$53.1 million and \$26.1 million was requested. A summary of all applications was reviewed by the Board.

To review the requests, the EIO staff and the Assistant State Superintendent held meetings with school officials at five locations from June 30 through July 2, 2014. Following the interviews, applications were scored using the following established criteria:

- objective
- public safety
- financial need including revenue streams
- project readiness and achievability
- contribution to long term economic activity
- direct result of oil and gas production activity

Priority was given to safety and security needs. Consideration was also given to: temporary classrooms to address significant student number growth, teacher housing, modifying or repurposing existing facility space for more efficient and effective use, and other infrastructure projects. Financial need and direct industry impact were also considered.

All applications were reviewed by the K-12 Schools Advisory Committee, which includes:

Steve Holen, McKenzie County PSD #1, Watford City
 Mike Ness, Hazen PSD #3, Hazen
 Marc Bluestone, New Town PSD, New Town
 Gary Wilz, Killdeer PSD, Killdeer
 Ben Schafer, Nesson PSD #2, Ray
 Robert Marthaller, Department of Public Instruction, Bismarck

The K-12 Schools Grant Advisory Committee met July 15, 2015. Recommendations were developed giving priority to safety and security needs, temporary portable classrooms to address significant student number growth, teacher housing, modifying or repurposing existing space for more efficient and effective use and infrastructure projects. The following list of recommendations for awards was submitted by the advisory committee:

2014 K-12 Schools Grant Round – Recommendations for Awards

POLITICAL SUB NAME	CITY	COUNTY	APPLICATION NUMBER	SHORT DESCRIPTION	AMOUNT REQUESTED	Recommended Award Is For:	RECOMMENDED AWARD
ALEXANDER PSD #2	ALEXANDER	MCKENZIE	A150114	TEACHER HOUSING	\$272,000	Teacher housing	\$272,000
ALEXANDER PSD #2	ALEXANDER	MCKENZIE	A150113	SCHOOL RENOVATIONS	\$578,849	Building Renovations To Improve Usable Space	\$331,800
BEULAH PUBLIC SCHOOL DISTRICT #27	BEULAH	MERCER	A150089	SCHOOL BUILDING ENTRANCE CAMERA LOCKING SYSTEM INSTALLATION	\$11,317	Security System	\$11,317
BOTTINEAU PSD #1	BOTTINEAU	BOTTINEAU	A150090	BUS CAMERA'S	\$22,400	Security - Bus Camera's	\$22,400
BOWBELL S PSD #14	BOWBELL S	BURKE	A150136	UNEXPECTED COSTS OF TEACHER HOUSING	\$30,000	Teacher Housing- Added cost due to additional dirt work required.	\$24,000
BOWBELL S PSD #14	BOWBELL S	BURKE	A150134	SECURITY AND SURVEILLANCE SYSTEM	\$35,000	Security and Surveillance System	\$28,000
BOWBELL S PSD #14	BOWBELL S	BURKE	A150135	TEACHER HOUSING	\$275,000	Teacher Housing	\$220,000

2014 K-12 Schools Grant Round – Recommendations for Awards

POLITICAL SUB NAME	CITY	COUNTY	APPLICATION NUMBER	SHORT DESCRIPTION	AMOUNT REQUESTED	Recommended Award Is For:	RECOMMENDED AWARD
BURKE CENTRAL PSD #36	LIGNITE	BURKE	A150093	SAFE AND SECURE LEARNING ENVIRONMENT FOR STAFF & STUDENTS	\$26,980	Security System Additions	\$21,584
DIVIDE COUNTY PSD #1	CROSBY	DIVIDE	A150130	AFFORDABLE TEACHER HOUSING	\$345,600	Teacher Housing	\$320,000
EIGHT MILE PSD #6	TRENTON	WILLIAMS	A150117	TEACHER HOUSING	\$376,000	Teacher Housing	\$300,800
GRENORA PSD #99	GRENOR A	WILLIAMS	A150100	ACCESS CONTROL/ SECURITY/ SAFETY	\$75,000	Security and Surveillance System	\$60,000
GRENORA PSD #99	GRENOR A	WILLIAMS	A150099	TEACHER HOUSING	\$500,000	Teacher Housing	\$400,000
HALLIDAY SCHOOL DISTRICT	HALLIDAY	DUNN	A150119	TEACHER/STAFF HOUSING	\$378,083	Teacher Housing	\$302,466
KENMARE PSD #28	KENMAR E	WARD	A150094	SECURITY SYSTEM FOR ACCESS INTO BOTH ELEMENTARY AND HIGH SCHOOL BUILDINGS	\$48,000	Security and Surveillance System	\$48,000
KILLDEER PSD	KILLDEER	DUNN	A150126	TEACHER/STAFF HOUSING DUPLEXES- INCREASED COSTS	\$180,527	Teacher Housing, increased project cost for dirt work and inflated concrete costs	\$180,527
KILLDEER PSD	KILLDEER	DUNN	A150123	PORTABLE CLASSROOMS	\$230,732	Portable Classrooms	\$230,732
KILLDEER PSD	KILLDEER	DUNN	A150124	TEACHER/STAFF HOUSING DUPLEX	\$318,480	Teacher Housing	\$318,480
LONE TREE PSD #6	GOLVA	GOLDEN VALLEY	A150087	SCHOOL AND BUS SECURITY SYSTEM	\$18,648	Security system for the school and buses	\$18,648
LONE TREE PSD #6	GOLVA	GOLDEN VALLEY	A150091	TEACHER/STAFF HOUSING	\$140,000	Teacher Housing	\$140,000
MCKENZIE PSD #1	WATFOR D CITY	MCKENZIE	A150116	HIGH SCHOOL PROJECT AND TEACHER / EMPLOYEE HOUSING	\$1,560,577	Teacher Housing	\$803,662
MOHALL LANSFOR D SHERWOOD PSD	MOHALL	RENVILLE	A150115	SECURITY FOR THE SHOP TO THE MAIN SCHOOL BUILDING	\$32,000	Security - Adding an enclosed walk way	\$32,000
NESSON PSD #2	RAY	WILLIAMS	A150111	RAY PUBLIC SCHOOL ENERGY IMPACT NEEDS	\$683,000	Security - Fencing Playground	\$25,600
NEW PSD #8	WILLISTO N	WILLIAMS	A150132	PROVIDE ADDITIONAL TEMPORARY PORTABLE CLASSROOM SPACE	\$199,722	Portable Classrooms	\$199,722
NEWBURG PSD #54	NEWBUR G	BOTTINEA U	A150092	TEACHER HOUSING	\$55,100	Teacher Housing	\$52,080
POWERS LAKE PSD #27	POWERS LAKE	BURKE	A150086	BRING BUILDING UP TO SAFETY, SECURITY, AND HEALTH STANDARDS	\$1,807,245	Security and safety Related Needs	\$510,647

2014 K-12 Schools Grant Round – Recommendations for Awards

POLITICAL SUB NAME	CITY	COUNTY	APPLICATION NUMBER	SHORT DESCRIPTION	AMOUNT REQUESTED	Recommended Award Is For:	RECOMMENDED AWARD
SOUTH HEART PSD	SOUTH HEART	STARK	A150082	TEACHER / STAFF HOUSING- 4 PLEX	\$685,752	Teacher Housing	\$685,752
SOUTH PRAIRIE ELEMENTA RY SCHOOL PSD #70	MINOT	WARD	A150110	ELEMENTARY/ HS BUILDING CONSTRUCTION, SAFETY, SECURITY, AND HEALTH NEEDS	\$2,208,536	Safety and security related facility needs	\$350,000
STANLEY PSD #2	STANLEY	MOUNTRA IL	A150106	ASBESTOS ABATEMENT AND RENOVATIONS	\$663,788	Safety - Asbestos Abatement and Renovations	\$531,030
SURREY PSD #41	SURREY	WARD	A150112	PORTABLE AND EQUIPMENT	\$570,000	Security, electronic door access and loud speaker communications to portables	\$16,694
TIOGA PSD #15	TIOGA	WILLIAMS	A150083	ELEMENTARY/ HIGH SCHOOL BUILDING CONSTRUCTION, SAFETY, SECURITY, AND HEALTH NEEDS	\$1,297,888	Safety and security related facility needs	\$1,000,000
WESTHOP E PSD #17	WESTHO PE	BOTTINEA U	A150085	FIRE ALARM AND DETECTION AND SPRINKLER SYSTEM	\$165,518	Safety and security related facility needs	\$165,518
YELLOW TONE PSD #14	FAIRVIEW	MCKENZIE	A150137	SCHOOL VISIBILITY	\$15,000	Safety - Radar Speed Sign	\$15,000
YELLOW TONE PSD #14	FAIRVIEW	MCKENZIE	A150138	TEACHER HOUSING	\$250,000	Teacher Housing	\$250,000
					\$14,056,742		\$7,888,459

The K-12 Schools Grants Advisory Committee requested another grant round be held in September and October of 2014 for needs that may develop following the start of the 2014-2015 school year. This will allow \$1,581,541 for the remaining funds to be awarded for pressing needs.

Motion: **The Board award a total of \$7,888,459 from the Oil and Gas Impact Grant Fund for awards to K-12 schools as recommended by the K-12 Schools Grants Advisory Committee as detailed above, and that another grant round be held for K-12 schools in September and October of 2014.**

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

Summary of EIO Awards to-date:**2013-2015 Biennium Breakdown (Combining like FY Rounds)**

Round or Award	#Apps	Amount of Projects	Amount Requested	#Awards	Amount Awarded
Cities - FY2014	115	\$831,599,364	\$661,401,695	27	\$61,666,162
Dust Control - FY2014	3	\$7,500,000	\$3,000,000	3	\$3,000,000
Sheriff's - FY2014	37	\$10,423,999	\$8,513,875	33	\$7,000,056
Airports - FY2014	45	\$176,369,454	\$50,013,457	34	\$35,901,508
K-12 Schools - FY2014	94	\$52,995,088	\$36,608,871	64	\$12,530,000
Higher Education - FY2014	10	\$26,957,723	\$6,895,948	5	\$4,000,000
EMS & Fire - FY2014	142	\$32,631,465	\$23,851,029	87	\$12,213,585
General - FY2014	230	\$91,961,908	\$47,519,309	55	\$6,104,494
Cities - FY2015	64	\$156,860,346	\$132,745,228	29	\$40,333,838
K-12 Schools - FY2015	58	\$59,382,445	\$32,445,680	34	\$10,888,459
Airports - FY2015	1	\$2,000,000	\$2,000,000	1	\$2,000,000

799 \$1,448,681,791 \$1,004,995,092 372 \$195,638,102

Administration

\$700,826

Remaining Allocated

Airports	\$22,098,492
K-12 Schools	\$1,581,541
Fire and EMS	\$4,786,415
General	\$4,000,000
* Emerging Counties	\$5,000,000
Contingency Fund	\$6,194,624
Total	\$240,000,000

* If not used before 1/1/2015, converts to Contingency Fund

Energy Infrastructure and Impact Office. Emergency Funds Request from Williston PSD #1

The Energy Infrastructure and Impact Office (EIO) had received a request from Williston Public School District #1 (WPSD) for emergency funding. The district is seeking a grant of \$20.7 million, which is slightly more than their identified cost to extend water and sewer (\$6.46 million), roads and other infrastructure (\$14.19 million) needed to serve the planned new high school.

A review of the application and requested information indicate that:

1. The WPSD #1 has and will not reach its borrowing capacity. After the new high school project is completed, the district is projecting its debt to be \$36.26 million. Based on valuation, the school district's maximum debt level is \$75 million.
2. In HB 1358 as approved by the 2013 Legislative Session, "hub city" school districts were provided a special portion of Gross Production Tax (GPT) based on mining employment numbers. This allocation provides the district a greater share of GPT than other schools. The Williston PSD #1 has received \$4,927,083 so far this biennium or an average of \$447,917 per month. This figure may be adjusted in August 2014 based on additional mining employment numbers.
3. The project detailed in the application submitted by the school district is for city infrastructure to support the new school.

4. HB 1358 provided hub cities with two allocations from the GPT that other cities do not receive. A fixed amount based on mining employment figures and a second distribution of the pooled amount consisting of 60% of 9% of the GPT distributed to political subdivisions. Through July 2014 Williston received \$14.78 million from the mining employment calculation and \$15.6 million from the pooled amount.
5. In consideration of the additional hub- city GPT allocations, the Legislature limited biennial Oil and Gas Impact Grant funding to Williston to \$2 million (HB 1358).

The Board's unallocated contingency fund contains \$6,194,624 for the remainder of the biennium until June 30, 2015.

The Board directed the EIO Director to work with other state agencies and with the City of Williston and the Williston Public School District # 1 to identify funding options available through other state and federal programs.

Energy Infrastructure and Impact Office. Summary of Results - HUD Community Planning Grant

In December of 2011 a \$300,000 award was provided to counties and communities in western North Dakota to assist in a \$1.5 million planning grant from the U.S. Department of Housing and Urban Development (HUD) to help communities plan and identify infrastructure priorities.

These western communities formed the Vision West Consortium to aid in preparing a consistent and organized infrastructure planning process. The Board was provided a copy of the "Summary of the Regional Plan for Sustainable Development" which is a summary of the results of the planning effort completed by the Vision West Consortium.

OPERATIONS AND REPORTS

Estimated Permanent Trust Distributions for the 2015-2017 Biennium

Biennial distributions from the permanent trusts funds are determined using the distribution formula found in Article IX, Section 2 of the Constitution of North Dakota. It states: "biennial distributions from the perpetual trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. The average value of trust assets is determined by using the assets' ending value for the fiscal year that ends one year before the beginning of the biennium and the assets' ending value for the four preceding fiscal years. Equal amounts must be distributed during each year of the biennium."

The table below shows actual distributions for the 2013-15 biennium, estimated distributions for the 2015-17 biennium and the amount and percentage of the projected increase.

Trust Fund	2013-2015 Distributions	Estimated Distribution 2015-17 Bi.	Increase in Distributions	Percentage Increase in Distributions
Common Schools	\$ 130,326,000	\$ 204,342,000	\$ 74,016,000	56.8%
NDSU	2,066,000	3,344,000	1,278,000	61.9%
School for the Blind	282,000	452,000	70,000	60.3%
School for the Deaf	720,000	1,176,000	456,000	63.3%
State Hospital	754,000	996,000	242,000	32.1%
Ellendale	345,996	544,000	198,004	57.2%
Valley City	372,000	568,000	196,000	52.7%
Mayville	236,000	382,000	146,000	61.9%
Industrial School	810,000	1,356,000	546,000	67.4%
School of Science	682,000	984,000	302,000	44.3%
School of Mines	794,000	1,126,000	332,000	41.8%
Veteran's Home	276,000	356,000	80,000	29.0%
UND	1,020,000	1,604,000	584,000	57.3%
total	\$ 138,683,996	\$ 217,230,000	\$ 78,546,004	56.6%

The numbers are based on the actual year end value of the permanent trusts for the previous four years and the estimated value of the permanent trusts as of June 30, 2014. They have been provided to OMB, the Legislative Council and trust beneficiaries so that they can be included in 2015-17 estimates.

When the Department's audit and Board's financial statements are complete, actual June 30, 2014 numbers will be included in the formula to verify final distribution amounts for the 2015-17 biennium. .

Quarterly Revenue Compliance Division Update

The Revenue Compliance Division ensures that royalty and other collections made on behalf of the trusts and other funds are complete and accurate. The Division reviews oil and gas royalty payments to determine if they are in accordance with the Board's lease terms, rules and regulations, and North Dakota statutes. The total oil and gas royalty revenue collected in FY 2014 was \$351,262,756, an increase of 35.49% increase from the preceding fiscal year. Included in this total is \$8,525,916 which is a result of enhanced efforts to examine royalty reports and submittals. The additional collections and corrections are detailed in the following table:

REVENUE COMPLIANCE SUMMARY			
	Biennium 2011-2013		Biennium to Date (07-01-13 thru 6-30-14)
Additional Royalties Collected	\$ 9,544,389		\$ 8,052,757
Additional Taxes or Other Deductions Collected	\$ 1,284,602		\$ 248,958
Penalties Collected	\$ 662,625		\$ 224,201
Total Collected	\$ 11,491,616		\$ 8,525,916
NDIC Report Corrections	55		149

The Revenue Compliance Division, together with the Minerals Management Division, also works to identify non- and low producing leases. These efforts have motivated operators to renegotiate lease terms and increase the wells production, or to acknowledge the lack of production and allow the lease to expire. This collective action has resulted in 3,745 acres that were previously designated as "held by production" being made available to lease again, where they can generate new lease bonus revenues for the trusts and eventually higher production and royalty revenues.

