

**Minutes of the Meeting of the
Board of University and School Lands
January 29, 2015**

The January 29, 2015 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
Allisen Bement	Land Professional
Mike Brand	Director, Surface Management
Drew Combs	Director, Minerals Management Division
Susan Dollinger	Unclaimed Properties Administrator
Levi Erdmann	Programmer Analyst
Linda Fisher	Deputy Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Mark Weninger	Director, Information Technology

Others in Attendance:

David Hunter	Executive Director, ND Retirement and Investment Office
Steve Hahn	RVK (by telephone)
Marcia Beard	RVK (by telephone)
Kristen Steffens	RVK (by telephone)
Alexander Leiken	RVK (by telephone)
Bonnie Storbakken	Governor's Legal Counsel
Chris Harvey	North Dakota Office of the Attorney General

APPROVAL OF MINUTES

A motion to approve the corrected minutes of the December 08, 2014 meeting was made by Attorney General Wayne Stenehjem and seconded by Superintendent Kirsten Baesler. Motion carried.

INVESTMENTS DIVISION

Approval of Inflation Strategy Investment Management Firms

During its December 8, 2014 meeting, the Board discussed real return/diversified inflation hedge strategies with its consultant, RVK. These investment strategies are designed to provide a return stream that is not correlated to equity and bond markets and also to provide a hedge against inflation.

There are both liquid and illiquid ways to access real assets/diversified inflation strategies. Liquid strategies previously discussed with the Board include commodities (ex. energy), master limited

partnerships and natural resource equities. It was RVK's recommendation that the Board initially focus on liquid strategies due to the fact that illiquid options generally involve more administration requirements and that illiquid real return/diversified inflation strategies, such as timber, agricultural land and infrastructure are currently priced at a premium to liquid options.

The Board currently has two investments that fit into the real return/diversified inflation hedge category; those asset classes are REITs (Real Estate Investment Trusts) and TIPS (Treasury Inflation Protected Securities). The purpose of additional manager searches is to further diversify the permanent trusts' real return/diversified inflation hedge portfolio.

RVK professionals joined the meeting by telephone and summarized the managers recommended to be interviewed. The firm recommended the following six managers for interviews with RVK, staff, and available Board members:

Commodities (ex. energy)

Gresham Enhanced Tangible Assets Program ("ETAP")
Wellington Commodities

Master Limited Partnerships

Harvest Fund Advisors MLP Alpha
Tortoise Capital Advisors Midstream MLP

Natural Resource Equities

Jennison Global Natural Resources Equity
Van Eck Hard Assets Strategy

Motion: The Board authorized RVK and Department of Trust Land staff to review and interview Gresham Enhanced Tangible Assets Program, Wellington Commodities, Harvest Fund Advisors MLP Alpha, Tortoise Capital Advisors Midstream MLP, Jennison Global Natural Resources Equity, Van Eck Hard Assets Strategy as potential candidates for the Real Return/Diversified Inflation Hedge 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		
Treasurer Schmidt					X
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

Investment Performance Consultant Contract

The Board has nearly completed the implementation phase of the asset allocation study that it began in early 2013. Over the past two years the Board has worked with RVK on the overhaul of the permanent trusts' asset allocation and has hired numerous investment managers to implement new investment strategies.

Once the Board completes the hiring of real return/diversified inflation hedge managers, the primary remaining project will be the adoption of a comprehensive investment policy statement. RVK will also finalize a report summarizing the work done over the past two years.

Part of the investment study was to determine the best way to implement the Board's investment program on an ongoing basis. To that end, RVK and the Board had a number of discussions in 2013 related to governance. Three implementation options were explored in detail, including:

- Delegation to an advisory investment committee
- Delegation to the North Dakota State Investment Board (SIB)
- Delegation to staff with assistance from a retained investment consultant

At the time there was general reluctance to delegate Board responsibility and authority to a separate investment advisory committee.

Similarly, some concerns were also disclosed related to hiring the SIB as an agent to manage the daily investment program functions.

In the interest of getting the permanent trusts invested in a new asset allocation, the Board directed the Department to work with RVK to implement the target asset allocation and the firm was also hired for one year of performance monitoring. Under that contract, RVK will provide the Board with one more investment performance report covering the fourth quarter of 2014.

With the conclusion of the implementation phase, the Commissioner is reviewing options for ongoing management and monitoring of the Board investments. Discussions have been reinitiated with the Retirement and Investment Office staff regarding the possibility of the SIB managing all or part of the permanent trusts' assets. The Commissioner and the RIO are working to determine the costs, efficiencies, services or potential savings related to working together. The review is also evaluating potential delays in reporting, the loss of direct oversight of managers, and other detriments. Currently, both boards' investments are regularly compared and investment fee savings are sought from investment managers whenever possible.

If it is decided to combine or integrate all or part of the investment functions of the Land Board with the SIB, doing so will take time. Investment agreements would need to be renegotiated, and processes and procedures will have to be established and implemented. Because it will take time to review, consider, and implement any changes that might happen as a result of the discussions with the SIB, the Commissioner recommended a short-term contract extension with RVK.

RVK provided an estimate to extend the performance monitoring and due diligence services portion of the current agreement for two quarters at the cost of \$30,000. Pending the review of options with the RIO, the contract may be extended to a long-term arrangement.

Motion: The Board approved an extension of the investment monitoring contract with RVK to include an additional two quarters of consulting services at a cost of \$30,000. The extended contract includes ongoing manager due diligence, continued support with the transition, and RVK attendance at two additional Board meetings to present performance reports for first and second quarters of 2015.

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		

Investment Implementation Updates

Asset Allocation

The table below shows the current status of the asset allocation of the permanent trusts as of December 31, 2014. It includes:

- The long-term asset allocation approved by the Board in September of 2013
- Interim allocations to asset classes while awaiting the funding of real estate mandates
- Estimated dollar value and percentage of each asset class after December 31, 2014 rebalancing of the portfolio

Account/Asset Class	Long-Term Asset Allocation	Interim Asset Allocation	Estimated 12/31/14 Rebalances	Estimated 12/31/14 Asset Allocation
Large Cap US Equity	13.5%	16.3%	\$ 571,233,002	16.4%
Small Cap US Equity	3.5%	4.4%	\$ 155,239,010	4.5%
International Equity	12.0%	14.3%	\$ 494,954,260	14.2%
Emerging Market Equity	3.0%	3.5%	\$ 121,827,891	3.5%
Total Equities	32.0%	38.5%	\$ 1,343,254,163	38.6%
Total Absolute Return	20.0%	22.0%	\$ 766,885,671	22.0%

Total Real Estate	15.0%	0.0%	\$ -	0.0%
Total Real Assets	10.0%	11.5%	\$ 407,258,958	11.7%
Investment Grade US FI	13.6%	16.3%	\$ 569,146,866	16.3%
Loans	0.6%	0.7%	\$ 17,234,405	0.5%
High Yield FI	3.0%	4.0%	\$ 135,237,996	3.9%
International FI	5.8%	7.0%	\$ 242,333,784	7.0%
Total Fixed Income	23.0%	28.0%	\$ 963,953,052	27.7%
Total Asset	100.0%	100.0%	\$ 3,481,351,844	100.0%

Funding Status

The status remaining asset allocation implementation tasks:

Contracts have been signed for all core and core plus real estate managers approved by the Board. The estimated date for initial funding of the selected real estate portfolios is:

Morgan Stanley	2rd qtr. 2015
UBS	4th qtr. 2015
JP Morgan	1st qtr. 2016
Jamestown	3rd qtr. 2015
Prologis	4th qtr. 2015

Investment Policy Statement

The Board has adopted many investment policies and implemented practices over time. The combined historic procedures, and strategies will be combined with recent strategy decisions into one comprehensive investment policy statement. In addition to background information and investment specifics of each fund, the IPS will contain statutory references and Board policies.

Although most of the information that will appear in the IPS is items that the Board has already considered, there are three policy items that the Board will soon address for inclusion in the document:

1) Securities Litigation Monitoring

The Commissioner will suggest a policy that will include limits on loss that could be incurred before the Board would actively engage in lawsuits alleging fraud or corporate malfeasance on behalf of shareholders (i.e. the trusts).

2) Shareholder Social Activism

A policy will be drafted to forego political efforts to implement a social agenda regarding ownership of specific securities, and to reject the efforts of shareholders of publicly-traded corporation to bring about social change. Some of the issues addressed by shareholder activists are related to the environment, marketing of tobacco products, investments in politically sensitive parts of the world and workers' rights. The focus of the policy will be the Board's responsibility under the prudent investor rule to act exclusively on behalf of the beneficiaries: to generate income, to avoid unnecessary risk, and to preserve the trusts' assets.

3) Securities Lending

Securities lending involves the temporary transfer of a security to a borrower according to negotiated terms. Securities lending is usually facilitated by an agent like a custodial bank, which can specialize in the practice. The trusts participate in securities lending program for all separate accounts, but the Board has not put any additional investments into commingled funds with securities lending since the 2008 financial crisis. The Board will be provided with an overview of securities lending and a proposed policy that will be consistently applied to all securities portfolios.

PIMCO Due Diligence

On September 26, 2014 Bill Gross, the founder and Chief Investment Officer at PIMCO, resigned and joined Janus Capital Group. The permanent trusts invested \$250 million in the PIMCO All Assets All Authority portfolio in June 2014. This is a PIMCO product that is sub advised by Research Affiliates. Chief Investment Officer Jeff Engleson made a due diligence trip to the offices of both PIMCO and

Research Affiliates in Newport Beach, CA in December 2014. The visit enhanced the Department's confidence that both firms have a transition plan in place and have capacity to continue to support the Board's; but the investment will continue to be closely monitored.

Payden & Rygel Due Diligence

Jeff Engleson also visited Payden & Rygel's office in Los Angeles in December. The meetings were informative and worthwhile to interact with the team of people that work behind the scenes on the various portfolios that Payden manages for the Board. Payden values the business and offered many resources to assist with the growth and changes that the Board is experiencing.