NON-PRODUCING LEASE SUMMARY			
	Biennium 2011-2013		Biennium to Date (07-01-13 thru 6-30-14)
Acres Relinquished	2,467.81		1,277.20
Bonus Received from Relinquished Acres	\$ 1,298,492		\$ 201,600

In addition to royalty collection efforts, the Revenue Compliance Division, together with other divisions, has been working on letters adjusting acreages to the Ordinary High Water Mark survey, conducting research on the valuation of lignite coal in the region, and working on an online royalty submission application.

Report of Easements Issued by Land Commissioner. (06-18-14 through 07-17-14)

NEWFIELD PRODUCTION COMPANY	Access Road	7/2/2014
MCK-153-96-16-SE4		

MOUNTRAIL-WILLIAMS ELECTRIC COOP	Amend: Electric Transmission Line	6/20/2014
WIL-154-99-16-SE4, SW4		

MCKENZIE ELECTRIC COOP INC MCK-149-95-16-NE4, NW4 MCKENZIE COUNTY WATER RES DIST MCK-148-101-16-E2NE4, E2SE4	Amend: Electric Distribution Line – Above Ground	7/2/2014
	Potable Water Pipeline	6/24/2014
BRIDGER PIPELINE LLC MOU-153-90-16-SW4	Drop Line-Oil Gathering Pipeline	7/2/2014
XTO ENERGY INC, FORT WIL-157-95-16-NW4	Amend: Horizontal Oil Well	6/30/2014
MCKENZIE ELECTRIC COOP INC MCK-153-98-36-SW4	Drop Line-Electric Distribution Line	6/24/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP WIL-157-98-16-NE4, SE4	Electric Distribution Line – Above Ground	6/24/2014
ONEOK ROCKIES MIDSTREAM LLC DUN-146-92-16-S2SW4	Drop Line-Gas Gathering Pipeline	7/2/2014
CONTINENTAL RESOURCES INC MCK-153-94-36-SW4	Section Line Access Road	6/20/2014
SLAWSON EXPLORATION CO MOU-152-92-14-SE4	Drop Line-Multiple Pipelines	6/24/2014
SUMMIT MIDSTREAM PARTNERS WIL-154-97-16-NW4	Drop Line-Saltwater Pipeline	7/2/2014
LUFF EXPLORATION COMPANY BOW-129-102-16-SW4	Amend: Horizontal Oil Well	6/20/2014
MISSOURI BASIN WELL SERVICE INC WIL-156-95-16-SE4, SE4	Salt Water Disposal Well	7/2/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-150-95-16-SW4	Amend: Gas Gathering Pipeline	6/20/2014
BRIDGER PIPELINE LLC MCK-148-98-16-SW4	Amend: Oil Gathering Pipeline	7/9/2014
SLAWSON EXPLORATION CO MOU-152-92-14-SE4	Easement Release	7/7/2014

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. No fees are charged for this use.

UNIVERSITY OF SOUTH DAKOTA

Letter of Permission: Access to School Land

MER-144-84-36-LOT 5 ACCRETION 675 FT WIDE

MCH-154-75-16-NW4

MCH-154-76-16-SE4, SW4

MCH-156-78-16-SE4

MCH-157-76-17-N2SW4

A D J O U R N

There being no further business, the meeting was adjourned at 11:56 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 28, 2014**

The August 28, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:04 AM by Chairman Jack Dalrymple.

Members Present:

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

Members Absent:

None

Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director, Revenue Compliance Division
Judith F. Schell	Administrative Assistant

Others in Attendance:

Craig Smith	Crowley Fleck
Jim Hauge	Eide Bailly LLP
Austin Fisher	Self
Jarilyn Murtha	North Dakota Office of the Attorney General
Chris Harvey	North Dakota Office of the Attorney General

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 31, 2014 meeting was made by Secretary Al Jaeger and seconded by Attorney General Wayne Stenehjem. Motion carried.

Eide Bailly Final Report: Study of Land Controlled by the US Army Corps of Engineers
HB 1338 as passed by the 2013 Legislature directed the Board to:

"...study options to address concerns of landowners adjacent to land under the control of the United States Army Corps of Engineers surrounding Lake Sakakawea and Lake Oahe. The study must include consideration of control of noxious weeds, protecting public access for hunting and fishing, the costs of possible transition of

land from the United States Army Corps of Engineers, and the costs associated with maintaining any property that may become a responsibility of the State. The study must also include consideration of the interests of North Dakota Indian tribes."

The Legislature appropriated \$50,000 from the Strategic Investment and Improvements Fund for the study, with the authority to request another \$50,000 from the Emergency Commission if necessary. Eide Bailly LLP was awarded the contract at a total price of \$42,400.

The final report was provided to the Board by Jim Hauge, principal investigator for this project for Eide Bailly LLP.

The report and summary will be delivered to Legislative Management prior to the October 1, 2014 deadline and Mr. Hauge is scheduled to present the report to the Interim Water Topics Overview Committee on October 1, 2014.

A brief summary follows and a complete report was provided to Board members

Summary

The passage of HB 1338 directed the State Board of University and School Lands to conduct a study of the United States Army Corps of Engineers (USACE) held lands around Lake Sakakawea and around Lake Oahe to address the concerns of adjacent landowners. The major impetus of the study was to develop different options for the Legislature concerning noxious weed control, public access to these lands, and to look into the possibility of transferring these lands away from the USACE to a different entity or individuals along with those associated costs of transferring and maintenance. It also was to include consideration for the interests of the ND Indian Tribes.

The scope of work involved determining different options for the Legislature relating to the USACE lands surrounding Lake Sakakawea and Lake Oahe. The particular concerns are noxious weeds, continued public recreation access to these lands, and the possibility of transferring lands back to Tribal governments and the State of North Dakota or adjacent landowners. While this conversation started with the USACE's lack of control of noxious weeds, a major part of this study is the transfer of USACE excess land and who should be the final benefactor/owner of the land. The study also includes consideration for the interests of the North Dakota Indian Tribes. There were diverse opinions on what the final outcome should be. For purposes of this study, excess land is defined as USACE lands from the take line to the 1854' elevation around Lake Sakakawea and to the 1620' elevation around Lake Oahe.

The methodology used was to review the previous work that had been done, to gather public input to explore various options that might be available or feasible, and to conduct personal interviews with various stakeholders and governmental agencies' personnel. To gather this input, a combination of a mail survey, local public meetings, follow up telephone interviews, and a final public meeting in Bismarck were used. This information was compiled to formulate different options. Estimated costs were secured for the various option implementations.

The review of information section should give the reader an accurate picture of what was done in South Dakota (SD), how it transpired, and how that has worked out for their state. It should also give accurate information on how the Payment in Lieu of Taxes (PILT) and the Sec. 7 of the 1941 Flood Act payments work.

This study is to give the Legislature different options concerning these lands. Option One is status quo or no change. The study is to address the concerns of the adjacent landowners to these lands. One major concern is weed control. Most adjacent landowners felt if they were the landowners, they would do a better job of weed control than the United States Army Corps of Engineers (USACE). Therefore Option Two was created showing the transfer of these lands back to the original landowners or their heirs. Option Three transfers the land from the USACE to the State of ND and the state manages the transferred land. Options Four and Five had similar features with land being transferred back to the State of ND and the two adjacent Indian Tribes, showing different management options for those lands. Options Six and Seven came from the input at two of the regional public meetings. With Option Six the USACE retains the ownership of these lands but some the management is turned over to local, state, or tribal agencies. The impetus behind this option is the lands would be better managed with more local control. Option

Seven is a direct transfer back to preferential lease holders. Grazing lease holders, North Dakota Game and Fish (NDGF), Morton County Parks and Recreation Board, and North Dakota Parks and Recreation (NDPR) would be examples of preferential lease holders.

The Board received the report and took no formal action.

STRATEGIC INVESTMENT AND IMPROVEMENTS FUND

Investment Policy for Strategic Investment and Improvements Fund- Update. During its June meeting, the Board discussed investment options of the Strategic Investment and Improvements Fund (SIIF).

The SIIF had a fund balance of \$969.1 million on June 30, 2013 and projections indicate that approximately \$1.0 billion of royalty, bonus and oil tax income will flow into the SIIF during the 2013-2015 biennium. The legislature approved \$543.75 million of spending and another \$218 million was dedicated to school construction loans, medical facility construction loans and a biofuels loan guarantee program from the SIIF during the biennium.

It is projected that the SIIF will have a balance of approximately \$1.41 billion on June 30, 2015, of which \$1.05 billion will be unobligated, or available to appropriate.

The SIIF has been invested conservatively in 100% U.S Treasury bonds and bills, matching maturities with known outflows. Additional revenues or maturities are invested to the end of the biennium.

The Board recently directed a review of investment products and strategies that could add additional return over the current Treasury-only strategy.

The Commissioner is researching options with several management firms, as to ways in which to achieve additional returns, while adding minimum risk to the portfolio. The potential for higher returns exists, but not without at least some chance of principal loss if cash must be withdrawn prematurely or during a rising interest rate environment.

The Commissioner has discussed ways to enhance returns for the SIIF with Payden & Rygel, the Commonfund, PFM and Northern Trust. Each company has a slightly different approach. The Commissioner will make a recommendation to the Board at a subsequent meeting.

INVESTMENTS DIVISION

Securities Litigation Tracking and Policy. Assistant Attorney General Janilyn Murtha presented an overview of securities litigation and firms that offer securities litigation monitoring of institutional investment portfolios.

Ms. Murtha discussed the nature of the monitoring services, the differences between active and passive litigation monitoring, the current litigation tracking service agreement with Northern Trust, and suggested that the Board consider securities litigation and securities litigation monitoring policies.

RVK Recommendation for Global Fixed Income Manager Interviews. In July 2014 the Board approved an allocation to global fixed income as a result of the decision to broaden the fund's fixed income investments. The Board's Investment Consultant, RVK has reviewed four managers as potential additions to the Board's fixed income portfolio and has provided a detailed analysis of the firms and their offerings.

RVK recommended the following three managers for interviews with RVK, staff, and available Board members:

1. Brandywine Global Opportunistic Fixed Income
2. Franklin Templeton Global Multi-Sector Plus
3. T. Rowe Price Global Multi-Sector Bond Strategy

Motion: That the Board direct RVK and Department staff to review and interview the investment firms Brandywine (Global Opportunistic Fixed Income), Franklin Templeton (Global Multi-Sector Plus), and T. Rowe Price (Global Multi-Sector Bond Strategy) as potential candidates for the global fixed income portion of the permanent trusts' portfolio, and to provide candidate recommendations to the Board at a subsequent meeting.

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

OPERATIONS AND REPORTS

Consideration of Commissioner's Salary. The 63rd Legislative Assembly approved the equivalent of a 3% base salary increase on July 1 of 2013 and 2014. Most Department of Trust Lands staff received at least a 3% increase on those dates; and when warranted by expansion of duties or equity, several received additional increases within budget limitations. The increases are supported with documented evaluations of employee performance and work load.

The Commissioner requested Board authorization of a 3% base salary increase consistent with other state employees and Department staff.

Motion: That the Board approve an increase of 3% to the Commissioner's current salary of \$10,400 per month to \$10,712 per month, effective July 1, 2014.

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

Update of Legal Issues

SOVEREIGN LANDS LITIGATION

In December 2013 the North Dakota Supreme Court issued a decision in Reep v State and Brigham v State upholding that the State of North Dakota holds title to mineral interests to the ordinary high water mark of navigable rivers and water bodies.

The court left open the possibility of private ownership of shore zone mineral interests in instances where the chain of title establishes the state granted its interests to a private upland owner. The court said that if the State has contractually granted or conveyed a part of its shore zone interests to upland owners by deed, the grantee may take to the low watermark subject to the restrictions of the public trust doctrine, which provides that the State cannot totally abdicate its interest in the shore zone but must protect the public's right to use the navigable waters, and where the deed provides otherwise.

The Department received inquiries regarding interpretation of the chain of title in cases where the state may have formally conveyed riparian land, thus far, none have resulted in a change of ownership interpretation.

The Department continues to work with lessees and operators to collect royalties that have been held in suspense or escrowed pending the outcome of legal action. There have also been questions about the delineation standard and the process that the state used in determining the OHWM. Responses are being coordinated with the state engineer's office and counsel of the Attorney General's Office.

Notwithstanding affirmation of the State's ownership of the land and minerals to the OHWM in Reep, litigation on specific local circumstances and river features continue:

Brigham Oil & Gas

On June 9, 2011, Brigham Oil & Gas filed a suit seeking resolution of the title question. It did so because it operates a well southeast of Williston, that produces from a 1,280-acre spacing unit that includes the Missouri River. There are dozens of parties with interests in the spacing unit.

Because of the title disputes among those parties, Brigham has withheld royalty payments. In its lawsuit, Brigham, essentially, asks the court to require all those asserting title to the minerals in the spacing unit to set forth and prove their claims, and once the court rules on those claims, Brigham will know who to pay.

Brigham named 83 defendants in its Complaint, including the Land Board, City of Williston, Williams County, and many individuals and oil companies. Brigham also named the United States.

On March 5, 2012, Defendant Kerry Hoffman filed an answer and crossclaim against the ND Board of University and School Lands asserting claims of an unconstitutional taking of private property without just compensation (identical to the claims made in the Reep case). On March 26, 2012, the AG's Office filed a motion to dismiss the Kerry Hoffman's crossclaim against the Board.

Pursuant to a stipulation between attorneys for Stanford Reep and Kerry Hoffman and the AG's Office, the Court issued an order on August 16, 2012, consolidating the Brigham case with the Reep case for the purpose of determining rights to the shorezone minerals. The District Court issued an order on February 4, 2013, granting the State partial summary judgment, finding that "the State of North Dakota – as part of its title to the beds of navigable waterways – that owns the minerals in the area between the ordinary high and low watermarks on these waterways, and that this public title excludes ownership and any proprietary interest by riparian landowners." This order was appealed to the ND Supreme Court by a number of the Defendants.

In Reep on December 26, 2013, the Supreme Court issued an order affirming the District Court judgment that the State owns the minerals within the ordinary high watermarks except in situations where it can be established through chain of title that "the State granted its equal footing interest to an upland owner." Unlike the *Reep* case, this issue was before the court on a motion for partial summary judgment meaning the resolution of this issue does not resolve the entire case. No party has requested further action from the District Court since issuance of the Supreme Court opinion.

Wilkinson Family

The Wilkinson family lawsuit was filed on January 10, 2012, asserts that it owns minerals in about 200 acres a few miles west of Williston. This suit was initially filed in state court as a quiet title action. The AG's Office filed an Answer and Counterclaim on February 27, 2012. The case is still in the initial pleading stage.

The Plaintiffs in the Wilkinson case did not want this case to be consolidated with the Brigham and Reep cases for the summary judgment motions to determine ownership of the shorezones. The District Court judge stayed proceedings in the case until resolution of the shorezone issue in the *Reep* and *Brigham* case.

On July 1, 2014, the Plaintiffs filed an amended complaint in the case and add claims of unconstitutional takings, conversion, constructive trust and unjust enrichment, civil conspiracy and deprivation of rights under 42 U.S.C. § 1983. The Plaintiffs also plead into the case the State's other two lessees in the affected acreage. The Plaintiffs assert in their amended complaint that the Land Board should be issuing leases on the west side of the Highway 85 bridge pursuant to the

Phase II survey –the historical Missouri River – rather than the Phase I survey – current location of the ordinary high watermark.