Jamestown Premier Property Fund

Jamestown is one of the new core plus real estate managers recently approved by the Board; this account has not yet been funded. When Jamestown was hired, it was expected that the fee for the fund would be 80 basis points. Another RVK client recently hired Jamestown for this same fund, thus triggering a discounted fee. A consultant based fee discount was incorporated into the Board's agreement with Jamestown, and will result in the fee of 70 basis points.

S U R F A C E M A N A G E M E N T

Minot Park Board Land Purchase Application – NDCC Chap. 15-09

On March 20, 2014 the Minot Park Board submitted an application under NDCC 15-09 to purchase 240 acres of trust land from the common schools trust fund for conversion to a golf course and park. The land is described as the NW4 and N2SW4 Section 16, T155N, R83W, Ward County and located west of Minot.

Two appraisals have been conducted (Boulder Appraisal \$3 million, and Point Value Appraisal & Consulting \$5.52 million). Because of the wide range in values between the two appraisals, Dakota Appraisal and Consulting was contracted to review the appraisals and provide a third opinion of value. Joe Ibach of Dakota Appraisal and Consulting concurred with the basis of the appraisal which estimated the land value at \$3 million.

Department staff met with the Minot Park Board on January 6, 2015 in an informational session. The Park Board renewed its application and intent to proceed with the purchase in late 2015.

The Minot Park Board has several issues to resolve before moving forward, including testing for sufficient irrigation ground water, hiring an architect and securing funding.

It is likely that Minot Park District will request an appraisal update later in 2015 and ask the Board to set the price at that time.

Established Trails on Trust Lands

In 1982 the Board opened trust lands to non-vehicular access by the general public. After this decision the Game and Fish Department and the Land Department worked together to inform the public about this access through the hunting proclamation and hunting regulations. The Department of Transportation also assisted by identifying trust lands on the county highway maps.

In 2014 99% of trust lands were open for non-vehicular access and hunting. The departments have recently been updating public information about access to trust land. The primary objective of the outreach effort is to clarify the question of "established trails" and also to take advantage of sharing information with the public through the internet.

The term "established trails" as defined in NDCC 20.1-01-02 reads in part:

"Established road or trail" means any public highway or road, improved or otherwise, dedicated for public ingress or egress, or any other road or trail normally used for travel but does not include temporary trails across cultivated land used for agricultural purposes."

Nearly all trust lands are native grassland but some have trails that are used by lessees for livestock and farm management purposes. These trails on trust lands are a normal part of farming and ranching activity, but they might be confusing to the general public who might believe that they are “established trails” and open to motor vehicles.

With regard to trust lands, the State Constitution in Article IX section 9 reads as follows:

“No law shall ever be passed by the legislative assembly granting to any person, corporation or association any privileges by reason of the occupation, cultivation or improvement of any public lands by said person, corporation or association subsequent to the survey thereof by the general government. No claim for the occupation, cultivation or improvement of any public lands shall ever be recognized, nor shall such occupation, cultivation or improvement of any public lands ever be used to diminish either directly or indirectly, the purchase price of said lands.”

There are trail easements issued to the Game and Fish Department on 16.7 miles of trails in Grant, Billings, McKenzie and Slope Counties, which are identified with signs so that the public is aware that the trails can be driven upon. The trusts were compensated for these easements.

The Commissioner informed the Board that following language (or similar) is being added to the Game and Fish Department’s 2015 hunting guidelines:

“Established roads or trails do not include temporary trails made for agricultural purposes or any trails on school trust lands not identified with Game and Fish trail markers.”

Beehives on Trust Lands

Many lessees have been interested in allowing bee hives to be located on the leased trust land. Under state law, beekeepers are required to have landowner’s permission to place hives on property. On trust lands, that permission would have to be obtained from the Department of Trust Lands on the Board’s behalf. A mechanism to allow bee hives on trust land is to add the beekeeper to the agricultural lease as an additional lessee, with the permission of the primary lessee. The mechanism and procedures are already in place for adding lessees to an existing lease. There is no cost or fees for adding a lessee to the existing grazing or cropland lease.

The Department of Trust Lands has been working closely with the ND Department of Agriculture to develop this procedure. Beekeepers and affected lessees will be contacted and provided with information on this procedure in advance of the 2015 season.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

City of Golden Valley Coal Impact Loan Request

The City of Golden Valley submitted a request for a \$29,000 coal impact loan from the Coal Development Trust Fund to fund half of the cost to update the city water meters. 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 for any purpose a grant may be made.

The need for updating the city’s water meters may not be directly attributed to coal production within the area; but if there were no coal mining, the level of service needed within the city would be less.

In consultation with the Bank of North Dakota, the EIO recommends a 3.2% interest rate since it is the current equivalent on a 10 year municipal AA General Bloomberg market rate.

As specified in statute, if the loan is approved, a warrant will be required to be signed by the city before the loan funds are disbursed. Upon receipt of the warrant, an amortization schedule will be provided to the State Treasurer’s Office allowing the loan payments to be deducted from future coal severance tax allocations to the city.

(01/15)

Motion: The Board approved a coal impact loan of up to \$29,000, for a term of 10 years with a fixed interest rate at 3.2% to the City of Golden Valley for upgrading water meters.

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		

UNCLAIMED PROPERTY DIVISION

At the Board's request, a brief overview of the Unclaimed Property Division was presented at the meeting.

REPORTS

Summary of Assets – November 30, 2014

Board of University and School Lands		
Summary of Total Assets		
Assets by Trust:	November 30, 2014	November 30, 2013
Common Schools	\$3,285,282,838	\$2,709,096,577
North Dakota State University	53,593,255	45,458,290
School for the Blind	7,351,821	6,247,284
School for the Deaf	18,112,869	15,394,170
State Hospital	12,908,528	12,047,156
Ellendale *	8,162,335	7,068,402
Valley City State University	8,838,090	7,461,189
Mayville State University	6,307,616	5,335,621
Youth Correctional Center	21,473,863	18,191,389
State College of Science	14,200,031	12,307,126
School of Mines **	16,161,578	14,051,634
Veterans Home	4,771,245	4,403,104
University of North Dakota	25,623,496	20,824,255
Capitol Building	5,417,379	3,058,024
Strategic Investment and Improvements	1,783,386,483	989,923,952
Coal Development	67,017,044	66,008,087
Indian Cultural Education Trust	1,173,207	814,881
Total	\$5,339,781,678	\$3,937,691,141
Assets by Type:		
Cash	\$360,025,312	\$44,726,918
Receivables	13,938,555	16,315,111
Investments	4,563,943,505	3,713,586,778
Office Building (Net of Depreciation)	690,580	656,915
Farm Loans	15,151,768	17,133,586
Energy Construction Loans	1,390,006	1,442,135
Coal Development Impact Loans	7,188,766	7,754,916
School Construction Loans (Coal)	28,542,978	31,337,960
School Construction Loans (SIIF)	131,043,098	30,267,470
Due From/Due To Other Trusts and Agencies	217,867,110	74,469,352
Total	\$5,339,781,678	\$3,937,691,141

*** Ellendale Trust**

The following entities are equal beneficiaries of the Ellendale Trust :

Dickinson State University	School for the Blind
Minot State University	Veterans Home
Dakota College at Bottineau	State Hospital

**** School of Mines**

Benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

Strategic Investment and Improvements

As of November 30, 2014, the SIFF had a fund balance of \$1,609,710,407. The fund balance is made up of two parts. The obligated fund balance is that portion of the fund that has either been set aside until potential title disputes related to certain riverbed leases have been resolved, dedicated to various loan programs established by the legislature, 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 spent or dedicated to other programs as the legislature deems appropriate. The unobligated balance of the fund was \$753,413,347 on November 30, 2014.

February 3, 2015 Mineral Lease Auction List

The board was presented with the mineral lease auction tract listing for the February 3rd auction.

Report of Easements Issued by Land Commissioner

(11-14-14 through 01-12-15: No Action Requested)

Granted to: For the Purpose of:	ND DEPT OF TRANSPORTATION, BISMARCK-ND Easement: Road Right-of-Way
Granted to: For the Purpose of:	ROCK ISLAND TOWNSHIP, ALAMO-ND Easement: Road Right-of-Way
Granted to: For the Purpose of:	BURKE-DIVIDE ELECTRIC COOPERATIVE, COLUMBUS-ND Easement: Electric Distribution Line - Above Ground
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:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement: Multiple Pipelines
Granted to: For the Purpose of:	MARATHON OIL COMPANY INC, DICKINSON-ND On-lease Act. Amend: Horizontal Oil Well
Granted to: For the Purpose of:	XTO ENERGY INC, FORT WORTH-TX On-lease Act. Amend: Horizontal Oil Well
Granted to: For the Purpose of:	USG MIDSTREAM BAKKEN I LLC, HOUSTON-TX 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:	MEADOWLARK MIDSTREAM CO LLC, DENVER-CO Easement: Drop Line-Multiple Pipelines
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: Drop Line-Pipeline
Granted to: For the Purpose of:	BURLINGTON RESOURCES OIL & GAS CO LP, BARTLESVILLE-OK On-lease Act. Amend: Horizontal Oil Well
Granted to: For the Purpose of:	HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND Easement: Equipment Site

Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: Gas Gathering Pipeline
Granted to: For the Purpose of:	BURKE COUNTY, BOWBELLS-ND Easement: Road Right-of-Way
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:	WEST RIVER TELECOM COOP, HAZEN-ND Easement: Communication Cable - Buried
Granted to: For the Purpose of:	HILAND CRUDE LLC, ENID-OK Easement: Drop Line-Oil Gathering Pipeline
Granted to: For the Purpose of:	MEADOWLARK MIDSTREAM COMPANY LLC, RUSTON-LA Easement: Oil Gathering Pipeline
Granted to: For the Purpose of:	COSTAR BAKKEN LLC, DALLAS-TX Easement: Oil 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:	BOH INC, WILLISTON-ND Easement-Amend: Salt Water Disposal Well
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	1804 OPERATING LLC, DALLAS-TX Easement: Drop Line-Saltwater Pipeline
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-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:	WEST RIVER TELECOM COOP, HAZEN-ND Easement: Easement Release
Granted to: For the Purpose of:	WEST RIVER TELECOM COOP, HAZEN-ND Easement: Easement Release
Granted to: For the Purpose of:	BURLINGTON RESOURCES OIL & GAS CO LP, BARTLESVILLE-OK On-lease Act. Amend: Horizontal Oil Well
Granted to: For the Purpose of:	BURLINGTON RESOURCES OIL & GAS CO LP, BARTLESVILLE-OK On-lease Act. Amend: Horizontal Oil Well