A trial date for this case has been scheduled for November 9 – 20, 2015.

EEE Minerals, LLC et. al. v. State of North Dakota; Continental Resources, Inc.

On July 31, 2014 the Attorney General was served with a complaint in the above referenced matter. This case is requesting class action status and alleges identical causes of action to what was pled in the Wilkinson amended complaint. The State has until September 10, 2014 to serve an answer to the complaint.

OTHER LITIGATION

EOG Resources v. Soo Line Railroad Company, et. al.

EOG Resources filed this quiet title action on January 20, 2010, against the railroad and its lessee to determine the ownership of the minerals to land acquired by the railroad in Mountrail County. The railroad acquired its interest to the disputed land by three different means: railroad right-of-way deeds, condemnation, and the 1899 Act. The railroad leased its mineral interests to G-4, LLC. The railroad claims that it acquired fee simple interest to this land, whereas EOG claims the railroad only acquired a surface easement. The parties have already filed cross summary judgment motions, G-4 filed its motion on July 28, 2011, and EOG filed its motion on October 26, 2011. Before considering the summary judgment motions, the court directed G-4 to plead in all the other parties claiming an interest in the disputed property. The Department of Trust Lands was served with a crossclaim on August 9, 2012, and has interest in three out of the eight sections of disputed property. The Attorney General's Office filed an answer to the crossclaim on September 11, 2012, on behalf of the Board.

Cross motions for summary judgment were again filed in January of 2013. There were two issues being contested: (1) the validity of a condemnation order issued in 1914 to the railroad for a tract across state school lands which purported to grant the railroad fee simple title to the tract; and (2) whether right-of-way deeds issued by private parties to the railroad conveyed fee simple title or an easement interest. On January 20, 2014, the district court found in favor of the State and the private interest defendants. The court found that the condemnation order could only convey an easement interest because that was all the statute provided for at the time. Any conveyance of an interest beyond an easement was void. The court also found that the private right-of-way deeds only conveyed an easement interest to the railroads. Both the railroad and its lessee, G-4, LLC, appealed this judgment to the Supreme Court. However the only issue being appealed is the interest conveyed by the right-of-way deeds. Oral arguments are scheduled for the November 2014.

Stenehjem ex rel. State of North Dakota v. United States:

In 2012, the Attorney General filed suit in federal court naming the United States as the defendant. The basis for the lawsuit is that the United States, through its Forest Service, refuses to recognize that section lines in the Little Missouri, Sheyenne, and Cedar River National Grasslands are subject to a public easement to travel over thirty-three feet on each side of section lines. On several occasions, this refusal has required that roads be built entirely on state school land. Both federal and state law recognize a public easement over section lines, even section lines on federal land, and the suit asks that the court declare that the Grasslands are subject to this public easement.

In April 2013, the United States moved to dismiss both the State and County complaints arguing the State and Counties' claims were barred by the 12-year statute of limitations. All parties agreed to conduct "jurisdictional" discovery which included the exchange of interrogatories, requests for production of documents, and depositions; the United States would subsequently be allowed to refile its brief. The parties exchanged thousands of pages of documents and conducted over 20 depositions. During discovery various special interest groups also attempted to intervene

in the lawsuit, but their request was denied by the federal district court. The denial of intervention is currently being appealed to the Eighth Circuit Court of Appeals and is scheduled to be argued in October. The United States' is scheduled to re-file its brief in support of its motion to dismiss by September 22 and the State and Counties have until November 24 to respond. The United States will file its final reply brief on January 5, 2015.

Investment Performance Report for Quarter Ending June 30, 2014. The investment performance report covers the performance of the Land Board's investment program for the period of April 1, 2014 – June 30, 2014

This report is prepared quarterly to evaluate the performance of the investment portfolio and the performance of the individual money managers in place to help meet the Board's investment goals and objectives.

August 2014 Oil and Gas Lease Auction Results

	<i>Mineral Acres</i>	<i>Total Bonus</i>	<i>Bonus/Acre</i>
BILLINGS	3581.25	\$614,395.00	\$171.56
DUNN	3576	\$18,002.55	\$5.03
MCKENZIE	2652.96	\$4,627,296.00	\$1,744.20
MERCER	1198.56	\$2,082.00	\$1.74
STARK	1215.7	\$483,140.00	\$397.42
TOWNER	9007.67	\$9,007.67	\$1.00
WILLIAMS	100	\$950,000.00	\$9,500.00
GRAND TOTALS	21332.14	\$6,703,923.22	\$314.26

Report of Easements Issued by Land Commissioner. (07-17-14 through 08-20-14: No Action Requested)

MOUNTRAIL-WILLIAMS ELECTRIC COOP WIL-159-97-16-NE4, NW4	Electric Distribution Line - Above Ground	7/21/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP WIL-153-98-16-NW4, SE4, SW4	Electric Distribution Line - Above Ground	7/21/2014
MEADOWLARK MIDSTREAM CO LLC DIV-163-101-16-NE4 SOUTH OF HWY, NW4, SE4 S OF HWY	Oil Gathering Pipeline	7/17/2014
MCKENZIE ELECTRIC COOP INC MCK-152-95-16-NE4	Drop Line-Buried Electric Distribution Line	7/30/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-153-91-16-SW4 WIL-154-97-16-NE4	Amend: Electric Distribution Line – Above Ground	7/30/2014
SHERIDAN ELECTRIC COOP INC DIV-163-100-36-NW4, SW4	Electric Distribution Line – Buried	8/12/2014
SHERIDAN ELECTRIC COOP INC	Drop Line-Electric Distribution Line	8/14/2014

(08/14)

DIV-163-100-36-SE4, SW4

SHERIDAN ELECTRIC COOP INC: DIV-164-100-36-SW4	Electric Distribution Line - Above Ground	7/18/2014
ONEOK ROCKIES MIDSTREAM LLC WIL-159-100-36-NE4, SE4, SW4	Amend: Gas Gathering Pipeline	7/30/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-154-93-16-NW4, SW4	Amend: Electric Distribution Line - Above Ground	7/30/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP WIL-157-95-16-NW4	Drop Line-Electric Distribution Line	7/30/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-92-16-NE4	Line-Electric Distribution Line	7/23/2014
HESS BAKKEN INVESTMENTS II, LLC MOU-157-93-36-SW4	Section Line Access Road	8/4/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP WIL-157-99-36-SE4, SW4	Electric Distribution Line - Above Ground	7/30/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-153-90-6-NE4	Amend: Electric Distribution Line - Above Ground	7/30/2014
A DELAWARE LIMITED LIABILITY COMPANY MOU-157-93-36-SE4, SW4	Multiple Pipelines	7/28/2014
MARATHON OIL COMPANY INC DUN-146-92-16-S2SW4 DUN-146-93-16-NE4 DUN-146-94-36-NW4, SE4, SW4	Multiple Pipelines	8/4/2014
MARATHON OIL COMPANY INC DUN-144-96-36-SE4, SW4 DUN-144-96-8-SE4	Multiple Pipelines	8/8/2014
WILLIAMS COUNTY HWY DEPT WIL-155-95-16-NE4, SE4, SW4 WIL-156-95-16-NE4, SE4	Road Right-of-Way	8/6/2014
ONEOK ROCKIES MIDSTREAM LLC BIL-142-100-28-N2SW4, S2NW4	Gas Gathering Pipeline	7/28/2014
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-154-90-36-SE4	Drop Line-Buried Electric Distribution Line	7/30/2014
XTO ENERGY INC DUN-148-97-36-SW4	Amend: Horizontal Oil Well	7/23/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-152-99-36-NW4	Gas Gathering Pipeline	7/17/2014
ONEOK ROCKIES MIDSTREAM LLC MCK-153-94-36-NE4, NW4, SW4	Gas Gathering Pipeline	7/21/2014
1804 OPERATING LLC	Salt Water Pipeline	7/23/2014

MOU-153-91-18-SW4
MOU-153-92-16-NE4, NW4

ONEOK ROCKIES MIDSTREAM LLC DUN-147-96-36-NE4	Gas Gathering Pipeline	8/12/2014
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A DELAWARE LIMITED LIABILITY COMPANY MCK-152-95-16-NE4	Drop Line-Multiple Pipelines & Communication Cable	7/28/2014
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MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-91-34-SW4	Drop Line-Electric Distribution Line	7/30/2014
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BURLINGTON RESOURCES OIL & GAS DUN-147-95-16-NE4 NORTH OF HWY, NW4 NORTH OF HWY	Drop Line-Oil Gathering Pipeline	7/18/2014
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A DELAWARE LIMITED LIABILITY COMPANY MOU-155-93-36-NW4	Drop Line-Multiple Pipelines & Communication Cable	8/18/2014
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SHERIDAN WILLIAMS COUNTY HWY DEPT WIL-157-98-16-NE4, SE4	Road Right-of-Way	8/14/2014
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ELECTRIC COOP INC, MEDICINE LAKE-MT DIV-162-101-16-SE4, SW4	Electric Distribution Line - Above Ground	7/18/2014
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AMES CONSTRUCTION, BURNSVILLE-MN MOU-157-94-36-N2SE4 NORTH OF RR R/W	Temporary Construction	8/14/2014
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SAMSON RESOURCES COMPANY DIV-163-99-36-SE4	Drop Line-Multiple Pipelines	7/21/2014
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SRT COMMUNICATIONS INC MCH-157-76-17-N2SW4 MCH-157-76-18-NE4 MCH-157-76-20-N2NE4, SE4NE4	Communication Cable – Buried	7/20/2014
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KOHLER COMMUNICATIONS INC MOU-153-91-18-SW4	Tower Site	8/4/2014
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SLAWSON EXPLORATION CO MOU-152-92-14-SE4	Amend: Drop Line-Multiple Pipelines	7/28/2014
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ENDURO OPERATING LLC DIV-161-98-36-NE4	Salt Water Disposal Well-Assignment	7/21/2014
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QEP ENERGY COMPANY MCK-150-95-16-NE4, NW4	Amend: Horizontal Oil Well	7/28/2014
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ONEOK ROCKIES MIDSTREAM LLC BIL-142-100-28-N2SW4	Drop Line-Gas Gathering Pipeline	7/28/2014
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MARATHON OIL COMPANY INC DUN-145-96-36-SE4	Drop Line-Multiple Pipelines	8/8/2014
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MERCER COUNTY HIGHWAY DEPT MER-143-88-32-NW4	Road Right-of-Way	8/18/2014
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The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. No fees are charged for this use.

PETRO-HUNT LLC For the Purpose of: Access to School Land
WIL-154-99-16-NE4

HALO HOLDINGS GROUP Access to School Land
MCK-149-95-16-NE4, NW4

A D J O U R N

There being no further business, the meeting was adjourned at 11:04 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 25, 2014**

The September 25, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:02 AM by Chairman Jack Dalrymple.

Members Present:

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

Members Absent:

None

Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Allison Bement	Land Professional
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Assistant Director, Energy Infrastructure and Impact Office
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director, Revenue Compliance Division
Catelin Newell	Office Manager
Rick Owings	Grants Assistant, Energy Infrastructure and Impact Office

Others in Attendance:

Doug Myers	State Fire Marshall's Office
Tom Nehring	Division of EMS & Trauma, North Dakota Department of Health
Jerry Jurena	North Dakota Hospital Association
Amy Hsiang	RVK
Kristin Steffens	RVK
Marcia Beard	RVK
Scott Krouse	RVK (by telephone)
Nedra Hadley	Brandywine Global Investment Management
Jack McIntyre	Brandywine Global Investment Management
John Ford	Brandywine Global Investment Management
Jason Nisbet	Governor's Office

APPROVAL OF MINUTES

A motion to approve the minutes of the August 28, 2014 meeting was made by Attorney General Wayne Stenehjem and seconded by Secretary Al Jaeger. Motion carried.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Emergency Medical Services (EMS) / Fire District Award Recommendations Summary

In the 2013-2015 Biennium, \$195,638,102 has been awarded of the \$239.3 million appropriated by the 2013 Legislature. During Fiscal Year 2014, emergency medical services were awarded \$5,220,343 and fire districts received \$6,993,242. The following provides further details on specifics of the remaining allocations.

2013-2015 Biennium Breakdown (Combining like FY Rounds)					
Round or Award	#Applications	Amt of Projects	Amt Requested	#Awards	Amt Awarded
Cities - FY2014	115	\$831,599,364	\$661,401,695	27	\$61,666,162
Dust Control - FY2014	3	\$7,500,000	\$3,000,000	3	\$3,000,000
Sheriffs - FY2014	37	\$10,423,999	\$8,513,875	33	\$7,000,056
Airports - FY2014	45	\$176,369,454	\$50,013,457	34	\$35,901,508
K-12 Schools - FY2014	94	\$52,995,088	\$36,608,871	64	\$12,530,000
Higher Education - FY2014	10	\$26,957,723	\$6,895,948	5	\$4,000,000
EMS & Fire - FY2014	142	\$32,631,465	\$23,851,029	87	\$12,213,585
General - FY2014	230	\$91,961,908	\$47,519,309	55	\$6,104,494
Cities - FY2015	64	\$156,860,346	\$132,745,228	29	\$40,333,838
K-12 Schools - FY2015	59	\$80,082,445	\$53,145,680	34	\$10,888,459
Airports - FY2015	1	\$2,000,000	\$2,000,000	1	\$2,000,000
	800	\$1,469,381,792	\$1,025,695,092	372	\$195,638,102
			Administration		\$700,826
			Remaining Allocated		
			Airports		\$22,098,492
			K-12 Schools (2015)		\$1,581,541
			Fire and EMS		\$4,786,415
			General		\$4,000,000
			* Emerging Counties		\$5,000,000
			Contingency Fund		\$6,194,624
			Total		\$240,000,000
			Appropriated for Grants		\$239,299,174
			FY 60% Max for Awards		\$143,579,504
			* If not used before 1/1/2015, converts to Contingency Fund		
					As of July 31, 2014
			Awarded FY 2014		\$142,415,805
			Awarded FY 2015		\$53,222,297

- \$6,194,624 million in contingency funds remain available
- No counties have qualified so far for any of the \$5 million in emerging counties funds
- Of the awarded funds, \$47.5 million has been reimbursed as of September 15, 2014

In 2013, the Board approved guidelines and made appointments to the Emergency Medical Services (EMS) and Fire Department Impact Grants Advisory Committees. The purpose of the advisory committees is to assist in formulating recommendations for energy development impact grants for Board consideration. The committees include:

EMS Impact Grants Advisory Committee:

Kari Enget, Powers Lake	Alan Hanson, Williston	Lynn Hartman, Dickinson
Duane Estvold, New Town	Jennifer Hestekin, Bowman	Ann Hafner, Killdeer
Kerry Krikava, Watford City	Jerry Jurena, ND Hospital Assn	
Tom Nehring, ND Department of Health, Bismarck		

Fire Department Impact Grants Advisory Committee:

Chief Robert (Bob) Sivak, Dickinson	Chief Bruce Schreiner, Garrison
Former Chief Cody Reis, Fairfield	Chief Jamie Germundson, Stanley

Chief Oscar Knudtson, Watford City

Doug Myers, State Fire Marshal's Office

With \$12.2 million granted to EMS and Fire Districts during FY 2014, \$4,786,415 remained available from the original allocation to EMS and Fire Districts. The \$3.5 million designated for Fire Districts by the 2013 Legislature was met during FY2014. To meet the \$7 million earmarked in HB 1358 by the 2013 Legislature, at least \$1,779,657 needed to be awarded to EMS.

Grant guidelines utilized include:

- Applications submitted by eligible political subdivisions including counties, cities, rural fire protection districts, ambulance districts.
- Grant round is for EMS and fire response needs resulting from impacts of oil and gas development activities.
- Requests for funding to improve readiness, quality and responsiveness of EMS and fire response teams.
- Applications for projects to improve equipment; facilities; safety; planning efforts to develop or formalize county/regional mutual aid/joint powers agreements; oil industry specific training, leadership development; and obtaining assets to improve emergency response.
- Applications to address safety issues received priority.