Granted to: For the Purpose of:	NORTH PLAINS ENERGY LLC, DENVER-CO Easement: Drop Line-Saltwater Pipeline
Granted to: For the Purpose of:	HILAND OPERATING LLC, WILLISTON-ND Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: 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:	AMES WATER SOLUTIONS LLC, WILLISTON-ND Letter of Permission: Access to School Land
Granted to: For the Purpose of:	TARGA BADLANDS LLC, HOUSTON-TX Easement-Amend: Drop Line-Pipeline
Granted to: For the Purpose of:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement: Directional Wellsite Location
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: 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:	HESS BAKKEN INVESTMENTS II, LLC, MINOT-ND Permit-Amend: Access Road
Granted to: For the Purpose of:	HILAND CRUDE LLC, ENID-OK Easement: Oil Gathering Pipeline
Granted to: For the Purpose of:	CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK On-lease Act. Amend: Horizontal Oil Well

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:	NEWFIELD EXPLORATION COMPANY, DENVER-CO Letter of Permission: Access to School Land
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Legislative Update

The Commissioner presented a list of Legislative Bills under consideration by the 2015 Legislature that will or could affect the Department of Trust Lands and the Land Board.

HB 1013 The Budget and Appropriations for the Department of Trust Lands' operations and salaries; includes trust fund distributions to beneficiaries; includes authorization for energy impact grants and the collection of Gross Production Tax revenues in the Oil Impact and Heritage funds.

HB 1268 The bill directs the Land Board to delineate all navigable waters and sovereign lands and provide each county with maps for purposes of determining the taxable status of the land.

HB 1214 A bill that would amend distribution of the tobacco settlement trust fund proceeds that would be directed to the Department of Health instead of to the Common Schools Trust Fund.

HB 1456 Directs the Land Board to negotiate with the Army Corps of Engineers for the state to acquire the lands around Lake Sakakawea and Lake Oahe and to hold that land until the state can transfer the land to the "appropriate persons".

Mineral Exchange Legislation

The Commissioner presented a proposed Legislative Resolution that would authorize a general election vote to amend the state constitution to expand the Board's authority to exchange trust minerals.

The Commissioner has initiated some requests of legislators to consider sponsoring the act, but there appears to be little support for the measure.

Mineral Leasing Issue

A motion was made for an Executive Session at 10:32 AM for purposes of attorney consultation regarding potential litigation of a mineral leasing issue.

EXECUTIVE SESSION

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

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Allisen Bement	Land Professional
Mike Brand	Director, Surface Management
Drew Combs	Director, Minerals Management Division
Susan Dollinger	Unclaimed Properties Administrator
Levi Erdmann	Programmer Analyst
Linda Fisher	Deputy Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Mark Weninger	Director, Information Technology

Others in Attendance:

Bonnie Storbakken	Governor's Legal Counsel
Chris Harvey	North Dakota Office of the Attorney General

No action was taken during the Executive Session which was adjourned at 10:43 AM, and the Board returned to open session.

A D J O U R N

There being no further business, the meeting was adjourned at 10:44 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 26, 2015**

The February 26, 2015 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

No Members Absent

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Mike Brand	Director, Surface Management
Levi Erdmann	Programmer Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Steve Hahn	RVK
Maritza Martinez	RVK
Marcia Beard	RVK (by telephone)
Patrick Lulley	Van Eck Global
Shaun Reynolds	Van Eck Global
David Martinelli	Harvest Fund Advisors
Eric Conklin	Harvest Fund Advisors
Bonnie Storbakken	Governor's Legal Counsel
Jason Nisbet	Governor's Research Analyst
Ryan Skor	Finance Director, Treasurer's Office
David Hunter	Executive Director, ND Retirement and Investment Office

APPROVAL OF MINUTES

A motion to approve the minutes of the January 29, 2015 meeting was made by Attorney General Wayne Stenehjem and seconded by Treasurer Kelly Schmidt. Motion carried.

INVESTMENTS DIVISION

Selection of Inflation Strategies Investment Management Firms and Asset Allocation Decision

At its January 29, 2015 meeting, the Board authorized the interview of investment firms for the purpose of recommending managers for an allocation of the permanent trusts' portfolio into diversified inflation strategies.

On February 11th and 12th, Department staff and RVK interviewed Gresham Investment Management, Wellington Management Company, Harvest Fund Advisors, Tortoise Capital Advisors, Van Eck Global and Jennison Associates about their various inflation hedging investment products. The firms

represented strategies including commodities (ex. energy), master limited partnerships and natural resource equities. The interviews and subsequent discussion were conducted in Chicago and were noticed in accordance with state law.

The Board currently has two investments that fit into the diversified inflation hedge category: REITs (Real Estate Investment Trusts) and TIPS (Treasury Inflation Protected Securities). The objective of additional manager searches is to further diversify the permanent trusts' diversified inflation hedge portfolio.

RVK's Maritza Martinez, Steve Hahn and Marcia Beard were on hand to discuss the portfolio structure recommendation and introduce two of the three managers being recommended to the Board. A commodities firm recommendation will occur at a subsequent Board meeting.

Van Eck Global Hard Asset Strategy – Patrick Lulley and Shaun Reynolds representing Van Eck Global, met with the Board. The firm's focus is natural resources equities and commodities, and both emerging markets debt and equity. The firm has \$32 billion under management. Van Eck utilizes a fundamental, bottom-up approach to stock selection, and seeks to identify catalysts that will help a security realize its valuation before making an investment.

The quoted management fee for the expected \$70 million original allocation to Van Eck is 75 basis points. The fee schedule goes down for asset balances greater than \$100 million.

Harvest Fund Advisors MLP Alpha – David Martinelli and Eric Conklin of Harvest met with the Board. Harvest is an independent firm that was formed in 2005 by David Martinelli; the firm focuses on investing in U.S mid-stream energy assets and MLPs (master limited partnerships). The firm currently manages \$7.3 billion of assets. Harvest identifies securities through fundamental, value-oriented analysis; it employs proprietary models to identify long and short-term market opportunities within the universe of publicly traded energy infrastructure MLPs and energy infrastructure C-Corporations. One of the objectives of this strategy is to provide a high cash yield payout to investors.

The quoted management fee for the expected \$104 million original allocation to Harvest is 72 basis points; this includes a fee reduction for any amount greater than \$100 million.

Based upon an analysis of various structures and allocations within the diversified inflation strategies portfolio, RVK found that by eliminating REITs from the diversified inflation strategies, and allocating to the other four sub-asset classes, a better risk return profile could be created.

RVK and the Commissioner recommended the structure of the 10% diversified inflation strategies portion of the permanent trusts investment portfolio at 3% in commodities (excluding energy), 3% to MLPs, 2% to natural resource equities and 2% to TIPS. This action will reduce the current TIPS allocation, remove the REITs allocation and implement new investments in commodities, MLPs and natural resource equities.

Motion: The Board adopted a structure for the 10% diversified inflation strategies portion of the permanent trusts' investment portfolio of 3% commodities, 3% MLPs, 2% natural resource equities and 2% TIPS. The Board authorized the Commissioner to enter into investment management agreements with Van Eck Global (natural resource equities) and Harvest Fund Advisors (MLPs) to manage diversified inflation strategies 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	X		
Treasurer Schmidt				X	
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Consideration of Investment Policies

The agenda had included consideration of investment policies related to Social and Economically Targeted Investing and Securities Litigation, however due to time constraints, discussion and consideration of those items was informally tabled until a subsequent meeting.

4th Quarter 2014 Permanent Trusts Investment Performance Report

The RVK representatives discussed the investment performance report covering the permanent trust funds' pool of investment assets through the period ending December 31, 2014. This is the second performance report that RVK has prepared for the Board.

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.

Staff worked with RVK to update the report to better reflect past performance and to make sure current performance is measured against the most relevant benchmarks and peer groups. RVK also prepared a revised 3rd quarter report that will be posted to the Department's website; the revised report made some changes to more appropriate benchmarks and corrected some minor errors.

S U R F A C E M A N A G E M E N T

Consideration of a contractor for a Real Estate Market Analysis of – Section 36, T139N, R80W, Burleigh County.

On June 4, 2014, the Board authorized the Commissioner to solicit proposals for a market analysis on section 36, T139N, R80W, Burleigh County.

A Request for Proposals was issued and within it, the Scope of Work includes the following:

- Conduct interviews with local land developers, land owners, industrial business, local trade groups, economic development entities and others to determine the need for land in 2015 and beyond.
- Research City of Bismarck and Burleigh County zoning and transportation planning for concerns, long range plans and current regulations that will influence the development of this land in the immediate future.
- Consider all relevant factors including access, drainage, development potential, topography and limitations in the proposed parcels.
- Provide a narrative description and map showing the recommended parcels that would provide the best sale return.
- Provide a recommendation of the order in which the parcels should be sold and a proposed timeline for sales.
- Include in the Final Report and proposed parcel sale plan:
 - A comprehensive narrative of the basis for the recommendations offered for the parcel size and configuration, location and sales timing.
 - Sufficient detail that a land survey and parcel appraisal can be accomplished in subsequent contracts.

That request for proposals closed on February 2, 2015 and three proposals were received. The following vendors submitted responses to the solicitation:

- Houston Engineering, Inc., Bismarck, ND - \$56,000
- Kadrmas, Lee & Jackson Engineering, Moorhead, MN - \$53,425
- SRF Consulting, Bismarck, ND - \$95,593

Responses were evaluated according to the criteria stated in the solicitation. The Department staff recommended that the highest ranked proposal received from Kadrmas, Lee & Jackson Engineering be submitted for the Board's approval.

The completion date for the study is expected in late summer 2015. It is expected that the 602 acres will be divided into smaller parcels but not necessarily into individual development lots. Following the completion of the Market Analysis, property approved for sale by the Board would be surveyed and appraised.

Section 4.08 of the RFP - 22600-01-2015 provides for amendments to the contract for unanticipated additional work within the general scope of the initial contract. Amendments may require additional work at an additional cost.

Motion: **The Board:**

1. **Announced its intent to issue the contract under RFP 22600-01-2015 to Kadrmas, Lee & Jackson Engineering for the fixed price of \$53,425.**
2. **Authorized the Commissioner to negotiate and sign the contract.**
3. **Authorized the Commissioner to negotiate unanticipated contract changes and costs pursuant to section 4.08 of the RFP.**
4. **Declared the cost as a continuing appropriation under NDCC 15-04-24, which authorizes expenses to enhance the value of trust assets.**

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		

STRATEGIC INVESTMENT AND IMPROVEMENT FUND

Gross Production Tax Backed School Construction Loans Overview

In 2013, the Legislature amended NDCC Chapter 15.1-36 to provide for a mechanism for schools to use a portion of the gross production tax (GPT) revenues received under NDCC 57-51-15 to repay school construction loans that have been approved by the Department of Public Instruction (DPI). The first GPT backed school construction loan will be funded in early March.

The DPI is responsible for the school construction loan program and the Land Board is responsible for funding the loans and collecting loan payments. The Land Board does not have formal policies related to school construction loans.

For its information, the Board was presented with a GPT backed loan program policy developed with the DPI, the Bank of North Dakota (BND), the State Treasurer's Office, and bond counsel to develop program that works for schools, while also seeking to ensure that the money (from either Coal Development Trust Fund or the Strategic Investment and Improvements Fund) gets repaid in a timely manner.

The process will require close coordination with the State Treasurer's Office and school districts to ensure that the proper amount of GPT is withheld from distributions to participating schools.

A brief overview of process and procedures that will be used to manage GPT backed school construction loans was presented to the Board as follows:

- The BND will review all paperwork, provide amortization schedules, coordinate the closing and hold the actual bond in safe keeping. For these services the BND will charge school districts a one-time fee of \$200.
- The maximum amount of a GPT backed loan will be determined based on the previous fiscal year's GPT revenues. With voter approval of the debt, school districts can get a loan with an annual payment that totals up to 80% of the previous year's GPT revenues. If there is no voter approval of the debt (as it is not classified as debt by law), the annual loan payment may equal up to 50% of the previous year's GPT revenues.

- Loans will be set up with annual payments for up to 20 years with an annual payment due date of December 1.
- Starting in September of each year (this is when GPT distributions “reset” and are thus at their highest rate), the Commissioner/school district will authorize the State Treasurer to withhold GPT payments to the school district until 100% of the annual loan payment in the amortization schedule is withheld. Once the authorized amount is withheld and paid over to the Department, the Treasurer will continue distributing all of the GPT revenues to the school district as provided by law.
- Payments will be applied each month, first to interest and then to principal. Because there is a yearly amortization schedule but monthly payments, at any given point in time a school district could be slightly over- or underpaid versus the annual loan amortization schedule. Any difference will be made up in the final year of the loan.
- If by April 1st of each year it appears that GPT revenues owed to the school district by law are not enough to cover the loan payment due, the Department will contact the district and make arrangements to collect the additional amount due either from the DPI distribution or from other sources the district may have.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Cancellation of Aging Energy Impact Awards

The EIO staff continues to work with political subdivisions on mature awards. Results are being realized with reimbursement paperwork being received for several projects previously completed. Some older awards are extended if the political subdivision officials offer justification and a plan that their project will be completed.

Each year, notices of intent to cancel awards which are three years or older are sent to the political subdivisions responsible for the grant. Cancellation notices were sent in January 2015 for awards made in Fiscal Year 2012 which still had unused award balances. Following is a list of EIO grants with balances that are recommended for cancellation:

AWARDS RECOMMENDED FOR CANCELLATION

Political Subdivision	Award Year	Grant Number	Award Amount	Remaining Balance
YELLOWSTONE TOWNSHIP	2008	Y04417	\$15,000.00	\$711.64
CITY OF MARMARTH	2008	Y04444	\$2,000.00	\$227.43
CITY OF MARMARTH	2010	Y04997	\$15,000.00	\$2,500.00
CITY OF MARMARTH	2010	Y04999	\$2,000.00	\$2,000.00
REDMOND TOWNSHIP	2010	Y05078	\$2,500.00	\$616.36
MODEL TOWNSHIP	2011	Y05283	\$12,500.00	\$600.00
WAYZETTA TOWNSHIP	2011	Y05287	\$20,000.00	\$549.45
CITY OF WATFORD CITY	2011	Y05357	\$20,000.00	\$2.40
MISSOURI RIDGE TOWNSHIP	2011	Y05460	\$15,000.00	\$15,000.00
DES LACS FIRE DISTRICT	2011	Y05489	\$3,800.00	\$3,800.00
CITY OF BURLINGTON	2011	Y05500	\$5,000.00	\$300.00
BEULAH RURAL FIRE DISTRICT	2012	G120105	\$6,088.00	\$33.87
MINOT RURAL FIRE DISTRICT	2012	G120124	\$96,000.00	\$505.00
WEST DUNN RURAL FIRE DISTRICT	2012	G120191	\$1,970.00	\$30.01
POWERS LAKE PSD #27	2012	G120207	\$80,000.00	\$349.19
NEW PSD #8	2012	G120218	\$92,869.00	\$3,283.76
Total Award Balances to Cancel				\$30,509.11

Motion: **The Board cancelled the 16 identified grants' remaining balances of a combined \$30,509.11. Subsequently, the Board declared these funds available within the oil and gas impact grant fund for future grants.**

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		

Update – 2015 General Grant Round

Outside of the remaining airport funding, the General Grant Round is the last scheduled grant round for the 2013-2015 Biennium. This round considers the impacts to infrastructure being realized by political subdivisions that have not been the target of other scheduled grant rounds. Previous grant rounds have considered the needs of cities, fire, EMS, airports, sheriffs, dust control, higher education and K-12 schools. Thus, counties, park districts, water resource districts, townships and other eligible public entities impacted by oil and gas development are considered during the general round.

The EIO accepted applications from December 15, 2014 through January 28, 2015. There were 162 applications received from 143 applicants. A total of \$44.5 million has been requested for the projects submitted. The Board has allocated \$6.5 million for award consideration during this grant round.

Fifteen meetings to meet with applicants in twelve western locations are scheduled from March 3 to 19, 2015. During these meetings, applicants provide additional input on their projects and are asked for any missing application information. While in the area, EIO staff will visit proposed project sites gathering direct information regarding impact severity and project need. For road projects submitted, EIO staff will travel the roads and areas to observe specific situations. This directly obtained information has proven valuable during the scoring process allowing a more informed comparison of need.

Following is a summary of 2013-2015 biennial awards made from the oil and gas impact fund. Included are remaining allocations, emerging counties funds and contingency funds. Additionally provided are funds from cancelled awards. Cancelled award funds are available for re-granting.

2013-2015 Biennium Breakdown

Awards Type	# Apps	Amount of Projects	Amount Requested	# Awards	Amount Awarded
City Infrastructure	179	\$997,574,240	\$794,146,923	56	\$102,000,000
Dust Control	3	\$7,500,000	\$3,000,000	3	\$3,000,000
Sheriff's Offices	37	\$10,423,999	\$8,513,875	33	\$7,000,056
Airports	66	\$117,143,871	\$56,664,112	55	\$40,968,882
K-12 Schools	188	\$140,795,994	\$95,766,784	116	\$25,409,294
Higher Education	10	\$28,957,723	\$6,895,948	5	\$4,000,000
EMS	98	\$21,475,383	\$15,431,757	56	\$7,563,550
Fire	175	\$42,450,423	\$31,916,257	74	\$9,436,450
General	230	\$91,961,908	\$47,469,309	55	\$6,104,494
Emerging Counties	1	\$1,250,000	\$1,250,000	1	\$1,250,000
	987	\$1,459,533,541	\$1,061,054,964	454	\$206,732,726
				Administration	\$700,826
				Remaining Allocated	
				Airports	\$19,031,118
				General	\$6,500,000
				* Emerging Counties	\$1,250,000
				Contingency Fund	\$5,785,330.00
				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 December 18, 2014	
Awarded FY 2014	\$142,415,805
Awarded FY 2015	\$64,316,921
<hr/>	
Canceled Awards Prior to 2015	\$26,670.98
Awards Canceled 2/26/2015	\$30,509.11
Total Available for re-awarding	\$57,180.09

REPORTS

Quarterly Financial Reports for the Period Ended December, 2014

The Board reviewed a Summary of Total Assets as of December, 2014; the record is on file with the Department of Trust Lands.

Quarterly Revenue Compliance Division Update

The Department ensures that royalty and other collections made on behalf of the trusts and other funds are complete and accurate. It 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 biennium to date is \$558,897,772, an increase of 31.11% from the same period of the prior biennium. Included in this total is \$10,371,705 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 12-31-14)
Additional Royalties Collected	\$ 9,544,389		\$ 9,262,900
Additional Taxes or Other Deductions Collected	\$ 1,284,602		\$ 644,196
Penalties Collected	\$ 662,625		\$ 464,609
Total Collected	\$ 11,491,616		\$ 10,371,705
NDIC Report Corrections	55		156

The penalty provision in the Department's lease is calculated at the rate of 1% per 30 days. The penalty is assessed in lieu of seeking interest on late royalty payments as provided by N.D.C.C. 47-16-39.1.

In addition to royalty collection efforts, the Department has increased efforts to work with oil producers to pay royalties from production of sovereign minerals beneath the navigable rivers. The Revenue Compliance and the Minerals divisions have met with one operator and plan to meet with the second operator in early March, regarding all of their leases associated with the rivers.

The Director of Revenue Compliance and the Director of Minerals have also been organizing a national royalty conference with other state land commissioners on April 20-21, 2015. The conference will focus on royalty issues that affect Trusts like North Dakota's. Topics include: Standardized Reporting, Gas Plant Accounting/ Audit, and Royalty Litigation.