Grant applications were accepted through August 29, 2014, with a total of 131 applications requesting \$23,496,984 received. The applications represent \$31,294,341 of total proposed projects.

Applications were scored by a representative of the Department of Health's Emergency Medical Services Division; a representative of the State Fire Marshal's Office; and the EIIO staff using criteria of:

- The need as a direct impact resulting from energy development
- The project meeting the objective identified for the grant round
- The project being ready to implement, i.e. planning and preliminary work completed
- Addressing public and personnel safety
- Financial need- giving consideration to cash on hand, tax levy and other revenue, including previous EIIO awards and debt

The EMS and Fire Department Impact Grants Advisory Committees met in Killdeer on September 22, 2014. The committees evaluated all applications based upon:

- Critical and immediate needs
- Projects supporting enhanced readiness, quality and responsiveness of EMS and fire departments.
- Cooperative county/regional or mutual aid, projects that enhance training, leadership development, and assets to improve emergency response and readiness
- Enhanced review of the scoring criteria including: safety improvement; financial need; result of energy activity; project readiness; and contribution to long-term service/department viability.

The following list of recommended awards was developed by Emergency Medical Services and Fire Department Impact Grants Advisory Committees and the Energy Infrastructure and Impact Office in close coordination with staff from the Emergency Medical Services Division of the Health Department and the State Fire Marshal's Office:

Emergency Medical Services
Fire Districts
Multi Agency Applications (both EMS and Fire)

2014 EMS and Fire Grant Round - Recommended Awards

POLITICAL SUB NAME	CITY	COUNTY	APP NUMBER	DESCRIPTION	Award is For	Recommended Award
ALEXANDER RURAL FIRE DISTRICT	ALEXANDER	MCKENZIE	A150177	PUMPER TRUCK	Pumper Truck	\$232,000
ARNEGARD RURAL FIRE DISTRICT	ARNEGARD	MCKENZIE	A150255	RAPID RESPONSE TRUCK	Rapid Response Truck	\$100,000
BILLINGS CO. RURAL FIRE PROTECTION DIST.	BELFIELD	BILLINGS	A150204	REPEATER	Repeater	\$13,000
BILLINGS CO. RURAL FIRE PROTECTION DIST.	BELFIELD	BILLINGS	A150202	MINI RESCUE TRUCK- CONTINUATION OF LAST YEAR'S TECH RESCUE PROJECT	Mini Rescue Truck, Tech Rescue Project	\$116,000
BILLINGS COUNTY	MEDORA	BILLINGS	A150240	STAFFING-PARAMEDIC	Staffing	\$60,000
BOWBELLS FIRE DISTRICT	BOWBELLS	BURKE	A150172	RESCUE/EXTRICATION VEHICLE AND EQUIPMENT	Rescue / Extrication Vehicle and Equipment	\$150,000
BOWMAN COUNTY RURAL AMBULANCE DISTRICT	BOWMAN	BOWMAN	A150249	LIFE PACK 15	Life Pack 15	\$19,800
BOWMAN COUNTY RURAL AMBULANCE DISTRICT	BOWMAN	BOWMAN	A150248	NEW AMBULANCE	Ambulance	\$130,000
BURLINGTON CITY FIRE DEPARTMENT	BURLINGTON	WARD	A150260	BIG RIG EXTRICATION TRAINING	Cost of the Trainer	\$17,052
CITY OF BELFIELD	BELFIELD	STARK	A150241	STAFFING-PARAMEDIC AND EMT	Staffing	\$30,000
CITY OF BELFIELD	BELFIELD	STARK	A150242	BUILDING ADDITION	Building Addition	\$100,000
CITY OF STANLEY	STANLEY	MOUNTRAIL	A150224	FIRE HALL RENOVATIONS	Fire Hall Renovation	\$80,000
CITY OF TIOGA	TIOGA	WILLIAMS	A150152	PUMPER TRUCK, TURNOUT GEAR, THERMAL CAMERA	Pumper Truck, Turnout Gear, Thermal Camera	\$289,356
CITY OF WATFORD CITY	WATFORD CITY	MCKENZIE	A150157	EQUIPMENT FOR THE NEW PLATFORM TRUCK AND GENERATOR	Truck Equipment and Generator	\$90,500
CITY OF WATFORD CITY	WATFORD CITY	MCKENZIE	A150180	PERSONNEL HOUSING AND STAFFING	Personnel Housing and Staffing	\$410,000
DIVIDE COUNTY AMBULANCE SERVICE	CROSBY	DIVIDE	A150231	ALS EQUIPMENT AND STAFFING	Staffing Only	\$60,000
EPPING RURAL FIRE DISTRICT	EPPING	WILLIAMS	A150257	UPDATE GRASS TRUCK	Update Grass Truck	\$96,000
GRASSY BUTTE FIRE DISTRICT	GRASSY BUTTE	MCKENZIE	A150144	6 WHEELER WITH A WATER TANK	6 Wheeler With Tanker	\$20,000
GRENORA AMBULANCE DISTRICT	GRENORA	WILLIAMS	A150146	PERSONNEL	Staffing Only	\$59,339

2014 EMS and Fire Grant Round - Recommended Awards

POLITICAL SUB NAME	CITY	COUNTY	APP NUMBER	DESCRIPTION	Award is For	Recommended Award
KENMARE RURAL FIRE PROTECTION DISTRICT	KENMARE	WARD	A150178	WILDFIRE SUITS	Wildfire Suits	\$10,000
KILLDEER AREA AMBULANCE DISTRICT	MANNING	DUNN	A150251	VEHICLE REPLACEMENT, RECRUITING, HIRING AND HOUSING STAFF, AND STRATEGIC PLANNING	Staffing Only	\$120,000
LANSFORD FIRE DISTRICT	LANSFORD	BOTTINEAU	A150192	RESCUE EQUIPMENT	Rescue Equipment	\$24,250
MAXBASS RURAL FIRE DEPARTMENT	MAXBASS	BOTTINEAU	A150252	BUNKER GEAR REPLACEMENT AND THERMAL IMAGER	Bunker Gear and Thermal Camera	\$22,800
MCKENZIE COUNTY RURAL FIRE PROT. DIST.	WATFORD CITY	MCKENZIE	A150168	WATER TENDER AND CRASH RESCUE ENGINE	Rescue Pumper	\$375,000
MOHALL RURAL FIRE DISTRICT	MOHALL	RENVILLE	A150150	4 SETS OF SCBA AND 4 ADDITIONAL CYLINDERS	4 Sets of SCBAs and 4 Additional Cylinders	\$28,936
NEW ENGLAND RURAL FIRE DISTRICT	NEW ENGLAND	SLOPE	A150217	ONE FULL TIME PARAMEDIC FOR ONE YEAR	Staffing	\$30,000
NEW TOWN AMBULANCE	NEW TOWN	MOUNTRAIL	A150181	2 NEW AMBULANCES	Ambulances	\$200,000
NEW TOWN RURAL FIRE DISTRICT	NEW TOWN	MOUNTRAIL	A150163	HOSE, TESTER, NOZZLES, RADIO, AND HELMETS	Radios and Helmets	\$21,521
PARSHALL RURAL FIRE DISTRICT	PARSHALL	MOUNTRAIL	A150159	AUTOMOTIVE EXTRICATION/ RESCUE TOOLS	Auto Extrication Tools	\$36,000
PORTAL RURAL AMBULANCE DISTRICT	LIGNITE	BURKE	A150171	NEW AMBULANCE BUILDING	Ambulance Building	\$200,000
PORTAL RURAL FIRE DISTRICT	PORTAL	BURKE	A150206	REPLACE CHASSIS ON QUICK RESPONSE BRUSH TRUCK	Chassis on Quick Response Brush Truck	\$54,848
POWERS LAKE RURAL AMBULANCE DISTRICT	POWERS LAKE	BURKE	A150223	NEW AMBULANCE	Ambulance	\$130,000
RAY AMBULANCE DISTRICT	RAY	WILLIAMS	A150140	NEW 4X4 AMBULANCE	4X4 Ambulance	\$153,568
RAY FIRE DISTRICT	RAY	WILLIAMS	A150227	REPLACE PUMPER TRUCK	Pumper Truck	\$250,000
RENVILLE COUNTY RURAL AMBULANCE DISTRICT	MOHALL	RENVILLE	A150142	STAFFING FOR THE MOHALL AMBULANCE SERVICE	Staffing Only	\$14,000
RICHARDTON-TAYLOR RURAL AMBULANCE DISTRICT	RICHARDTON	STARK	A150147	AMBULANCE BUILDING PROJECT	Ambulance Building Project	\$250,000
SHERWOOD RURAL FIRE DIST	SHERWOOD	RENVILLE	A150141	AUTO EXTRICATION TOOLS	Auto Extrication Tools	\$17,235
SIOUX YELLOWSTONE FIRE DISTRICT	CARTWRIGHT	MCKENZIE	A150169	FIRE EQUIPMENT AND INFRASTRUCTURE	Excludes Parking Lot	\$27,500
STANLEY RURAL AMBULANCE SERVICE DISTRICT	STANLEY	MOUNTRAIL	A150229	BUILDING EXPANSION AND RENOVATION	Building Expansion and Renovation	\$300,000

2014 EMS and Fire Grant Round - Recommended Awards

POLITICAL SUB NAME	CITY	COUNTY	APP NUMBER	DESCRIPTION	Award is For	Recommended Award
STARK COUNTY	DICKINSON	STARK	A150196	DICKINSON AMBULANCE STAFFING AND EQUIPMENT	Staffing Only	\$120,000
TRENTON FIRE DISTRICT	TRENTON	WILLIAMS	A150238	REPLACEMENT OF A 1976 DODGE	First Response Vehicle	\$147,710
WEST DUNN RURAL FIRE DISTRICT	KILLDEER	DUNN	A150148	GRASS RIG REPLACEMENT OR ADDITION	Grass Rig	\$80,000
WILDROSE FIRE DISTRICT	WILDROSE	WILLIAMS	A150184	FIRE HALL AND PUMP UNIT FOR A NEW PICKUP	Fire Hall and Pump Unit	\$100,000
43 Recommended Awards						\$4,786,415

The recommended awards totaled \$2,343,207 for EMS and \$2,443,208 for Fire Districts. When combined with grants made by the Board in FY2014, 2013-2015 biennium total \$7,563,550 for EMS and \$9,436,450 for Fire Districts.

Motion: That the Board award \$4,786,415 from the Oil and Gas Impact Grant Fund to the 39 Emergency Medical Services and Fire Districts identified in the 43 award recommendations listed above. Further, that the Board affirms that \$7 million designated for EMS and the \$3.5 million allocated for Fire Departments by the 2013 Legislative Assembly is satisfied.

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

INVESTMENTS DIVISION

Global Fixed Income Manager Recommendation

At its August 28, 2014 meeting, the Board directed the Department and RVK to interview three investment firms with a goal of creating a recommendation for the management of a global fixed income portfolio for the permanent trusts.

On September 4th, Department staff and RVK interviewed representatives of Brandywine, Franklin Templeton and T. Rowe Price about their respective global fixed income products. The interviews were held in Chicago, and were noticed in accordance with state law.

Marcia Beard, Kristen Steffens and Amy Hsiang from RVK introduced the resulting recommended global fixed income manager, Brandywine, and discussed the manager recommendation with the Board.

Brandywine (Global Opportunistic Fixed Income) Jack McIntyre, Nedra Hadley and John T. Ford

Brandywine is a wholly-owned but independently managed and operated subsidiary of the investment firm Legg Mason. Brandywine currently has more than \$57.6 billion of assets under management, the bulk of which are fixed income assets.

Brandywine employs a top-down, value-oriented approach to fixed income management across global interest rate, currency and credit markets that focuses on high real yields, positive political/economic environments, and opportunistic investments in credits.

Based on the expected initial funding, the fee for this portfolio would be approximately 43 basis points. The fee for a commingled product is the same as for a separately managed account, thus the Commissioner recommended using the commingled version of this product in order to avoid the extra time and custody costs involved in investing through a separately managed account.

The State Investment Board uses the same Brandywine product in the Pension Trust Pool. As part of the discussions with Brandywine, the Commissioner was directed to coordinate with Brandywine and the executive director of the SIB to investigate and potentially negotiate a fee discount off of the quoted fee schedule, based upon the combine schedule.

Motion: That the Board authorize the Commissioner to enter into an investment management agreement with Brandywine to manage a global fixed income portfolio for the permanent trusts, subject to final review and approval of the contract by the Attorney General; the initial allocation to this global fixed income portfolio will be 2.8% of investable trust assets.

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

Structure of Fixed Income Portfolio

The broad asset allocation adopted by the Board in September 2013 contained a 23% allocation to fixed income assets, but the Board had not yet adopted a specific structure within the fixed income allocation. The reason is the addition of a global fixed income manager had implications on the weightings given to other managers/portfolio. With Board hire of Brandywine as a global fixed income manager, RVK recommended a structure for the fixed income portion of the permanent trusts' portfolio.

The table below shows the proposed long-term structure for the fixed income portfolio as well as an interim allocation to use while the trusts wait to fund the real estate and real asset portions of the new asset allocation.

Sub-Asset Class	Long-Term Allocation	Interim Allocation
P&R - Aggregate	6.8%	7.0%
JP Morgan - Intermediate	6.8%	7.0%
BND – Project Note	0.0%	0.1%
P&R Low Duration	0.0%	2.2%
SCLP/ECLP - Loans	0.6%	0.7%
Lazard – High Yield	3.0%	4.0%
1 st Intl. – International Bonds	3.5%	4.2%
Brandywine – Global Bonds	2.3%	2.8%
P&R Cash	0.0%	0.0%
TOTAL FIXED INCOME	23.0%	28.0%

Motion: The Board authorized both the long-term and interim target structures outlined in the above table for the fixed income portion of the permanent trusts' investment portfolio.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger	X		X		

Superintendent Baesler			X		
Treasurer Schmidt			X		
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

RVK Recommendation for Core Plus Real Estate Manager Interviews

In June 2014, RVK provided the Board an overview of real estate as an asset class and provided recommendations of core real estate managers to interview. Actions taken subsequent to June have resulted in the Board approving the hiring of both Morgan Stanley and UBS for core real estate mandates of 4% of the overall portfolio each.

In June, RVK discussed core plus or non-core real estate. The basic distinction between core and core plus real estate is that core real estate managers generally buy assets to extract value through income (rents), while core plus managers buy assets at a discount with the goal of improving those assets, increasing their value, and making them core assets. Although core plus real estate may be somewhat more volatile than core real estate, expected returns are also higher.

One of the biggest distinctions between core and core plus real estate is that core real estate funds are generally open ended, while core plus real estate funds are usually closed-ended. Closed-ended funds require an investor to tie up their money for a predetermined period of 7-10 years, and thus are less liquid than open-ended funds. The Board discussed this liquidity difference in June and made it clear that a non-core real estate manager search should focus on liquid, open-ended core plus real estate managers.

RVK recommends the following four managers for interviews with RVK, staff, and available Board members:

1. Jamestown Premier Property Fund
2. JP Morgan Income and Growth Fund
3. Prologis U.S. Targeted Logistics Fund
4. UBS Trumbull Property Income Fund

RVK presented an analysis of the managers recommended for interview and shared that information with the Board.

The State Investment Board currently uses the JP Morgan Income and Growth Fund in the Insurance Trust and also uses many other JP Morgan products. Any available fee discounts available as a result of North Dakota relationships, will be diligently pursued.

Motion: That the Board authorize RVK and Department of Trust Land staff to review and interview Jamestown Premier Property Fund, JP Morgan Income and Growth Fund, Prologis U.S. Targeted Logistics Fund, and UBS Trumbull Property Income Fund as potential candidates for the core plus real estate portion of the permanent trusts' portfolio, and to provide candidate recommendations to the Board at a subsequent meeting.

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

STRATEGIC INVESTMENT AND IMPROVEMENTS FUND

Investment Policy Consideration

The Department staff has been exploring various investment options for the Strategic Investment and Improvements Fund (SIIF). The investable assets of the SIIF now exceed \$1.2 billion; the balance of the fund is projected to be over \$1.5 billion on June 30, 2015.

In recent history, the SIIF has been invested conservatively entirely in US Treasury bonds and bills, with maturities matching known outflows. At the present time the SIIF has approximately \$107 million of Treasuries maturing in late-September 2014, \$516 million maturing in late-December 2014 and another \$594 million maturing in late-June 2014. The current yield of the portfolio is approximately 18 basis points. Cash inflows into the SIIF will be in the \$70-80 million per month range for the remainder of the biennium.

The Commissioner had discussions with three different firms (Payden & Rygel, Northern Trust and PFM) about options to increase the yield of the SIIF portfolio without adding substantial risk. Each firm offered slightly different ways to conservatively add value.

All of the proposed options are high quality portfolios that use a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, commercial paper and some duration investments to add value over a 100% Treasury portfolio. The primary goal of the investment portfolio would continue to be to preserve capital and maintain liquidity to meet spending needs.

Some of the items that could be included in an investment policy statement for the fund would be:

- Minimum average quality of AA
- Minimum quality for any security of A (at time of purchase)
- Neutral weighted average maturity of 1 year range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- Limited amounts (10-25%) for value added securities sectors like MBS, ABS, Agencies, and corporate bonds

The management of the portfolio will be similar to existing practice, with some of the funds invested shorter to meet current obligations and other funds invested slightly longer on the curve to generate yield. Those longer maturities will ultimately become short-term securities over time and will then be used to meet the SIIF's obligations at that time. Managing this portfolio will require substantial communications related to the timing of fund inflows and obligations, but doing so has potential to add 50-75 basis points of return over time. On a \$1 billion investment portfolio, that equals \$5-\$7.5 million of additional revenue for the SIIF each year.

The Board was reminded that there are some risks involved in portfolio of this nature. Corporate bonds can default, mortgages can become delinquent and interest rates can, and most likely will, rise from today's historic lows. Because of the high quality of the securities that would be held in this portfolio, the potential for loss on any given security is relatively small. Over time the value of the securities in the portfolio may fluctuate, but if the bonds are held to maturity, there is very little risk of substantial loss and the higher yield should more than offset any minor losses that could occur.

The biggest risk of loss for a portfolio invested as described would be if interest rates rise sharply, coupled with an unanticipated liquidation of longer-term securities to fulfill a cash obligation. This scenario is unlikely as the amount of outflows is determined every 2 years by the Legislature; and this portfolio would be invested specifically to meet the appropriations and obligations approved by the Legislature.

Motion: The Board authorized the Commissioner to complete due diligence on Northern Trust and the investment solution they proposed, with the goal of returning to the Board

with a recommended Investment Policy Statement for the SIIF and a recommended manager to invest the SIIF.

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

MINERALS DIVISION

Disclaimer of Mineral Interest (WAR-152-81-4)

On May 27, 2014, the Office of Attorney General was served with a summons and complaint in a quiet title action captioned *Kathleen J. Holdeman; Robert A. Vix; and Rolland D. Vix v. State of North Dakota*. The Plaintiffs brought this suit to clear title to the following tract of property located in Ward County:

Township 152 North, Range 81 West
Section 4: Lots 1 and 2, S1/2NE1/4

The Plaintiff's predecessors in interest gave a mortgage to the State of North Dakota for this property. During the fall of 1942, the State began foreclosure proceedings and on January 4, 1943, a Sheriff's Certificate of Sale was issued to the State. However, a Sheriff's Deed was never issued at the end of the one year redemption period. On November 15, 1945, a Satisfaction of Mortgage was signed by the Commissioner of University and School Lands of North Dakota but a deed was never issued.

Title to the property vests with the State if the property is not redeemed by the end of the redemption period. *State v. Herman*, 36 N.D. 177 (N.D. 1917). However the holder of the Sheriff's Certificate of sale may permit redemption in its discretion after the expiration of the redemption period. *Id.*

It appears by issuing the Satisfaction of Mortgage the State was allowing redemption even though the redemption period had expired. Due to the unusual chain of title, the Plaintiffs believe it is necessary to obtain either a deed from the State or a court order. Pending the Board's approval, the parties have negotiated a resolution wherein the Commissioner will issue deed to the Plaintiffs with a 50% mineral reservation which would have been the applicable statutory mineral reservation at the time the Satisfaction of Mortgage was issued by the State. **Motion: That the Board authorize the Commissioner to sign the Quit Claim Deed for the land within Township 152 North, Range 81 West, Section 4: Lots 1 and 2, S/2NE/4, retaining 50% of the mineral interest for the State.**

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

OPERATIONS AND REPORTS

Report of Easements Issued by Land Commissioner
(08-20-14 through 09-15-14: No Action Requested)

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND

(09/14)

For the Purpose of:	Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement-Amend: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	ROCK ISLAND TOWNSHIP, ALAMO-ND Easement: Road Right-of-Way
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	LOGAN COUNTY, NAPOLEON-ND Easement: Road Right-of-Way
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOP INC, WATFORD CITY-ND Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement: Drop Line-Buried Electric Distribution Line
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement: Drop Line-Buried Electric Distribution Line
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	WILLIAMS COUNTY HWY DEPT, WILLISTON-ND Easement: Road Right-of-Way
Granted to: For the Purpose of:	HESS NORTH DAKOTA PIPELINES, LLC, MINOT-ND Easement: Multiple Pipelines & Communication Cable
Granted to: For the Purpose of:	STATOIL OIL AND GAS LP, AUSTIN-TX Easement: Drop Line-Multiple Pipelines
Granted to: For the Purpose of:	WHITING OIL AND GAS CORPORATION, DENVER-CO On-lease Act. Amend: Horizontal Oil Well
Granted to: For the Purpose of:	ENABLE BAKKEN CRUDE SERVICES, SHREVEPORT-LA Easement: Drop Line-Multiple Pipelines
Granted to:	MCKENZIE ELECTRIC COOP INC, WATFORD CITY-ND

For the Purpose of:	Easement: Drop Line-Buried Electric Distribution Line
Granted to:	CALIBER MIDSTREAM ND LLC, DENVER-CO
For the Purpose of:	Easement: Raw Water Pipeline
Granted to:	TARGA BADLANDS LLC, HOUSTON-TX
For the Purpose of:	Easement: Drop Line-Oil Gathering Pipeline
Granted to:	WHITING OIL AND GAS CORPORATION, DENVER-CO
For the Purpose of:	Easement: Drop Line-Pipeline & Communication Cable
Granted to:	TESORO LOGISTICS GP LLC, DICKINSON-ND
For the Purpose of:	Permit: Temporary Construction
Granted to:	WHITING OIL AND GAS CORPORATION, DENVER-CO
For the Purpose of:	Easement: Drop Line-Oil Gathering Pipeline
Granted to:	LIBERTY RESOURCES MNGMT COMPANY LLC, DENVER-CO
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Granted to:	TETRA TECH INC, AUSTIN-TX
For the Purpose of:	Permit: General Land Surveys
Granted to:	SWENSON HAGEN & CO, BISMARCK-ND
For the Purpose of:	Permit: General Land Surveys
Granted to:	COURTENAY WIND FARM LLC, EDINA-MN
For the Purpose of:	Easement-Amend: Electric Transmission Line

A D J O U R N

There being no further business, the meeting was adjourned at 10:50 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 30, 2014**

The October 30, 2014 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
Kirsten Baesler	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

No Members Absent:

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Allison Bement	Land Professional
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Administrator, Energy Infrastructure and Impact Office
Linda Fisher	Unclaimed Property Administrator
Catelin Newell	Office Manager
Rick Owings	Grants Assistant, Energy Infrastructure and Impact Office

Others in Attendance:

Tyler Gludt	Fredrikson & Byron, P.A.
Kyle Wanner	ND Aeronautics Commission
Chris Harvey	ND Attorney General's Office
Robert Bransfield	Prologis
Leah Dillon	Prologis
Nancy Brown	JP Morgan
Michael O'Brien	JP Morgan
Jim Sakelaris	JP Morgan
Jeffrey Beckham	Jamestown Premier Property Fund
Alix Rice	Jamestown Premier Property Fund
Kristin Steffens	RVK
Marcia Beard	RVK
Scott Krouse	RVK (by telephone)
Patrick Quinn	Northern Trust Asset Management
Jason Pasquinelli	Northern Trust Asset Management
Scott Warner	Northern Trust Asset Management
Bonnie Storbakken	Governor's Legal Counsel
David Hunter	Retirement and Investment Office
Charles Tuttle	self

APPROVAL OF MINUTES

A motion to approve the minutes of the September 25, 2014 meeting was made by Secretary Al Jaeger and Attorney General Wayne Stenehjem. Motion carried.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

The Energy Infrastructure and Impact Office (EIIO) managed thirteen grant rounds during FY 2014 and completed five grant rounds during FY 2015. Airport and K-12 School grant recommendations were offered for Board consideration at this meeting

Airport Award Recommendations

In August 2013 the Board awarded \$27,008,442 to airports in oil impacted communities. In June 2014, the Board awarded \$8,893,066 to airports in the west and an additional \$2 million was awarded to the Killdeer Airport for improvements in July 2014. Total awarded to airports thus far in the 2013-2015 biennium is \$37,901,508.

The EIIO worked with the North Dakota Aeronautics Director to implement policies and procedures for airport assistance grants in the Energy Impact grants process. Recommendations for award were reviewed and approved by the State Aeronautics Commission.

Following is the listing of the approved recommended awards for the Board's consideration.

MINOT	Amount Requested	Recommended Award is For	Recommended Award Amount
DICKINSON	\$3,561,255	New Terminal and Apron, Access Road, General Aviation Apron to Commercial Apron	\$2,061,255
WILLISTON	\$189,487	Apron Expansion, Runway Safety Area Design, Taxiway Design	\$107,954
BOWMAN	\$122,144\$	Purchase ARFF Truck, Truck Support Equipment, Supplemental Environment Assessment	\$122,144
KENMARE	\$207,251	Construction of Terminal/SRE Building/Wildlife Fence, Public Fueling Facility	\$207,251
MOHALL	\$47,239	Design for Runway Lighting Installation	\$47,239
PARSHALL	\$97,506	Design Apron and Access Road Improvements, Environmental Assessment to Relocate Fuel System	\$97,506
TIOGA	\$141,668	Rehabilitate South Apron Pavement	\$141,668
TURTLE LAKE	\$181,805	Design Apron, Taxiway, Hangar Taxiline Improvements, Design Corporate Taxiway, Design Pavement Crack Seal/Rejuvenator	\$181,805
WATFORD CITY	\$33,000	Construct Airport Snow Removal Equipment Building	\$31,252
TOTAL RECOMMENDED REWARDS	\$69,300	Airport Site Study	\$69,300
			\$3,067,374

Motion: The Land Board awarded \$3,067,374 from the Oil and Gas Impact Grant Fund to airports as identified in the list of recommended awards. All grant disbursements are contingent upon confirmation indicating that local and federal cost-share had been approved and were available for the identified projects.

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

With this action, of the \$60 million designated to airports by the 2013 Legislature, \$40,968,882 has been awarded to airports.

Consideration of Grant Recommendations to K-12 School Districts

In fiscal year 2014, the Board awarded 64 grants totaling \$12,530,000 to K-12 school districts. In July 2014, the Board awarded 33 grants totaling \$7,888,459. Of the original \$25 million commitment for K-12 schools, \$1,581,541 remained available for in FY 2015.

The EIO accepted applications from K-12 schools from September 2, 2014 through September 26, 2014. Thirty-five applications totaling \$6 million in requests were received for projects totaling \$7.7 million.

To review the requests, the EIO staff and the Assistant State Superintendent held meetings with school officials at four locations October 13 and 14, 2014.

All applications were reviewed by the K-12 Schools Advisory Committee, which includes: Steve Holen, McKenzie County PSD #1; Mike Ness, Hazen PSD #3; Marc Bluestone, New Town PSD; Gary Wilz, Killdeer PSD; Ben Schafer, Nesson PSD #2; and Robert Marthaller, Department of Public Instruction met on October 21, 2014.

The Committee adopted recommendations giving priority to needs realized since the start of the school year, safety and security needs, temporary portable classrooms to address significant student number growth, teacher housing, and modifying or repurposing existing space. Financial need and direct industry impact were also considered. Following is a list of recommendations for awards submitted by the Committee and the EIO:

2014 Fall K-12 Schools Grant Round - Award Recommendations

POLITICAL SUB NAME	AMOUNT REQUESTED	Recommended Award is For	Recommended Award Amount
ALEXANDER PSD #2	\$200,000	Kitchen/Cafeteria Renovations	\$190,400
BOTTINEAU PSD #1	\$62,260	Buzz in security system and Cameras	\$14,400
BOWBELLS PSD #14	\$15,100	Security System	\$15,100
DIVIDE COUNTY PSD #1	\$66,000	Radio Communications	\$24,000
DIVIDE COUNTY PSD #1	\$472,000	Teacher housing	\$250,000
KILLDEER PSD	\$14,481	Lighting	\$14,481
KILLDEER PSD	\$6,855	Cooler	\$6,855
MCKENZIE PSD #1	\$89,760	Portables	\$71,808

2014 Fall K-12 Schools Grant Round - Award Recommendations

POLITICAL SUB NAME	AMOUNT REQUESTED	Recommended Award is For	Recommended Award Amount
MCKENZIE PSD #1	\$18,078	Lockers for student increases	\$14,462
MCKENZIE PSD #1	\$380,681	Construction cost increases	\$250,000
NESSON PSD #2	\$426,550	Modular classroom, video surveillance on buses, camera & DVR upgrade	\$245,432
PARSHALL SCHOOL DISTRICT #3	\$90,400	Security System Upgrade	\$90,400
POWERS LAKE PSD #27	\$140,400	Teacher Housing	\$140,400
SOUTH HEART PSD	\$354,810	Construction cost increase on project from original estimate	\$250,000
STANLEY PSD #2	\$172,425	Renovations to prepare 3 classrooms from a commons area for increases in student population	\$172,425
STANLEY PSD #2	\$73,792	Fire alarm update	\$73,792
SURREY PSD #41	\$70,000	Security System	\$56,000
TIOGA PSD #15	\$110,880	Security System	\$110,880
18 Recommended Awards			\$1,990,835

The grants recommended were for more than the \$1,581,541 remaining of the \$25 million school allocation; however the K-12 schools advisory committee and the EIO recommended that \$409,294 in additional awards be provided from contingency funding to K-12 Schools. This recommendation was made to address applications received seeking to address security system upgrades and critical teacher housing needs.

Motion: The Board approved grants totaling \$1,990,835 from the Oil and Gas Impact Grant Fund for awards to K-12 school districts for the projects detailed above.

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

With this action, the Board has granted \$25,409,294 to school districts during the 2013-2015 Biennium.

INVESTMENTS DIVISION**Core-Plus Real Estate Manager Recommendations**

In September, the Board directed staff and RVK to review four investment firms with the goal of creating a recommendation for the management of core plus real estate portfolios for the permanent trusts.

On October 14th and 15th, the Department staff and RVK interviewed representatives of Jamestown Premier Property Fund, J.P. Morgan Income and Growth Fund, Prologis Targeted U.S. Logistics Fund and UBS Trumbull Property Income Fund in Chicago.

RVK's Marcia Beard, Kristen Steffens and Scott Krouse introduced the proposed core plus real estate managers and discussed the manager recommendations with the Board.

Prologis Targeted U.S. Logistics Fund - Bobby Bransfield and Leah Dillon

Prologis is the leading owner, operator and developer of industrial real estate in the world, with over \$28.7 billion of assets under management totaling 571 million square feet. The fund invests solely in warehouses and distribution centers in major markets and trade centers. The clients that use Prologis buildings are some of the biggest in the business including, Amazon, FedEx, Walmart and UPS.

The base fee for this fund is calculated at 7.5% of net operating income; in basis points, the fee has averaged 92 basis points per year over the past 5 years. The fee would be discounted by about 3.3%, based on an initial funding of \$75 million. Prologis is also eligible for an incentive fee of 15% for an IRR above 9% and 20% for of IRR greater than 12%, with some hold back requirements. The incentive fee has averaged 87 basis points per year over the past 10 years.