February 2015 Mineral Lease Auction Results

The results of the February mineral lease auction were provided at the meeting and are available at the Department of Trust Lands.

(02/15)

Report of Easements Issued by Land Commissioner (01-15-15 through 02-16-15)

Granted to: MOUNTRAIL COUNTY HIGHWAY DEPT, STANLEY-ND
 For the Purpose of: Easement-Amend: Road Right-of-Way

Granted to: ENDURO OPERATING LLC, FORT WORTH-TX
 For the Purpose of: Permit: Access Road

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement: Drop Line-Gas Gathering Pipeline

Granted to: XTO ENERGY INC, FORT WORTH-TX
 For the Purpose of: Permit: Access Road

Granted to: WHITING OIL AND GAS CORPORATION, DENVER-CO
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well

Granted to: HILAND CRUDE LLC, ENID-OK
 For the Purpose of: Easement: Drop Line-Oil Gathering Pipeline

Granted to: HILAND OPERATING LLC, WILLISTON-ND
 For the Purpose of: Easement: Drop Line-Gas Gathering Pipeline

Granted to: BURKE COUNTY, BOWBELLS-ND
 For the Purpose of: Easement: Easement Release

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement-Amend: Drop Line-Pipeline

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement: Drop Line-Gas Gathering Pipeline

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement: Drop Line-Gas Gathering Pipeline

Granted to: MOUNTRAIL COUNTY HIGHWAY DEPT, STANLEY-ND
 For the Purpose of: Assignment: Road Easement-Assignment

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement-Amend: Drop Line-Pipeline

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement-Amend: Drop Line-Pipeline

Granted to: ULTEIG ENGINEERING INC, FARGO-ND
 For the Purpose of: Permit: General Land Surveys

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement: Easement Release

Granted to: SUNDHAGEN SAND & GRAVEL INC, JAMESTOWN-ND
 For the Purpose of: Permit: Aggregate Prospecting

Granted to: MOUNTAIN PLAINS LLC, DICKINSON-ND
 For the Purpose of: 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: **NDSU SCHOOL OF NATURAL RESOURCES SCIENCES, FARGO-ND**
 For the Purpose of: Letter of Permission: Access to school land for soil and plant sampling of reclaimed brine spill sites on school trust lands.

Granted to: **WEST DAKOTA WATER LLC, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Access to school land for a temporary surface frac

Legislative Update

The Commissioner presented a list of Legislative Bills under consideration by the 2015 Legislature that will or could affect the Department of Trust Lands and the Board.

- HB 1013** The Budget and Appropriations for the Department of Trust Lands' operations and salaries; includes trust fund distributions to beneficiaries; includes authorization for energy impact grants administration and the collection of Gross Production Tax revenues in the Oil Impact and Heritage funds.
- HB 1176** Though not formally reported out of House Appropriations, the Bill reportedly includes \$140 million for the Oil and Gas Impact Gas Fund, with continued responsibility to the Land Board for approving grants.
- HB 1268** As introduced, the bill directed the Land Board to delineate all navigable waters and sovereign lands and provide each county with maps for purposes of determining the taxable status of the land.
- HB 1214** The Bill would amend distribution of the tobacco settlement trust fund to the Department of Health instead of to the Common Schools Trust Fund.
- The estimated impact to the CSTF is \$18 million during the 2015-17 biennium and \$23.6 million during the 2017-19 biennium.
- HB 1456** As introduced, the Bill directed the Land Board to negotiate with the Army Corps of Engineers to acquire the lands around Lake Sakakawea and Lake Oahe and to hold that land.
- SB 2103** The "Surge Bill" directs \$1.1 billion from the Strategic Investment and Improvements Fund to the NDDOT (\$450 million during current biennium) and to the Treasurer for distributions to cities and counties (\$298 million as soon as possible) and \$352 million through the NDDOT to counties and townships based on need and road miles (distribution must occur before June 2017, but is expected sooner)

ADJOURN

There being no further business, the meeting was adjourned at 11:16 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 26, 2015**

The March 26, 2015 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 8:58 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
Mike Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Marcia Beard	RVK
Steve Hahn	RVK
Jonathan Kowolik	RVK
Jonathan D. Berland	Gresham Investment Management
Bonnie Storbakken	Governor's Legal Counsel

APPROVAL OF MINUTES

A motion to approve the minutes of the February 26, 2015 meeting was made by Secretary Al Jaeger and seconded by Attorney General Wayne Stenehjem Motion carried.

INVESTMENTS MANAGEMENT

Interview and Selection of a Commodities Manager

The Board had previously set a ratio of 10% of the investments of permanent trust funds into diversified inflation strategies with an allocation of 3% to commodities, 3% in MLPs (master limited partnerships), 2% to natural resource equities, and 2% TIPS (Treasury Inflation Protected Securities).

The Board has a TIPS manager in place and selected an MLP and natural resource equities investment managers at its February meeting. The remaining investment manager decision for the Board was the selection a firm for its 3% allocation into commodities.

On February 11th and 12th the Department staff and RVK interviewed representatives of Gresham Investment Management and Wellington Management Company, and their respective commodities strategies were reviewed.

At the Board meeting, RVK’s Marcia Beard and Steve Hahn introduced Jonathan D. Berland Gresham Investment Management LLC, the firm that RVK and the Commissioner recommended to manage the commodities (excluding oil and natural gas) portion of the permanent trusts’ diversified inflation strategies portfolio.

Gresham Investment Management focuses solely on commodities investing. The firm was founded in 1992, but its history dates back to 1987, when this investment strategy was first created. Gresham sold a 60% interest in the firm to Nuveen Investments in 2011, but Gresham principals still maintain operating control of the business and continue to operate autonomously from Nuveen.

The firm has a highly experienced team with over 19 commodity investment professionals. The MTAP team is led by portfolio manager Douglas Hepworth. Gresham’s MTAP strategy actively seeks to invest in commodities futures contracts that are undervalued relative to other contracts.

The negotiated management fee for this separately managed product is 67 basis points on the first \$75 million and 50 basis points for the next \$75 million. Based on an initial funding of approximately \$105 million, the initial fee for this portfolio would be approximately 62 basis points.

Motion: The Board authorized the Commissioner to enter into an investment management agreement with Gresham Investment Management LLC to manage a commodities (excluding crude oil and natural gas) portfolio 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		

Securities Lending Presentation

Jonathan Kowolik and Marcia Beard from RVK, were present to talk about securities lending, as well as the risks and rewards of participating in securities lending.

Securities lending is a mechanism in which investors may temporarily lend securities to qualified, financially secure borrowers such as market-makers, hedge funds, and other financial institutions through a lending agent. In return, the lender receives collateral worth more than the securities lent and earns a fee from the borrower.

Securities lending is a commonly-used investment strategy that institutional investors use to earn additional revenue from portfolios, and trusts have participated in securities lending for many years.

Consideration of Investment Policies

An Investment Policy Statement (IPS) is being prepared that will provide a written framework for management of the trusts and funds’ investments. The Board has adopted many investment policies and implemented practices over time, and the collective historic policies and procedures will be combined with recent strategy decisions into one comprehensive IPS document.

Three proposed investment policies for which the Board has not previously adopted formal policies were presented:

1) Securities Lending Policy

Securities lending involves the temporary transfer of a security to a borrower according to negotiated terms. The Board has permitted on some level, the trusts' investments participation in securities lending with its custodial bank, Northern Trust, since 1990. The following proposed policy was presented:

Securities Lending

The objective of the securities lending program is to generate incremental income from overnight and certain term loans of securities. The program will utilize a high-quality and conservative collateral re-investment approach that safeguards the return of principal and maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities.

The trust funds' may participate in a securities lending program. The practice requires collateral for loans. The use of Trust assets in any securities lending engagements should have as its objectives to:

- 1. Earn a competitive market return through conservative securities lending practices, consistently with the preservation of capital.*
- 2. Minimize risk with respect to both the broker/borrower and the collateral.*
- 3. Operate the securities lending program so that it will not interfere with the management of overall investment portfolio and strategies.*

Unless explicitly exempted by the Board in writing, the lending agent, if any, shall provide indemnification against losses arising from borrower default (failure to return equivalent securities and/or insolvency) and failure to comply with the terms and conditions of the lending agreements.

The Commissioner shall provide an annual report to the Board outlining the performance and status of the securities lending program.

The Board took no formal action, but directed the Commissioner to further refine the proposed securities lending policy and to present an alternative version at a subsequent meeting.

2) Social Investing and Economically Targeted Investing

A proposed policy on not participating in social and economically targeted investing was recommended as follows:

Social and Economically Targeted Investing

Social investing is defined as the practice of aligning one's investment policies with social responsibility. Some of the issues and topics addressed by social investing promoters include environmental causes, avoidance of tobacco producers, avoidance of politically sensitive parts of the world, and workers' rights. With different sets of values, what one investor may deem irresponsible, another may consider good policy.

The Board shall not use trust fund assets to participate in activist efforts to implement a social agenda regarding ownership of specific securities or efforts of shareholders to bring about social change.

Economically targeted investing is defined as an investment designed to create economic benefits for a targeted geographic area, group of people, or sector of the economy. Economically targeted investing is barred when investing the Article IX of the State Constitution permanent trusts under the control of the Board and the Indian Cultural Education Trust, unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- *The cost does not exceed the fair market value at the time of investment.*
- *The investment provides an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.*
- *Sufficient liquidity is maintained to permit timely distributions.*
- *The safeguards and diversity to which a prudent investor would adhere are present.*

Economically targeted investing is allowed within the Coal Development Trust Fund and the Strategic Investment and Improvement Fund, if the investment meets the purpose of the fund and is directed by law.

Motion: The Board approved the proposed Policy Regarding Social and Economically Targeted Investing. The adopted policy will be incorporated into the complete Investment Policy Statement that the Board will consider later.

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		

3) Securities Litigation Policy

The following proposed policy on securities litigation monitoring was presented:

Securities Litigation

In carrying out its fiduciary duties to prudently invest and manage the assets entrusted to it, the Board invests in the securities of various public companies, or issuers. From time to time, class action lawsuits are brought against the issuers, directors, and/or officers for alleged violations of federal and state securities laws relating to various disclosure obligations and other breaches of fiduciary or other duties. As shareholders, the trust funds under the Board's control are putative members of the alleged classes (as are most, or all of the other shareholders).

The Board relies on its custodial bank to monitor settled class action securities litigation where the Board investments have an interest. In resolved litigation, unless directed otherwise, the custodian files proofs of claim on behalf of the trust funds and posts disbursements or settlements to the appropriate portfolios as litigation settlement proceeds are received.

Although there may be value in influencing an eventual settlement or in pursuing a separate legal action (opting out of the "class") in a lawsuit, the administration and opportunity costs can be substantial. The Board uses a monitoring approach to securities litigation to avoid the diversion of staff, financial and legal resources in building and applying collective plaintiffs' arguments (through depositions, discovery and documentation). Serving as the lead plaintiff does not obtain any additional financial benefit, but rather a lead in a class action suit shares any final judgment or settlement with the class members on an equal, per share basis (although the lead plaintiff may also recover attorney's fees, costs, and expenses if the lawsuit is successful or a settlement is obtained). Opting out of a "class" or objecting to the terms of a proposed settlement and pursuing independent legal remedies may also be pursued although the administration and opportunity costs can be substantial and involve significant attorney's fees, costs, and expenses which may or may not be fully compensated.

The Board, in consultation with the Attorney General, may consider more active forms of legal engagement in cases where 1) the estimated loss is greater than 0.1% of the total assets under management of the Board; and 2) the trust funds are among the largest shareholders of the defendant issuer; and 3) service as a lead plaintiff (or opting out of a proposed settlement to the "class" of claimants) would be in the best interest of the trust funds that the Board oversees.

The Board may contract with firms that provide securities litigation monitoring/tracking services if it determines it is prudent.

Motion: The Board gave preliminary approval to the proposed Securities Litigation Policy. The adopted policies will be incorporated into the complete Investment Policy Statement that the Board will consider later.

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		

Investment Updates

The Board reviewed the status of the investment asset allocation:

Account/Asset Class	Long-Term Asset Allocation	Interim Target Allocation	2/28/15 Rebalanced	2/28/15 Asset Allocation %
Large Cap US Equity	13.5%	16.3%	\$ 570,603,232	16.3%
Small Cap US Equity	3.5%	4.4%	\$ 151,187,164	4.3%
International Equity	12.0%	14.3%	\$ 500,181,409	14.3%
Emerging Market Equity	3.0%	3.5%	\$ 122,823,501	3.5%
Total Equities	32.0%	38.5%	\$ 1,344,795,306	38.4%
Investment Grade US FI	13.6%	16.3%	\$ 576,663,030	16.5%
Loans	0.6%	0.7%	\$ 17,341,816	0.5%
High Yield FI	3.0%	4.0%	\$ 136,039,049	3.9%
International FI	5.8%	7.0%	\$ 245,279,484	7.0%
Total Fixed Income	23.0%	28.0%	\$ 975,323,379	27.8%
Total Absolute Return	20.0%	22.0%	\$ 768,041,977	21.9%
Total Real Estate	15.0%	0.0%	\$ -	0.0%
Total Diversified Inflation Strategies	10.0%	11.5%	\$ 414,208,710	11.8%
Total Asset	100.0%	100.0%	\$ 3,502,369,372	100.0%

The status of the asset allocation implementation tasks remaining:

- Contracts have been signed for all core and core plus real estate managers recently approved by the Board. The estimated initial funding date of the various real estate portfolios will occur as follows:
 - Morgan Stanley 2rd qtr. 2015
 - UBS 4th qtr. 2015
 - JP Morgan 3rd qtr. 2016
 - Jamestown 3rd qtr. 2015
 - Prologis 4th qtr. 2015
- The draft contracts with Van Eck (natural resources equities) and Harvest Fund Advisors (master limited partnerships), the diversified inflation strategies managers that the Board approved in February 2015, are being reviewed by staff and counsel.
- The Commissioner expects that the diversified inflation strategies portfolio, including commodities, can be completely funded by May 2015.

PIMCO

In early February PIMCO announced that Paul McCulley, Managing Director and Chief Economist, would depart the firm at the end of February. Mr. McCulley didn't have any direct involvement with the PIMCO All Asset All Authority fund, the product in which the Board's trust funds are invested.

Due to Mr. McCulley's limited responsibilities and expected departure, RVK and the Commissioner have minimal concerns with Mr. McCulley's departure, but PIMCO's organizational changes will continue to be closely monitored.

GMO

In late-February GMO announced changes to its Asset Allocation team, including the addition of five individuals and the departure of Edmund Bellord. Mr. Bellord served as a strategist and senior member of GMO's Asset Allocation team.

Ben Inker and Sam Wilderman remain co-heads of the Asset Allocation team, which manages the GMO Benchmark Free fund. Mr. Inker and Mr. Wilderman continue to be the final decision makers of the fund. The addition of the five new team members, including two senior professionals, brings the Asset Allocation team to over 20 individuals.

The departure of three key people from the asset allocation team in 2014, when combined with the news of Mr. Bellord's leaving, reflect a relatively high level of turnover in the asset allocation team in a short period of time, RVK and the Department staff will continue to closely monitor the stability of the Asset Allocation Team.

S U R F A C E M A N A G E M E N T

Consideration of a Revised Land Sale Policy

The Board considered proposed update to its land sale policy.

The proposed amendments made four adjustments to the existing policy:

- 1) Clarifies that the general policy is to not sell land, unless certain conditions are met
- 2) A suggested policy that sales of larger tracts be coupled with a "no net loss" of acres provision;
- 3) Adjustment of language that specifically referenced the revenue generating history of the tract.
- 4) Adds a provision to consider selling land in higher value urban locations.

NORTH DAKOTA BOARD OF UNIVERSITY AND SCHOOL LANDS LAND RETENTION AND SALES POLICY

200. **DEFINITIONS.** The terms used throughout this chapter are defined as follows:
- A. "Board" means the Board of University and School Lands.
 - B. "Commissioner" means the Commissioner of University and School Lands.
 - C. "Acquired land(s)" includes(s):
 1. Property acquired from the Board's own farm loan pool through foreclosure or deed in lieu of foreclosure.
 2. All property defined as "nongrant" and "other than original grant lands" in N.D.C.C. 15-07-01.
 - D. "Original grant lands" means all those lands granted to the State of North Dakota by virtue of the Enabling Act of 1889, as further defined in N.D.C.C. 15-06-01.
 - E. "Department of Trust Lands" means the office of the Commissioner of University and School Lands.
 - F. "Lessee" means the party specified in a surface lease as the lessee, his/her permissible assignees, or his/her heirs.
201. **GENERAL POLICY of LIMITED LAND SALES.** It is the policy of the Board to retain and manage trust lands to produce revenue consistent with the long term maintenance of the land's income producing potential and ecological health.
202. **LAND SALE POLICY.** Where warranted, the Commissioner may propose the sale of or accept applications for the sale of original grant land or acquired land if the land is determined to have a low potential for mineral development including sand, gravel, clay, and scoria; and

- A. If the tract and other adjacent trust land tracts totals less than 80 acres in size, more or less, for grassland and less than 40 acres, more or less, for cropland or hayland, except those tracts which are severed by a highway, road, railroad, canal, river or lake, which may be sold if the severed portion is less than these amounts; or
 - B. If the tract and other adjacent trust land tracts exceed 80 acres in size, more or less, for grassland or more than 40 acres in size, more or less, for cropland, the Commissioner may bring to the Board an application for purchase which complies with the following conditions:
 - 1. The proposed sale of trust land would result in no net loss of leasable trust land; or
 - 2. The applicant agrees to donate accessible and leasable land equal or greater in acres and value to the trust from which the original land was sold; or
 - 3. The surrounding land use has changed from agricultural to a higher value land use whose value cannot be realized by the trusts except through a sale.
 - C. The tract has been a source of persistent management problems. These problems must be such that sale of the tract is prudent from a long-term financial point of view.
203. **HIGHEST AND BEST USE.** Before being presented for Board consideration, eligible tracts must be evaluated by the Commissioner for "highest and best use" as defined in N.D.C.C. 15-02-05.1.
204. **APPLICATION AND SALE PROCEDURE.** Applications for purchase of land acquired before January 1, 1980, and original grant land meeting the criteria in paragraph 202, may be accepted and the land sold in conformance with N.D.C.C. 15-06 for original grant land and 15-07 for acquired land. This policy shall not be construed as applying to lands sold for a public purpose pursuant to N.D.C.C. 15-09.
- A. Applications to purchase property may be accepted at any time. Upon receipt of a preliminary application to purchase a tract of acquired land, the potential sale will be presented to the Board for preliminary approval or rejection. The Commissioner may also recommend to the Board that a tract may be sold even though no application has been received. If the Board gives preliminary approval to a sale, an appraisal of the property will be secured.
 - B. Lands under lease may be sold only if the lessee is notified of the Commissioner's intent to sell the property during the months of October through January. Unleased lands may be sold at any time.
 - C. The Board will review the appraisal and any other relevant information, and make a determination as to whether to proceed with the sale. If the Board decides to proceed with the sale, it will establish a minimum acceptable sales price.
 - D. The preliminary applicant, if any, will be notified of the price set by the Board, which will be the minimum acceptable sales price.
 - E. In the event an applicant desires to purchase the property at the price set by the Board, a formal offer to purchase at that price will be completed by the applicant.
 - F. Original grant land will be advertised for sale at public auction. Acquired land obtained before January 1, 1980, will be advertised for sale at public auction or by sealed bids. The price set by the Board will be the minimum bid. In the event no bids are received on property for which no formal application has been received, the property may be sold at private sale during the 6 months following the date of the auction/sealed bid opening for the minimum acceptable sales price to the first applicant.
 - G. Sales will be for cash only. Cash sales require twenty percent (20%) payment on the day of the sale, and the balance due within sixty (60) calendar days. The balance due date can be extended at the discretion of the Commissioner, up to a maximum of one hundred eighty (180) days from the date of the sale. Interest will be charged on any remaining balance, beginning sixty (60) days after the date of sale, at the Bank of North Dakota base rate plus one percent (1%).