J.P. Morgan Income and Growth Fund - Nancy Brown, Michael O'Brien and James Sakelaris

J.P. Morgan's Global Real Assets group, headquartered in New York, has \$76.9 billion of assets under management. This fund invests in high quality, stabilized properties in primary markets throughout the U.S. The fund may invest up to 15% on net assets in mezzanine loans to enhance income and utilize leverage of up to 50% on the value of assets held in the fund.

The State Investment Board (SIB) has used J.P. Morgan as one of its real estate managers for many years. Because of that relationship, J.P. Morgan offered a discount off of the standard 125 basis points fee schedule for this product. This "relationship discount" applies to all assets J.P. Morgan manages for both entities (except the intermediate bond portfolio) and will initially be approximately 18% on an investment of \$112.5 million. This will bring the initial fee on this portfolio to approximately 102.5 basis points. Any additional monies added by either SIB or Land will receive a 25% discount off of standard J.P. Morgan fee schedules.

Jamestown Premier Property Fund - Jeffrey Beckham

Jamestown is a privately owned real estate firm that manages over \$7.0 billion of real estate assets. The Jamestown Premier Property Fund's strategy is to acquire iconic, "ultra core" properties in major U.S. markets; examples include One Times Square and Chelsea Market in New York and Ghirardelli Square in San Francisco. Jamestown's vertically-integrated approach to real estate management allows it to enhance value. The fund currently employs leverage of approximately 40%.

The base management fee for this fund ranges from 90 basis points to 60 basis points, depending on the amount of assets invested. Based on an expected initial funding of \$75 million, the base fee would be 80 basis points, if the portfolio grows to more than \$100 million, the base fee would be 70 basis points. In addition, there is an incentive fee of 20% over a 7% net IRR hurdle and 25% over a 10% net IRR hurdle. The incentive fee is payable only upon the sale of a property and even then 50% are subject to refund if the fund underperforms over a five-year period.

Motion: The Board authorized the Commissioner to enter into investment management agreements with Prologis, J.P. Morgan, and Jamestown to manage open-ended core plus

(10/14)

real estate portfolios for the permanent trusts, subject to final review and approval of the contract by the Attorney General; the initial allocation would be 3% of total assets to J.P. Morgan, and 2% of total assets each to Prologis and Jamestown.

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

Asset Allocation Update

The following table below indicates the status of the asset allocation of the permanent trusts:

- The long-term asset allocation approved by the Board in September of 2013
- Interim allocations to the various asset classes as the trusts wait to fund the real estate investments
- Estimated dollar value and percentage of each asset class after the funding of Brandywine and the rebalancing of the portfolio that will occur on October 31, 2014

Account/Asset Class	Long-Term Asset Allocation	Interim Asset Allocation	Interim % +/- Weight	Estimated 10/31/14 Rebalanced	Estimated 10/31/14 Asset Allocation %
Large Cap US Equity	13.5%	16.3%	20.7%	\$ 543,098,359	16.3%
Small Cap US Equity	3.5%	4.4%	25.7%	\$ 147,069,814	4.4%
International Equity	12.0%	14.3%	19.2%	\$ 476,496,691	14.3%
Emerging Market Equity	3.0%	3.5%	16.7%	\$ 116,285,597	3.5%
Total Equities	32.0%	38.5%	20.3%	\$ 1,282,950,462	38.5%
Total Absolute Return	20.0%	22.0%	10.0%	\$ 732,729,810	22.0%
Total Real Estate	15.0%	0.0%	-100.0%	\$ -	0.0%
Total Real Assets	10.0%	11.5%	15.0%	\$ 382,568,341	11.5%
Investment Grade US FI	13.6%	16.3%	19.9%	\$ 546,375,770	16.4%
Loans	0.6%	0.7%	16.7%	\$ 18,811,836	0.6%
High Yield FI	3.0%	4.0%	33.3%	\$ 133,233,643	4.0%
International FI	5.8%	7.0%	20.7%	\$ 233,411,960	7.0%
Total Fixed Income	23.0%	28.0%	21.7%	\$ 931,833,210	28.0%
Total Asset	100.0%	100.0%		\$ 3,330,081,822	100.0%

The remaining tasks in implementing the Board's permanent trusts asset target allocation are:

- Finalization of the contracts for the full 15% allocation to real estate, including the managers approved at this meeting. The funding off these portfolios will occur over the next four to six quarters.
- Board review of real asset/inflation hedge options for the portfolio. This will include both TIPS (Treasury Inflation-Protected Securities) and REITs (Real Estate Investment Trusts).

Additionally, the Board was informed of two issues related to recent asset allocation work:

PIMCO

In April the Board selected PIMCO as one of three firms to manage the global tactical asset allocation portfolio for the permanent trusts. The PIMCO All Assets All Authority mutual fund was initially funded in June and as of the end of September the trusts' ownership in this fund was approximately \$223 million.

On September 26, 2014, Bill Gross, the founder and Chief Investment Officer at PIMCO resigned from the firm and announced that he would be joining Janus Capital Group.

Since the resignation announcement, Department staff have met with PIMCO representatives, discussed the situation with RVK and monitored various webcasts and news articles on the circumstance.

Chief Investment Officer Jeff Engleson will be visiting PIMCO's offices for due diligence visit in early December. The Commissioner and staff will continue to closely monitor PIMCO and inform the Board of any concerns or additional issues.

Brandywine

In September, the Board authorized an investment in the Brandywine global opportunistic fixed income portfolio for the permanent trusts.

Brandywine manages this same product for the SIB. Brandywine agreed to treat the Land Board and SIB as one client in terms of applying the graduated fee schedule for this product. Based upon current assets, this action will save the SIB \$21,000 per year and the Land Board will save \$37,000 per year off of the original fee schedule.

Strategic Investment and Improvements Fund – Investment Policy Statement

The Commissioner and staff explained investment options for the Strategic Investment and Improvements Fund (SIIF) which is invested entirely in U.S. Treasury bonds and bills. The average yield is currently 19 basis points.

The SIIF had approximately \$516 million maturing in late-December 2014, another \$594 million maturing in late-June 2014 and additional \$271 million of cash earning 5 bps at BND. Thus the investable assets as of October of the SII Fund are \$1.38 billion.

With anticipated cash inflows into the SIIF of \$70-80 million per month, projections indicate this fund will be over \$1.5 billion on June 30, 2015.

By adding a relatively small amount of interest rate and credit risk to the portfolio, and actively managing that risk, returns can potentially be 50-75 basis points over time. On a one billion dollar portfolio that could generate \$5.0 - \$7.5 million per year in additional return for the SIIF.

The proposed SIIF Investment Policy Statement comprises a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper. The primary goal of the investment portfolio would be to generate some return and to continue to preserve capital and maintain liquidity to meet spending needs. Specifically the IPS indicates:

- Minimum average quality of AA
- Minimum quality for any security of BBB (limited to 10%)
- Neutral weighted average maturity of 1 year range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- No more than 50% in investment grade corporate and agency backed securities
- Not more than 2% of the fund will be invested with any single issuer

The management of the portfolio will be similar to existing practice, with some of the funds invested shorter to meet current obligations and other funds invested slightly longer on the curve to generate yield.

The Board was reminded that there are risks involved in a portfolio managed to these guidelines. Bonds can default, mortgages can default and interest rates will likely rise. However, the potential for loss on any given security is fairly small in a high quality portfolio managed to these guidelines.

The Commissioner recommended initiating the new portfolio with \$270 million on hand as well as any new money received during the biennium using these guidelines.

Motion: The Board adopted the referenced Investment Policy Statement for the Strategic Investment and Improvements Fund and directed the initial investment of \$270 million of the SIIF and additional revenues received in the SIIF in accordance with these policy guidelines.

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

Strategic Investment and Improvements Fund - Manager Selection

In September, 2014 the Board authorized the Commissioner to carry out due diligence on Northern Trust Asset Management as a prospective manager of a short-term fixed income portfolio for the SIIF. On October 15, 2014, the staff met with representatives of Northern Trust and the Ultra Short fixed income team in Chicago.

Jason Pasquinelli, Scott Warner and Patrick Quinn of Northern Trust Asset Management of Ultra Short Fixed Income Group met with the Board, and discussed the firm's capabilities and the focus of its strategy. The representatives highlighted the quality and strength of the ultra-short fixed income division and the backgrounds and experience of the team members. Northern's risk focused and research driven approach to short-term fixed income management provides consistent returns for clients, with low volatility and downside protection.

The fee schedule agreed upon between Northern and the Commissioner for this portfolio is lower than the fee schedules offered by the other firms that were considered for this mandate. Northern Trust's fee schedule is:

- 6.0 basis points on first \$500 million
- 5.0 basis points on the next \$500 million
- 4.0 basis points for anything more than \$1 billion

Motion: The Board authorized the Commissioner to enter into an investment agreement with Northern Trust Asset Management to manage an ultra-short fixed income portfolio for the Strategic Investment and Improvements Fund, subject to final approval of the contract by the Attorney General.

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

MINERALS DIVISION

BLM and State Sovereign Mineral Acres Near Navigable Waterways

The Board manages North Dakota sovereign minerals beneath navigable rivers. There are many tracts along the Missouri and Yellowstone Rivers in which the federal government is also claiming an interest in the minerals. Like the State, many of the tracts claimed by the federal government have been leased for oil and gas exploration and production. In places where there were title issues, lessees have double leased or taken a “protective lease” from multiple parties. However, now that there are paying wells on the properties, the title issues need to be resolved so that royalties can be dispersed.

Late in 2013, the United States Bureau of Land Management (BLM) initiated an effort to update the official plats of sixteen townships beneath Lake Sakakawea to ascertain the federal government claim. The BLM has re-surveyed public domains lands, i.e. lands for which the federal government has never relinquished title. The BLM used ownership maps as determined by the Corps of Engineers during the construction of the Garrison Dam. Much of the federal re-surveyed tracts overlay the area within the State’s 2010 survey of the historic Ordinary High Water Mark of the Missouri River. The Commissioner is working with the State Engineer to determine the number of acres potentially in dispute.

The BLM published notice of its intent to adopt new plats. The Commissioner and the State Engineer’s office filed a notice of intent to protest these surveys and intend to file a statement of explanation with the BLM prior to its December 8, 2014 deadline. The BLM will then decide whether the re-surveys will be accepted as the official plat.

The federal government collects royalties through the Office of Natural Resources Revenue (ONRR). While the State allows, and even urges operators to place royalty payments into escrow until disputes are resolved, the ONRR seeks payment of all royalties that the United States claims regardless of title disputes. An operator who fails to pay royalties as deemed due by the ONRR can be subject to fines and lease termination.

The Commissioner and staff, along with a representative of the State Engineer and the Attorney General have had several meetings with the BLM to work to solve this issue. However to this point, a resolution of the acreage dispute with the BLM has not been reached. The efforts to work toward a solution will continue.

Board Oil and Gas Lease Auction

The Board was presented with a list of tracts to be offered in the November oil and gas mineral lease auction.

Litigation Discovery

The plaintiffs in the *Wilkinson v. ND Board of University and School Lands et. al.* litigation pending in the Northwest Judicial District, have served a request for discovery of documents. This lawsuit against the Board is regarding the location of the Ordinary High Water Mark on the Missouri River within section 12 and 13 of T153, R102 in Williams and McKenzie Counties.

The request for information and documents includes minutes, notes, correspondence and papers possessed by the Board and Department and their staff as well as other officials and contractors.

The Commissioner informed the Board members that he would request from their respective offices, e-mails, correspondence and documents related to the property and the leasing and development of the property.

Mineral Exchange Legislation

The Board manages 2.6 million mineral acres on behalf of the state and state trusts. Federal law, the state constitution and state statutes specifically articulate that trust land, minerals and assets are managed as permanent endowments for beneficiaries. Within its fiduciary role, the Board consistently leases minerals for the production oil, gas, coal, aggregate and other minerals.

A challenge is presented when trust mineral acres with income potential are located within areas that some members of the public feel should not have mineral development. The conflict between the responsibility to generate revenue and the desire to preserve certain areas has led the Commissioner to investigate the prospect of exchanging mineral assets with the federal government or potentially with another state agency that does not have the same return generating mandate.

Provisions of Article IX of the North Dakota Constitution may limit the ability of the Board to exchange minerals. Section 6 permits the exchange of land with the federal and other governments, but specifically indicates that minerals, except for coal minerals, must be reserved in the trade.

The Commissioner was authorized to prepare a Concurrent Resolution for a Constitutional Amendment that the Legislature might consider that would permit the Board to exchange lands, without mineral reservation, with the United States.

The Commissioner also mentioned the prospect of policy that would permit the exchange of mineral acres with other state entities; or the royalties from non-trust state minerals produced elsewhere to substitute for the revenue for the trust minerals in protected areas.

US Fish and Wildlife Service Listing of Two Butterfly Species

The U.S. Fish and Wildlife Service listed the Dakota Skipper as a threatened species and the Poweshiek Skipperling as an endangered species under the Endangered Species Act.

The listing of the Dakota Skipper as a threatened species and the designation of critical habitat involves several thousand acres of private and trust land. The service also published a special rule under section 4(d) of the ESA for the Dakota Skipper that would exempt incidental take of the Dakota Skipper that results from routine ranching practices and specified trail and rights-of-way maintenance activities.

The listing of the Poweshiek Skipperling as an endangered species does not appear to impact trust lands under the Board's management.

The Department filed numerous comments on the proposals and will monitor the impact upon trust lands.

Staffing

The Board was informed that the Department is advertising for an administrator of the Unclaimed Property Division and a director of the Information Technology section of the Department. Both incumbents remain on staff, but have different roles within the Department as a result of a restructuring of the office organization chart to accommodate succession options.

The current administrator of the Unclaimed Property Division, Linda Fisher, will be the Deputy Commissioner of Operations and will oversee accounting, IT, revenue compliance and administrative support.

Levi Erdmann, former director of the IT section, has transitioned to a new role as an Analyst within the Investment Division.

REPORTS

The Board reviewed a Summary of Total Assets as of August, 2014; the record is on file with the Department of Trust Lands.

Quarterly Update of the Revenue Compliance Division

The Board reviewed a report which indicated that the total oil and gas royalty revenue collected in the biennium to date is \$458,261,637, an increase of 35.20% from the same period of the prior biennium. Included in this total is \$9,654,854 which is a result of enhanced efforts to examine royalty reports and submittals:

REVENUE COMPLIANCE SUMMARY			
	Biennium 2011-2013		Biennium to Date (07-01-13 thru 9-30-14)
Additional Royalties Collected	\$ 9,544,389		\$ 8,755,272
Additional Taxes or Other Deductions Collected	\$ 1,284,602		\$ 480,965
Penalties Collected	\$ 662,625		\$ 418,617
Total Collected	\$ 11,491,616		\$ 9,654,854
NDIC Report Corrections	55		153

The Revenue Compliance Division, together with the Minerals Management Division, also works to identify non- and low producing leases. These efforts have motivated operators to renegotiate lease terms and increase a well's production, or to acknowledge the lack of production and allow the lease to expire. This collective action has resulted in 4,367 acres that were previously designated as "held by production" being made available to lease again, where they can generate new lease bonus revenues for the trusts and eventually higher production and royalty revenues.

NON-PRODUCING LEASE SUMMARY			
	Biennium 2011-2013		Biennium to Date (07-01-13 thru 9-30-14)
Acres Relinquished	2,467.81		1,899.21
Bonus Received from Relinquished Acres	\$ 1,298,492		\$ 272,393

In addition to royalty collection efforts, the Department continued informing lessees of acreages to the Ordinary High Water Mark of the rivers.

The divisions have coordinated on an online royalty submission application. The division has engaged a conversation with industry on a proposed royalty submission application and the consideration of a standardized royalty reporting system with other states' land departments.