History:

Adopted: May 28, 1981
 Revised: October 25, 1990
 Revised: December 14, 1995
 Revised: March 26, 2015

Motion: **The Board adopted the LAND RETENTION AND SALES POLICY as presented herein.**

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		

MINERALS MANAGEMENT

Review of Well Shut-in Policy

The Board reviewed its policies regarding requests to shut-in wells. Its policy and oil and gas lease allow for an extended shut down of an oil and gas well's operations.

The Department has been receiving an increased number of shut-in requests for varying reasons including spring flooding, mechanical or technical challenges, and more recently because of low crude prices are making the wells uneconomic to operate.

It is not uncommon for a marginal or stripper well to be operating and holding the lease under a Bakken producing potential area. Many of the shut-in requests received are for marginal wells in areas with Bakken production potential.

The Commissioner will consider the shut-in requests on a case-by-case basis, but the Board should anticipate possible appeals of the decisions.

ENERGY IMPACT AND INFRASTRUCTURE OFFICE

Renville County - Request for Amendment of Flood Impact Grant

The Energy Infrastructure and Impact Office received a request from Renville County seeking a change of scope on two grants approved by the Board under the Flood Impacted Political Subdivision Infrastructure Development Grant program in 2012:

- F120602 - REPAIR COUNTY OWNED FACILITIES MOUSE RIVER PARK, CAFÉ - \$257,263.00
Balance Remaining \$105,696.88
- F120604 - GRADE RAISE, 3' Grade raise for 3mi near Norma - \$476,500.00
Balance Remaining \$476,500.00

The request by Renville County was for these two awards to be allowed to support building a county owned convenience center at the Mouse River Park that would include a C-store area, a coffee shop, kid's game room and patio area. This building would be completed instead of replacing the destroyed café as originally intended. The required 50% matching funds will come directly from Renville County.

Motion: **The Board approved Renville County's request to utilize the balances of Grant #F120602 and F120604 for use in constructing a convenience store and community center at the Mouse River Park or for the original intent of the award.**

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

Board of University and School Lands

Summary of Total Assets

The Board reviewed a summary of total trust and fund assets as of January 31, 2015. A copy of the summary is on file with the Commissioner.

Results of the Internet-based Mineral Lease Auction

The Department conducted an oil and gas lease auction that ended on March 10, 2015 by online auction. Two tracts consisting 160 net mineral acres were offered for lease in T153N, R93W, Section 16: SE4, SW4 Mountrail Co.

The high bid was \$14,200 per mineral acre. Including associated rentals, these tracts generated \$2,272,800, in bonus payment, for the Common Schools Trust. The winning bid was made by Continental Resources, Inc., and the payment has been received.

Other Funds Managed by the Land Board – 4th Qtr. 2014 Overview

The Board reviewed a report that outlined the investment returns earned by, and the activity occurring in the Strategic Investment and Improvements Fund, the Coal Development Trust Fund and the Capitol Building Fund for the quarter ended December 31, 2014. This report is prepared quarterly and a copy of the summary is on file with the Commissioner.

Report of Easements Issued by Land Commissioner - (02-16-15 through 03-13-15)

Granted to: For the Purpose of:	ROCK ISLAND TOWNSHIP, ALAMO-ND Easement: Road Right-of-Way
Granted to: For the Purpose of:	BURLINGTON RESOURCES OIL & GAS CO LP, BARTLESVILLE-OK On-lease Act. Amend: Horizontal Oil Well
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	NORTH PLAINS ENERGY LLC, DENVER-CO Easement: Multiple Pipelines
Granted to: For the Purpose of:	HESS BAKKEN INVESTMENTS II, LLC, MINOT-ND Easement: Drop Line-Multiple Pipelines & Communication Cable
Granted to: For the Purpose of:	ROUGH RIDER ELECTRIC COOP INC, HAZEN-ND Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	ENDURO OPERATING LLC, FORT WORTH-TX Permit: Access Road
Granted to: For the Purpose of:	SHERIDAN ELECTRIC COOP INC, MEDICINE LAKE-MT Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND Easement: Drop Line-Electric Distribution Line
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:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND Easement-Amend: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	ENDURO OPERATING LLC, FORT WORTH-TX Permit: Access Road
Granted to: For the Purpose of:	ENDURO OPERATING LLC, FORT WORTH-TX Permit: Access Road

Granted to:
For the Purpose of: **EDDY COUNTY, NEW ROCKFORD-ND**
Easement: Road Right-of-Way

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: **WHITING OIL AND GAS CORPORATION, DENVER-CO**
On-lease Act. Amend: Horizontal Oil Well

Granted to:
For the Purpose of: **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
Easement: Electric Transmission Line

Granted to:
For the Purpose of: **MARATHON OIL COMPANY INC, DICKINSON-ND**
Easement: Multiple Pipelines

Granted to:
For the Purpose of: **ONEOK ROCKIES MIDSTREAM LLC, MINOT-ND**
Easement: Drop Line-Gas Gathering Pipeline

Granted to:
For the Purpose of: **DUNN COUNTY, MANNING-ND**
Easement: Road Right-of-Way

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: 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: **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**
Easement-Amend: Drop Line-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: **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**
Easement: Drop Line-Gas Gathering Pipeline

Granted to:
For the Purpose of: **SLOPE ELECTRIC COOP INC, NEW ENGLAND-ND**
Easement: Drop Line-Buried Electric Distribution Line

Granted to:
For the Purpose of: **OASIS MIDSTREAM SERVICES LLC, HOUSTON-TX**
Easement: Salt Water 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: **XTO ENERGY INC, FORT WORTH-TX**
On-lease Act. Amend: Horizontal Oil Well

Granted to:
For the Purpose of: **BURLINGTON RESOURCES OIL & GAS CO LP, BARTLESVILLE-OK**
On-lease Act. Amend: Horizontal Oil Well

Granted to:
For the Purpose of: **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**
Easement-Amend: Drop Line-Pipeline

Granted to:
For the Purpose of: **LIBERTY RESOURCES MANAGEMENT CO LLC, DENVER-CO**
On-lease Act. Amend: Horizontal Oil Well

Granted to:
For the Purpose of: **XTO ENERGY INC, FORT WORTH-TX**
On-lease Act. Amend: Horizontal Oil Well

Granted to:
For the Purpose of: **QEP ENERGY COMPANY, DENVER-CO**
On-lease Act. Amend: Horizontal Oil Well

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: **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
Easement: Drop Line-Electric Distribution Line

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. Fees may be charged.

Granted to: **DUCKS UNLIMITED INC, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land – Topography Survey

Granted to: **USDA-NRCS, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land - Natural Resource Inventory

Legislative Update

The Board reviewed following Legislative Bills under consideration by the 2015 Legislature that will or could affect the Board or the Department of Trust Lands including HB 1013, HB 1176, HB 1268, HB 1456 and SB 2103.

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
April 27, 2015**

The March 26, 2015 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
Wayne Stenehjem	Attorney General
Kelly Schmidt (via teleconference)	State Treasurer
Kirsten Baesler (via teleconference)	Superintendent of Public Instruction

No Members Absent

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Mike Brand	Director, Surface Management Division
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Bonnie Storbakken	Governor's Legal Counsel
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APPROVAL OF MINUTES

A motion to approve the minutes of the March 26, 2015 meeting was made by Attorney General Wayne Stenehjem and seconded by Secretary Al Jaeger and the motion carried on a voice vote.

ENERGY IMPACT AND INFRASTRUCTURE OFFICE

General Grant Round Award Recommendations

During the 2013-2015 Biennium, \$206,732,726 has been awarded of the \$239.3 million appropriated by the 2013 Legislature.

The focus for the 2015 General Round for Energy Impact grants was for political subdivisions without a specified grant round. Starting on December 15, 2014, the EIO received and reviewed 162 grant applications from townships, counties, park districts, water resource districts and other taxing political subdivisions requesting \$44.5 million.

A summary of all of the applications received were presented to the Board.

During March the Energy Impact Office (EIO) staff traveled the entire area and conducted 15 group meetings and individual interviews were offered to all applicants. 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:

- financial need including revenue streams
- contribution to long term economic activity
- public safety
- objective

(04/15)

- direct result of oil and gas production activity
- project readiness and achievability

All applications were reviewed by the Energy Infrastructure and Impact Grants Advisory Committee which met on March 31, 2015. The energy impact grants advisory committee was created by the Board in 2011 and includes:

Billings County Commissioner Jim Arthaud,
Bowman Mayor Lynn James,
Watford City Mayor Brent Sanford,
Burke County 911 Coordinator and Emergency Manager Barry Jager,
Williams County Township Officer Floyd Miller,
Energy Industry Representative (and former energy impact director) Rick Larson,
NDDOT Director Grant Levi, and
Land Commissioner Gaebe

The advisory committee input; infrastructure needs; and county drilling and production statistics were utilized in formulating grant endorsements to the Board. The grants recommended were dominated by suggestions to address safety issues.

The Board had previously targeted \$6.5 million for this grant round, however in February 2015 the Board suggested the preparation of a second list of award recommendations considering the use of contingency funds.

A list including recommended awards identified by the EIO staff and Advisory Committee totaling \$6,482,182 in 54 grants was presented to the Board. In addition, a second list of grants was recommended for Board consideration using remaining uncommitted oil and gas impact grant funds. The second list included \$5,878,060 in 82 additional awards.