Report of Easements Issued by Land Commissioner (09-15-14 through 10-16-14)

Granted to: WHITING OIL AND GAS CORPORATION, DENVER-CO
For the Purpose of: Easement: Directional Wellsite Location

Granted to: NEWFIELD PRODUCTION COMPANY, HOUSTON-TX
For the Purpose of: Permit: Access Road

Granted to: WHITING OIL AND GAS CORPORATION, DENVER-CO
For the Purpose of: Easement-Amend: Multiple Pipelines

Granted to: For the Purpose of:	WEST DAKOTA WATER LLC, WILLISTON-ND Easement: Raw Water Pipeline
Granted to: For the Purpose of:	CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK Easement: Directional Wellsite Location
Granted to: For the Purpose of:	ENABLE BAKKEN CRUDE SERVICES, SHREVEPORT-LA Easement: Drop Line-Multiple Pipelines
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	BNSF RAILWAY, A DELAWARE CORP, FORT WORTH-TX Easement: Railroad Right-of-Way
Granted to: For the Purpose of:	SUMMIT MIDSTREAM PARTNERS, DENVER-CO Easement: Drop Line-Multiple Pipelines
Granted to: For the Purpose of:	BURKE-DIVIDE ELECTRIC COOP, KENMARE-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: Gas Gathering Pipeline
Granted to: For the Purpose of:	PETRO-HUNT LLC, BISMARCK-ND Easement: Gas Gathering Pipeline
Granted to: For the Purpose of:	HILAND OPERATING LLC, WILLISTON-ND Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	BURKE-DIVIDE ELECTRIC COOP, KENMARE-ND Easement-Amend: Electric Distribution Line - Buried
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK Easement: Drop Line-Saltwater Pipeline
Granted to: For the Purpose of:	GREAT NRTHN GATHERING & MARKETING LLC, HOUSTON-TX Easement: Oil Gathering Pipeline
Granted to: For the Purpose of:	CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK On-lease Act.: Amend: Horizontal Oil Well
Granted to: For the Purpose of:	ETHNOSCIENCE INC, BILLINGS-MT Permit: General Land Surveys

Granted to: For the Purpose of:	WEST DAKOTA WATER LLC, WILLISTON-ND Letter of Permission: Access to School Land
Granted to: For the Purpose of:	STREAMLINE WATER SERVICES LLC, WATFORD CITY-ND Letter of Permission: Access to School Land
Granted to: For the Purpose of:	BRAUN INTERTEC CORPORATION, BISMARCK-ND Permit: Soil Testing
Granted to: For the Purpose of:	MERJENT INC, MINNEAPOLIS-MN Permit: General Land Surveys
Granted to: For the Purpose of:	CONTRACT LAND STAFF, MINOT-ND Permit: General Land Surveys
Granted to: For the Purpose of:	SCI ENGINEERING INC, OFALLON-IL Permit: General Land Surveys

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. No fees are charged for this use.

Granted to: For the Purpose of:	UNITED TRIBES TECHNICAL COLLEGE, BISMARCK-ND Access to School Land
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A D J O U R N

There being no further business, the meeting was adjourned at 11:23 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
December 8, 2014**

The December 8, 2014 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 2:28 PM by Chairman Jack Dalrymple.

Members Present:

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

No Members Absent:

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Mike Brand	Director, Surface Management
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Programmer Analyst
Gerard Fisher	Administrator, Energy Infrastructure and Impact Office
Linda Fisher	Unclaimed Property Administrator
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Grants Assistant, Energy Infrastructure and Impact Office

Others in Attendance:

Jim Melchior	North American Coal
David Straley	North American Coal
Steve Hahn	RVK
Marcia Beard	RVK
Kristen Steffens	RVK
Bonnie Storbakken	Governor's Legal Counsel

APPROVAL OF MINUTES

A motion to approve the minutes of the October 30, 2014 meeting was made by Attorney General Wayne Stenehjem Secretary Al Jaeger and Attorney General Wayne Stenehjem. Motion carried.

INVESTMENTS DIVISION

Real Return/Diversified Inflation Hedge Discussion

RVK's Marcia Beard, Kristen Steffens and Steve Hahn discussed real return / diversified inflation strategies with the Board. After almost a year of work implementing its 2013 asset allocation, this is the last asset class that the Board will deploy.

Inflation hedging strategies/investments generally are designed to provide a return stream that is not correlated to equity and bond markets and also to provide a hedge against inflation. This asset class can encompass many different investment strategies, including commodities, master limited

partnerships, timber and infrastructure. It may involve both liquid and illiquid investment options. The permanent trusts already own REITs (Real Estate Investment Trusts) and TIPS (Treasury Inflation Protect Securities) that are categorized as real return/inflation hedge investments.

The Commissioner plans to suggest various managers to be reviewed in January with manager interviews and final recommendations to the Board in February 2015.

Performance Report for the 3rd Quarter 2014 - RVK

Kristen Steffens and Marcia Beard discussed the first RVK prepared performance report covering the permanent trust funds' pool of investment assets.

The report was provided as part of the contract signed in January 2014 for RVK to provide the Board with asset allocation implementation assistance as well as performance monitoring with two quarterly reports. The implementation project is expected to be completed soon, with recommendations of real asset/inflation hedge manager(s). In February, RVK will also provide a performance report for the fourth quarter of 2014.

The report is designed as a tool for the Board and staff to monitor and evaluate the collective performance of the permanent trusts' investments and the performance of individual managers within the program.

The report focused on the performance of the permanent trust funds' investment portfolio. A separate report on the status of the Capitol, Coal Development and Strategic Investment and Improvements Fund investment performance was separately provided later in the meeting.

Asset Allocation Update

The table below shows the current status of the asset re-allocation of the permanent trusts during 2014. It includes:

- The long-term asset allocation approved by the Board in September of 2013
- Interim allocations to asset classes while awaiting to fund real estate mandates
- The percent over/under weight the interim allocation is as compared to the long-term allocation
- Estimated dollar value and percentage of each asset class after November 28, 2014 rebalancing of the portfolio

Account/Asset Class	Long-Term Asset Allocation	Interim Asset Allocation	Estimated 11/30/14 Rebalanced	Estimated 11/30/14 Asset Allocation %
Large Cap US Equity	13.5%	16.3%	\$ 556,182,882	16.3%
Small Cap US Equity	3.5%	4.4%	\$ 154,785,024	4.5%
International Equity	12.0%	14.3%	\$ 489,260,672	14.3%
Emerging Market Equity	3.0%	3.5%	\$ 115,874,252	3.4%
Total Equities	32.0%	38.5%	\$ 1,316,102,830	38.5%
Total Absolute Return	20.0%	22.0%	\$ 751,983,331	22.0%
Total Real Estate	15.0%	0.0%	\$ -	0.0%
Total Real Assets	10.0%	11.5%	\$ 406,558,719	11.9%
Investment Grade US FI	13.6%	16.3%	\$ 550,068,449	16.1%
Loans	0.6%	0.7%	\$ 18,896,989	0.6%
High Yield FI	3.0%	4.0%	\$ 135,590,464	4.0%
International FI	5.8%	7.0%	\$ 240,085,330	7.0%
Total Fixed Income	23.0%	28.0%	\$ 944,641,232	27.6%
Total Asset	100.0%	100.0%	\$ 3,419,286,113	100.0%

The status the asset allocation implementation tasks left to complete:

- Contracts with core real estate managers (Morgan Stanley and UBS) have been signed. It is expected that funds for the UBS portfolio will be drawn during either the 2nd or 3rd quarter of 2015. Funds for Morgan Stanley portfolio will most likely be drawn during the second half of 2015
- The Commissioner and AG's Office have nearly finalized agreements with the core plus real estate managers selected by the Board in October 2014. The queues for these products will be determined as the agreements are finalized.
- The Commissioner hopes to have real asset/diversified inflation hedge manager recommendations ready for the February 2015 Land Board meeting.

PIMCO

The permanent trusts currently invest about \$250 million in PIMCO's All Assets All Authority mutual fund; it was added in June of 2014 as part of the permanent trusts' liquid absolute return portfolio. As the Board learned in October, on September 26, 2014, Bill Gross, the founder and Chief Investment Officer at PIMCO resigned and announced that he would be joining Janus Capital Group.

The Commissioner and RVK remain comfortable with the transition plan in place at PIMCO and continue to support the investment with PIMCO. Chief Investment Officer Jeff Engleson has plans to visit PIMCO's offices this week for a due diligence visit. The Commissioner and staff will continue to closely monitor the PIMCO transition and inform the Board of any concerns or additional issues.

Grantham Mayo and van Otterloo (GMO)

In November RVK informed the Commissioner that Marc Seidner had recently resigned his position as head of the fixed income team at GMO to return to PIMCO. The permanent trusts currently invest about \$250 million in GMO's Benchmark Free absolute return portfolio.

Seidner had only been at GMO for 7 months and according to RVK he had minimal impact on the portfolio over that time period.

MINERALS DIVISION

Royalty Rate Reduction for Proposed Otter Creek Mine

Otter Creek Mining Company, L.L.C. requested that the Board review eight tracts of existing coal leases for the possibility of adjusting the royalty rate. All of these Oliver County leases were entered in April 2009.

1. T143N, R84W, Section 31 NE4	CO-09-00001
2. T143N, R84W, Section 31 E2NW4, Lots 1, 2	CO-09-00002
3. T143N, R84W, Section 31 E2SW4, Lots 3, 4	CO-09-00003
4. T143N, R85W, Section 35 SE4	CO-09-00004
5. T143N, R85W, Section 36 NE4	CO-09-00005
6. T143N, R85W, Section 36 NW4	CO-09-00006
7. T143N, R85W, Section 36 SE4	CO-09-00007
8. T143N, R85W, Section 36 SW4	CO-09-00008

At present, Otter Creek has no customers for the coal within the proposed Otter Creek Mine. Otter Creek's parent company, North American Coal Corporation, is actively pursuing a customer(s) for the coal. According to North American Coal, a hindrance to the overall marketability of the private and state coal, and to the development of the proposed new mine, is the higher than average royalty rate on state coal leases.

Currently, the royalty rate is the higher of \$0.25 per ton or 6% of the price per ton. This royalty rate was statutory until the 2013 Legislature changed the legal minimum. Reportedly, neighboring fee owners receive a much lower royalty rate. Within the referenced tracts, the Board oversees the 50% state's mineral interest.

Otter Creek requested that the royalty rate be adjusted to \$0.20 per ton of coal mined. The rate would escalate 3% per year starting one year from the effective date of the new coal leases. The replacement leases would use the current Board approved coal lease template.

The Commissioner emphasized his opinion that an adjustment of the state royalty rate to an amount similar to those on neighboring fee land will improve the marketability of the coal and could result in the mining of state coal that may otherwise not be extracted.

Motion: The Board approved Otter Creek Mining Company's request and directed the Department of Trust Lands to amend the coal leases in the following tracts to \$.20 per ton with a 3% annual increase:

**T143N, R84W, Section 31 NE4
T143N, R84W, Section 31 E2NW4, Lots 1, 2
T143N, R84W, Section 31 E2SW4, Lots 3, 4
T143N, R85W, Section 35 SE4
T143N, R85W, Section 36 NE4
T143N, R85W, Section 36 NW4
T143N, R85W, Section 36 SE4
T143N, R85W, Section 36 SW4**

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

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

Board Land Sale Policy –

The Board last amended its policy relating to the sale of trust and acquired land in 1995. The Board reviewed the policy and provided guidance to the Commissioner on possible amendments to the policy to be considered at a future meeting.

Consideration of a Small Tract Sale of Original Grant Land

On May 31, 2012 the Board approved the potential sale of a small and severed Sheridan County 34.3 acre tract described as 146-78-14: NE4 lying North of the Highway #200 centerline. Trent Nasser requested this parcel be considered for sale, as he lives adjacent to the west boundary of the parcel. Another landowner is adjacent to the north. Because this tract lies along highway 200, there is also the potential for other purchasers besides adjacent landowners.

In 1954 the ND DOT mined gravel from this land and a small scar is still visible; however, it appears that this was an isolated pocket and additional mineable gravel is not likely. In 2004, title was claimed by the Board to the abandoned railroad easement that bisected this parcel. The railroad bed is still present but the track and ties have been removed. The present lessee, Kip Sparrow, is not opposed to a public sale of this parcel.

The highest and best use of for this tract is an add-on to adjacent land or it may be suitable for a building site, as the land fronts on highway 200 and is adjacent to the community of Pickardville.

(12/14)

The Sheridan County Tax Equalization Officer completed an appraisal of the property in 2012 as required by the North Dakota Century Code and set the price at \$750 per acre. The County Commission did not concur and submitted its own appraisal on May 7, 2013 with a value of \$290 per acre. The appraisal was not accepted by the Commissioner. Mr. Nasser ordered his own appraisal from Northern Appraisal and Realty, Inc., Harvey, and a value of \$550/acre was submitted in March, 2014. The ND Agricultural Statistics Service 2014 cash rent and land value survey land value average for pastureland in Sheridan County was \$667 per acre and will likely be higher in 2015. The survey is for larger pastureland tracts and the subject tract is a small parcel which generally means a higher price.

Motion: The Board authorizes the Commissioner to sell the 34.3 acres, more or less, generally described as T143N, R78W, Section 14, NE4 lying north of the Highway #200 centerline, for a price of not less than \$667 per acre.

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

The Governor declared the motion failed.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

City of Alexander - Request to Change Grant Purpose

The Energy Infrastructure and Impact Office received a request from the City of Alexander for approval for a change of purpose for grant G150009, a \$1 million grant previously awarded for a water supply project, to also be available to assist it in the completion of the wastewater facilities improvements project. The city has indicated its intention to seek State Revolving Fund assistance to help complete its water supply system upgrade in the spring.

Motion: The Board approves the City of Alexander's request to utilize the \$1,000,000 awarded in Grant #G150009 for its original award purpose - water infrastructure improvement project; as well as for its wastewater facilities improvement project.

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

Counties Experiencing New Oil and Gas Development

House Bill 1358 as adopted by the 2013 Legislature, provided for a distribution of Oil and Gas Impact Grant funds to counties experiencing new oil and gas development. The qualifications indicated in Section 9 of the bill:

- A county's production in the month of November 2012 must be less than 100,000 barrels of oil, and
- After November 2012, the number of active oil rigs operating in the county in any one month must exceed four rigs

The legislation indicates that if the qualifications are met, the Commissioner shall disburse \$1.25 million to each qualifying county. The legislature appropriated \$5 million of the oil and gas impact fund for this purpose.

On November 25, 2014 notification was received from the Director of the Department of Mineral Resources that Golden Valley County had six rigs operating in July of 2013 and thus met the requirements stated in the legislation. The Commissioner has initiated a disbursement of \$1.25 million to Golden Valley County as directed by HB 1358.

The 2013 Legislature also provided in Section 10 of Senate Bill 2013, that any undisbursed funds as of January 1, 2015 of the emerging counties appropriation may be recommended by the Director for award by the Board.

The Director recommended retaining \$1.25 million of the remaining \$3.75 million of these funds on January 1, 2015, for any potential county meeting these requirements during the biennium. The Director recommended that the Board budget \$2.5 million of any remaining emerging counties funds for award consideration during the upcoming General grant round. The Board previously reserved \$4 million for the 2015 General grant round. This grant round is scheduled for January, February and March of 2015. The General grant round typically has the largest number of applications and a corresponding demand of requested funds of all the grant rounds held.

Motion: Of the Oil and Gas Impact Grant Funds appropriated for new oil and gas producing counties by Section 9 of HB 1358 as adopted by the 2013 Legislature, the Board reserved the remaining \$3.75 million for energy impact grants as provided in Section 10 of SB 2013, to be available for award recommendations. Of that remaining balance, the Board reserved \$1.25 million to contingency for any new oil producing county and budgeted \$2.5 million for the upcoming general grant round in early 2015.

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

REPORTS

RE: Audited FY 2014 Financial Statements and 2015-2017 Trust Distributions

The fiscal year 2014 audited Financial Statements for the Department of Trust Lands was provided for the Board's review.

The document includes audited statements of the funds overseen by the Land Board and managed by the Department. This report included findings related the Brady Martz's audit of the funds, as well as a review of accounting procedures, internal controls, unclaimed property administration, minerals management and grants processing.

The only audit finding relates to audits and penalties of businesses and other holders of unclaimed property for lack of compliance with statutory reporting requirements.

Two additional auditor observations were noted in the audit regard software shortcomings in capturing oil prices and deductions to oil prices. The Department concurs with both observations and improvements are underway to address this system weakness in the collection and tabulation of this royalty data.

While this third party audit is conducted to review the Department's accounting and management of the funds and operations, recently the Legislative Audit and Fiscal Review Committee directed the State Auditor to initiate a performance audit of the Department.

Distributions

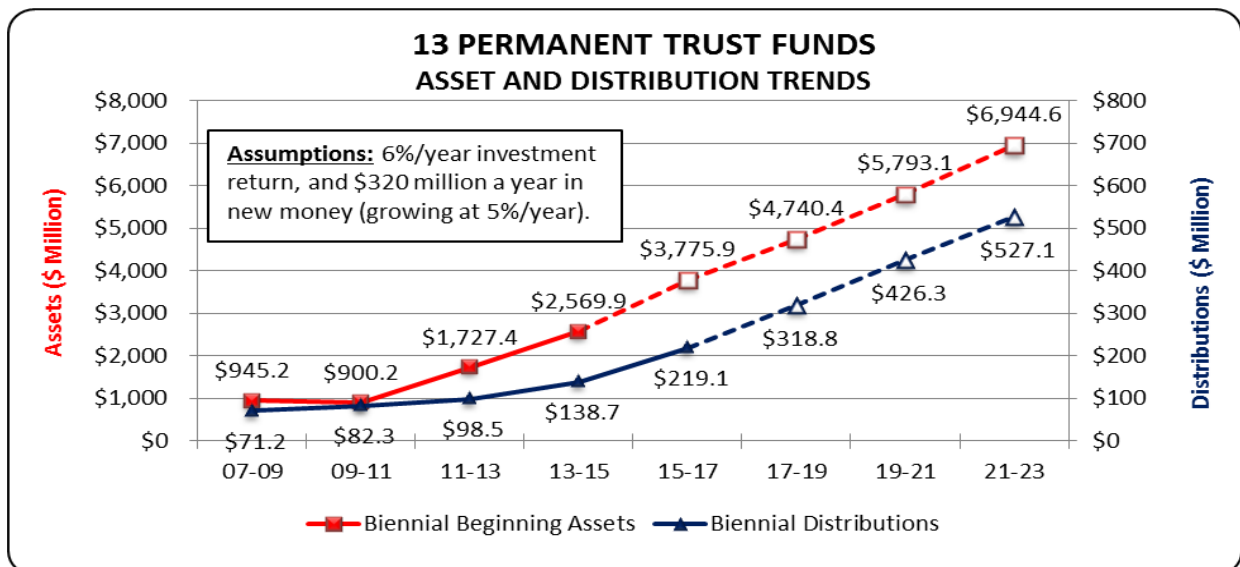
The completed financial statements are the basis for the finalization of the trust fund distributions for beneficiaries.

In accordance with Article IX of the North Dakota Constitution, distributions from the trust funds are determined using the average value of trust financial assets over a five-year period. The fiscal year 2014 closing values, coupled with the four prior years' closing balances, determine the amounts to be distributed to beneficiaries during the 2015-2017 biennium.

Permanent Trust Biennial Distributions

Trust Fund	2011-2013 Distributions	2013-2015 Distributions	Final 2015-2017 Distributions	Increase in Distributions from 13-15 to 15-17 biennium	Percentage increase from 13-15 to 15-17 biennium distributions
Common Schools	\$ 92,514,000	\$ 130,326,000	\$ 206,134,000	\$ 75,808,000	58.2%
NDSU	\$1,424,000	\$2,066,000	\$3,368,000	\$1,302,000	63.0%
School for the Blind	\$216,000	\$282,000	\$456,000	\$174,000	61.7%
School for the Deaf	\$454,000	\$720,000	\$1,180,000	\$460,000	63.9%
State Hospital	\$572,000	\$754,000	\$1,000,000	\$246,000	32.6%
Ellendale	\$220,000	\$345,996	\$546,000	\$200,004	57.8%
Valley City	\$286,000	\$372,000	\$570,000	\$198,000	53.2%
Mayville	\$184,000	\$236,000	\$382,000	\$146,000	61.9%
Industrial School	\$528,000	\$810,000	\$1,372,000	\$562,000	69.4%
School of Science	\$492,000	\$682,000	\$988,000	\$306,000	44.9%
School of Mines	\$560,000	\$794,000	\$1,134,000	\$340,000	42.8%
Veteran's Home	\$248,000	\$276,000	\$356,000	\$80,000	29.0%
UND	\$750,000	\$1,020,000	\$1,608,000	\$588,000	57.6%
TOTAL	\$ 98,448,000	\$ 138,683,996	\$ 219,094,000	\$ 80,410,004	58.0%

The Board reviewed a line graph that reflects the historic and forecasted combined trust balances and distributions based upon conservative return and revenue assumptions.



The quarterly financial reports (unaudited) for period ended September 30, 2014 were reviewed by the Board and are on file with the Department of Trust Lands.

Impact Office

Governor Dalrymple presented his executive budget to a joint session of the Legislature on December 3, 2014.

The budget recommended continuing the Energy Impact Grant program to address the impacts of rapid growth in the production region. The budget proposed a substantial increase in the local distribution of Gross Production Taxes and a substantial one-time direct distribution to impacted political subdivisions. Thus the grant fund was reduced from the current \$240 million to \$119 million.

The budget directed the grant program to provide:

- \$50 million for airports
- \$25 million for law enforcement
- \$4 million for colleges
- \$30 million for school renovations and improvements
- \$10 million for impacts on cities in the region's seven remaining oil counties.

The distributions may be formula driven and the discretionary role of the Board in determining grants may be markedly reduced in the subsequent biennium.

Executive Budget Recommendation also:

- Adds 5 additional FTE and related operating expenses to support the land and minerals management functions of the Department
- Provides funding for additional lease space for the Department and the Energy Infrastructure and Impact Office

November 2014 Oil and Gas Lease Auction Results

November 2014			
	<i>Mineral Acres</i>	<i>Total Bonus</i>	<i>Bonus/Acre</i>
<i>BILLINGS</i>	720.00	\$136,800.00	\$190.00
<i>BOTTINEAU</i>	874.39	\$21,064.48	\$24.09
<i>DIVIDE</i>	1,132.50	\$904,355.00	\$798.55
<i>DUNN</i>	776.19	\$18,531.00	\$23.87
<i>HETTINGER</i>	80.00	\$2,480.00	\$31.00
<i>MCKENZIE</i>	7,486.54	\$2,961,592.50	\$395.59
<i>MOUNTRAIL</i>	296.70	\$62,307.00	\$210.00
<i>RENVILLE</i>	480.00	\$2,400.00	\$5.00
<i>WILLIAMS</i>	319.80	\$975,060.00	\$3,048.97
GRAND TOTALS	12,166.12	\$5,084,589.98	\$417.93

Fall 2014 Surface Leasing Auction Results

The 2014 fall lease auctions were completed in October. Following are “the numbers” for this fall as compared to fall 2012 (there were no fall auctions in 2013).

	2012	2014
Number of counties	41	34
Total leases offered	868	1136
Number of leases bid	832 (96%)	1044 (92%)
Number of leases bid-up	112 (13%)	160 (15%)
Total amount of minimum advertised bids (leased tracts)	\$1,238,568	\$1,819,600
Total amount received	1,480,362	\$2,193,064
Competition factor (% of total income)	\$241,794 (16%)	\$373,464 (17%)

On behalf of the Board, the Commissioner has approved all fall surface leases.

3rd Quarter Review: Other Funds Managed by the Land Board

The RVK provided performance report reviewed the investments of the permanent education trust funds established under Article IX of North Dakota’s Constitution as well as the Indian Cultural Education Trust. This report highlights the performance and activities of the other three funds managed by the Board.

Strategic Investment and Improvements Fund (SIIF)

The SIIF holds the assets and collects the revenues earned from more than 750,000 sovereign mineral acres, including those formerly owned by the Bank of North Dakota and State Treasurer, as well as the minerals located under navigable rivers and lakes. The SIIF also receives a substantial portion of the oil and gas production and extraction taxes collected by the State.

	9/30/14 Asset Balances	Current Yield
Strategic Investment and Improvements Fund		
Medical Facility Loan Fund	\$ 50,043,000	0.14%
Loan Guarantee – Fuel Production	\$ 18,004,000	0.05%
School Construction Loans	\$ 102,643,000	1.44%
Cash Equivalents	\$ 199,369,000	0.05%
Treasury Securities	\$ 1,110,011,000	0.19%
Total	\$ 1,480,070,000	

- ♦ The SIIF collected about \$35.09 million of royalty and lease bonus income during the quarter ended September 30, 2014.
- ♦ \$197.53 million of gross production and oil extraction taxes were deposited into the SIIF by the State Treasurer during the quarter ended September 30, 2014. Current projections indicate a total of \$1.19 billion of oil taxes will be deposited into the SIIF during the 2013-15 biennium.
- ♦ The unobligated balance of the SIIF hit \$300 million in June, 2014. As a result, beginning in July of 2014, 25% of all mineral revenues received by the SIIF will be transferred to the Legacy Fund and 25% of the gross production and oil extraction tax previously allocated to the SIIF will now be deposited directly into the Legacy Fund.
- ♦ The SIIF earned a small amount of income from the Medical Facility Loan Fund and Loan Guarantee for a biomass fuel production facility. Both of these programs will provide only modest amounts of income going forward as the loan guarantee fund will generate short-term fixed income rates and medical facility loans, once funded, will generate a return of less than 1%.
- ♦ During the quarter, one new school construction loan was funded (\$1.98 million to Powers Lake). The outstanding balance of SIIF funded school construction loans was \$102.64 million as of September 30, 2014.
- ♦ The Department of Public Instruction plans to commit the entire \$150 million of SIIF funds that were set aside for school construction loans by the 2013 Legislature. Therefore, it is unlikely that any monies will be unused by the school construction loan program and transferred to the Medical Facility Infrastructure Loan Program as provided by law.

The SIIF is currently invested in short-term Treasury securities that mature on or before June 30, 2015.

- ◆ In October 2014 the Board approved a conservative active investment policy statement for the SIIF that is expected to generate close to 50 basis points of additional annual return over the Treasury only investment approach. Northern Trust was hired to manage this portfolio; it will be partially funded in December 2014.

The **Capitol Building Trust** was created for the construction and maintenance of “public buildings at the capital.” It generates revenues from the almost 10,000 surface and 27,700 mineral acres it owns. Because the entire balance of this trust can be appropriated by the legislature each biennium, it is invested in conservative, short-term fixed income securities which tend to have maturities of two years or less.

	9/30/14 Asset Balances	Current Yield
Capitol Building Trust		
Cash Equivalents	\$ 395,000	0.05%
Treasury Securities	\$ 4,856,000	0.20%
Total	\$ 5,251,000	

- ◆ No new monies were appropriated out of this fund for the current biennium; however, \$1.0 million of carryover authority remains from the 2011-13 biennium. Current projections indicate that this fund will end the biennium with a balance of approximately \$5.3 million.
- ◆ The Treasury securities held in this portfolio all mature prior to the end of the current biennium. The yield on cost of these securities was 0.20% at quarter's end. This trust also has \$395,000 of cash at BND on June 30, 2014 earning about 0.05%.
- ◆ It seems likely that the investment policy that the Board adopted for the SIIF may be applicable to the Capitol Building Trust as well. The Commissioner will ask the Capitol Grounds Planning Commission to consider adopting this, or a similar investment approach for the Capitol Building Trust.

The **Coal Development Trust Fund** is a permanent fund from which the Board issues loans to energy impacted counties, cities and school districts as provided in NDCC Section 57-62-03, and loans to school districts pursuant to NDCC Chapter 15-60. The Board is responsible for investing all funds that have not been loaned to political subdivisions. Because these funds can be loaned at any time, they are invested in a conservative short-term fixed income portfolio managed by Payden & Rygel. As directed in the Constitution, the income earned by this fund is transferred to the General Fund each year.

	9/30/14 Asset Balances	Current Yield
Coal Development Trust Fund		
Coal Warrants	\$ 7,285,000	3.78%
School Construction Loans	\$ 28,543,000	2.14%
Marketable Securities	\$ 30,570,000	N/A - see returns below
Total	\$ 66,398,000	

- ◆ During the quarter, no coal warrants (loans) were funded and no new Coal funded school construction loans were made. The Department of Public Instruction plans to use up the loan capacity in the SIIF prior to funding any new school loans out of the Coal Development Trust.

Payden and Rygel – Coal

- ◆ Payden & Rygel outperformed the benchmark for this account for all periods shown in the table below, except for the trailing 10-year period.
- ◆ Over the past 10 years the portfolio underperformed by a modest 10 basis points, after fees. The longer-term underperformance is entirely related to the credit crisis of 2008-09.

	9/30/14 Asset Balance	Last Qtr.	Last 1 Year	Last 3 Years	Last 5 Years	Last 10 Years
Payden & Rygel Coal Dev.	\$30.57M	0.05	0.84	1.17	1.48	2.53
ML 1-3 Year Treasury Index		0.03	0.64	0.85	1.25	2.63
All return figures for periods of 1 year or greater have been annualized. Returns are net of fees						

Report of Easements Issued by Land Commissioner (10-15-14 through 11-14-14)

Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	BURKE-DIVIDE ELECTRIC COOPERATIVE, COLUMBUS-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	ZAVANNA LLC, DENVER-CO Easement: Multiple Pipelines
Granted to: For the Purpose of:	BAKKENLINK PIPELINE LLC, HOUSTON-TX Easement-Amend: Oil Transmission Pipeline
Granted to: For the Purpose of:	1804 OPERATING LLC, DALLAS-TX Easement: Drop Line-Saltwater Pipeline
Granted to: For the Purpose of: Right-of-Way Number:	HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND Easement: Drop Line-Gas Gathering Pipeline RW0007162
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND Easement: Drop Line-Buried Electric Distribution Line
Granted to: For the Purpose of:	PARADIGM MIDSTREAM SERVICES ND LLC, IRVING-TX Easement: Drop Line-Oil Gathering Pipeline
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Buried Electric Distribution Line
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Gas Gathering Pipeline
Granted to: For the Purpose of:	LEGACY RESERVES OPERATING LP, CODY-WY Easement: Salt Water Disposal Well - Extension
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: Gas Gathering Pipeline
Granted to: For the Purpose of:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND Easement: Potable Water Pipeline
Granted to: For the Purpose of:	RESERVATION TELEPHONE COOPERATIVE, PARSHALL-ND Easement: Communication Cable - Buried
Granted to: For the Purpose of:	WHITING OIL AND GAS CORPORATION, DENVER-CO Easement: Drop Line-Oil Gathering Pipeline
Granted to: For the Purpose of:	ENABLE BAKKEN CRUDE SERVICES LLC, TULSA-OK Easement: Drop Line-Multiple Pipelines

Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: Gas Gathering Pipeline
Granted to: For the Purpose of:	BILLINGS COUNTY, MEDORA-ND Lease: Scoria
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	NESSON GATHERING SYSTEM LLC, FORT WORTH-TX Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	RESERVATION TELEPHONE COOPERATIVE, PARSHALL-ND Easement: Drop Line-Communication Cable
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Buried Electric Distribution Line
Granted to: For the Purpose of:	LEGACY RESERVES OPERATING LP, CODY-WY Easement-Amend: Salt Water Disposal Well
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Buried Electric Distribution Line
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	ALPINE ARCHAEOLOGICAL CONSULTANTS INC, MONTROSE-CO Permit: General Land Surveys

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. No fees are charged for this use.

Granted to: For the Purpose of:	STREAMLINE WATER SERVICES LLC, WATFORD CITY-ND Letter of Permission: Access to School Land
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A D J O U R N

There being no further business, the meeting was adjourned at 11:23 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

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