2015 General Grant Round - Primary Recommendations

POLITICAL SUB NAME	CITY	COUNTY	SHORT DESCRIPTION	AMOUNT REQUESTED	Recommended Award Amount
ALEXANDRIA TOWNSHIP	ZAHL	DIVIDE	ROAD MAINTENANCE	\$20,000	\$16,000
ANTELOPE CREEK TOWNSHIP	ALEXANDER	MCKENZIE	GRAVEL ON ROADS	\$60,000	\$60,000
ARNEGARD TOWNSHIP	ALEXANDER	MCKENZIE	RESHAPING AND GRAVELING ROADS	\$200,000	\$200,000
BATTLEVIEW TOWNSHIP	BATTLEVIEW	BURKE	ROAD MAINTENANCE AND GRAVEL	\$30,000	\$24,000
BICKER TOWNSHIP	TIOGA	MOUNTRAIL	ROAD UPKEEP	\$36,000	\$29,280
BLAINE TOWNSHIP	LANSFORD	BOTTINEAU	ROAD REPAIR	\$8,000	\$8,000
BLOOMING VALLEY TOWNSHIP	NOONAN	DIVIDE	ROAD MAINTENANCE	\$25,000	\$20,000
BLUE BUTTE TOWNSHIP	KEENE	MCKENZIE	ROAD RESURFACING	\$120,000	\$120,000
BURG TOWNSHIP	AMBROSE	DIVIDE	ROAD REPAIR AND MAINTENANCE	\$387,175	\$300,000
BURKE TOWNSHIP	PALERMO	MOUNTRAIL	ROAD REBUILD	\$176,000	\$141,140
CHAMPION TOWNSHIP	RAY	WILLIAMS	REPAIR ROADS FOR SAFETY	\$300,000	\$300,000
CITY OF MOHALL	MOHALL	RENVILLE	OUTDOOR WARNING SIREN	\$21,779	\$17,423
CITY OF WATFORD CITY	WATFORD CITY	MCKENZIE	EXPANSION OF TORNADO/ CIVIL DEFENSE SIREN SYSTEM	\$164,263	\$131,410
COLVILLE TOWNSHIP	POWERS LAKE	BURKE	ROAD REPAIR AND MAINTENANCE	\$68,470	\$54,776

DANEVILLE TOWNSHIP	GRENORA	DIVIDE	WIDEN ROAD FOR SAFETY	\$25,000	\$24,000
DEBING TOWNSHIP	ROSS	MOUNTRAIL	ROAD MAINTENANCE AND REBUILDING	\$1,100,000	\$300,000
DUNN COUNTY	MANNING	DUNN	25TH STREET SW/106TH AVE SW INTERSECTION	\$425,000	\$300,000
DUNN COUNTY	MANNING	DUNN	VISION WEST ND REGIONAL PLAN SUSTAINABILITY PROJECT	\$182,224	\$182,224
ENSIGN TOWNSHIP	GLENBURN	RENVILLE	ROAD REBUILD PROJECT	\$20,000	\$20,000
EQUALITY TOWNSHIP	RAY	WILLIAMS	ROAD REPAIRS NEEDED TO INCREASE SAFETY	\$300,000	\$300,000
FAY TOWNSHIP	COLUMBUS	BURKE	ROAD MAINTENANCE	\$30,000	\$30,000
FERTILE VALLEY TOWNSHIP	GRENORA	DIVIDE	ROAD CONSTRUCTION	\$14,525	\$14,525
FOOTHILLS TOWNSHIP	POWERS LAKE	BURKE	ROAD MAINTENANCE DUE TO HEAVY OIL TRAFFIC	\$10,000	\$8,000
GARNES TOWNSHIP	POWERS LAKE	BURKE	WIDEN APPROACHES	\$20,000	\$16,000
HAWKEYE VALLEY TOWNSHIP	KEENE	MCKENZIE	ROAD RESURFACING	\$400,000	\$300,000
LANSFORD TOWNSHIP	LANSFORD	BOTTINEAU	ROAD MAINTENANCE	\$20,000	\$20,000
LINDAHL TOWNSHIP	MCGREGOR	WILLIAMS	76TH STREET PROJECT	\$100,000	\$100,000
LONG CREEK TOWNSHIP	CROSBY	DIVIDE	ROAD IMPROVEMENTS	\$40,000	\$32,000
MCALMOND TOWNSHIP	PLAZA	MOUNTRAIL	REPLACE DAMAGED CULVERTS	\$100,000	\$84,932
MCKENZIE COUNTY	WATFORD CITY	MCKENZIE	MANDAREE EMS SUSTAINABILITY WITH THE MANDAREE COMM. CLINIC	\$250,000	\$49,600
MENTOR TOWNSHIP	NOONAN	DIVIDE	103RD AVENUE REPAIR	\$50,000	\$50,000
MENTOR TOWNSHIP	NOONAN	DIVIDE	108TH STREET GRAVEL	\$25,000	\$25,000
MONT TOWNSHIP	WILLISTON	WILLIAMS	REPLACE CULVERTS	\$20,000	\$20,000
NEWBORG TOWNSHIP	NEWBURG	BOTTINEAU	ROAD REPAIR AND GRAVEL	\$30,000	\$24,000
OAKLAND TOWNSHIP	PALERMO	MOUNTRAIL	ROAD CONSTRUCTION PROJECT	\$80,000	\$64,000
OLIVER TOWNSHIP	EPPING	WILLIAMS	ROAD REPAIR AND GRAVEL	\$80,000	\$72,000
OSBORN TOWNSHIP	NEW TOWN	MOUNTRAIL	REPAIR 41ST STREET	\$300,000	\$300,000
PHERRIN TOWNSHIP	WILLISTON	WILLIAMS	54TH STREET ROAD PROJECT	\$400,000	\$300,000
PORTAL TOWNSHIP	PORTAL	BURKE	ROAD REBUILDING	\$100,000	\$80,000
POWERS LAKE TOWNSHIP	POWERS LAKE	MOUNTRAIL	ROAD MAINTENANCE AND CONSTRUCTION	\$40,000	\$40,000
PURCELL TOWNSHIP	STANLEY	MOUNTRAIL	59TH STREET RECONSTRUCTION	\$365,000	\$292,000
RENVILLE COUNTY	MOHALL	RENVILLE	SHERWOOD EAST & WEST/SHOULDER WIDENING AND OVERLAY	\$500,000	\$300,000
ROSS TOWNSHIP	ROSS	MOUNTRAIL	ROAD MAINTENANCE	\$50,000	\$50,000
ROUND PRAIRIE TOWNSHIP	WILLISTON	WILLIAMS	IMPROVEMENTS TO 52ND STREET W	\$48,485	\$48,485
SMOKEY BUTTE TOWNSHIP	ALAMO	DIVIDE	ROAD SAFETY IMPROVEMENTS	\$30,000	\$30,000
STARBUCK TOWNSHIP	SOURIS	BOTTINEAU	ROAD MAINTENANCE	\$60,000	\$48,000
STONY CREEK TOWNSHIP	WILLISTON	WILLIAMS	ROAD MAINTENANCE	\$250,000	\$250,000
THORSON TOWNSHIP	BATTLEVIEW	BURKE	ROAD WORK	\$403,000	\$300,000
TWELVE MILE TOWNSHIP	EPPING	WILLIAMS	ROAD REBUILDING AND REPAIRING	\$150,000	\$150,000
WARD COUNTY	MINOT	WARD	OUTDOOR WARNING SIRENS	\$332,234	\$265,787

WILLIAMS COUNTY	WILLISTON	WILLIAMS	GOLDEN VALLEY TOWNSHIP ROADS	\$190,000	\$172,000
WILLIAMS COUNTY	WILLISTON	WILLIAMS	COUNTY ROAD 21	\$55,000	\$48,800
WILLIAMS COUNTY	WILLISTON	WILLIAMS	COUNTY ROAD 16A	\$55,000	\$48,800
WILLISTON TOWNSHIP	WILLISTON	WILLIAMS	REBUILD 52ND STREET NW	\$2,000,000	\$300,000
					\$6,482,182

In addition, the Board considered a second list of grants using uncommitted oil and gas impact grant funds. The list includes \$5,878,060 in 82 additional award recommendations.

2015 General Grant Round - Additional Award Recommendations

POLITICAL SUB NAME	CITY	COUNTY	SHORT DESCRIPTION	AMOUNT REQUESTED	Recommended Award Amount
AMBROSE TOWNSHIP	AMBROSE	DIVIDE	ROAD MAINTENANCE	\$30,000	\$24,000
AUSTIN TOWNSHIP	PALERMO	MOUNTRAIL	ROAD GRAVELING AND BLADING	\$90,000	\$72,000
BATTLEVIEW TOWNSHIP	BATTLEVIEW	BURKE	REPLACE CULVERTS	\$15,000	\$12,000
BATTLEVIEW TOWNSHIP	BATTLEVIEW	BURKE	GRAVEL FOR ROADS	\$90,000	\$72,000
BEACH CIVIL TOWNSHIP	BEACH	GOLDEN VALLEY	ROAD REPAIR, MAINTENANCE, CULVERTS, BANDS, AND UPDATING OR REPLACING A MOTOR GRADER	\$608,500	\$300,000
BENTINCK TOWNSHIP	WESTHOPE	BOTTINEAU	REPAIR AND MAINTAIN TOWNSHIP ROADS	\$50,000	\$40,000
BERTHOLD TOWNSHIP	BERTHOLD	WARD	ROAD MAINTENANCE	\$20,790	\$16,632
BIG MEADOW TOWNSHIP	WILDROSE	WILLIAMS	REBUILD AND FIX ROADS	\$140,000	\$140,000
BIG STONE TOWNSHIP	ALAMO	WILLIAMS	ROAD GRAVELING	\$72,000	\$57,600
BORDER TOWNSHIP	NOONAN	DIVIDE	GRADE REBUILD	\$35,000	\$35,000
BOTTINEAU COUNTY	BOTTINEAU	BOTTINEAU	WATER TRUCK	\$45,000	\$36,000
BOWMAN COUNTY	BOWMAN	BOWMAN	NJOS CUT-ACROSS ROAD IMPROVEMENT PROJECT	\$441,000	\$300,000
BRANDON TOWNSHIP	MOHALL	RENVILLE	ROAD REPAIR AND MAINTENANCE	\$15,000	\$15,000
BURKE COUNTY	BOWBELLS	BURKE	ROAD MAINTENANCE REPAIRS	\$93,761	\$83,009
CARTER TOWNSHIP	FLAXTON	BURKE	ROAD MAINTENANCE & REPAIR	\$25,104	\$20,083
CHATFIELD TOWNSHIP	MAXBASS	BOTTINEAU	ROAD CONSTRUCTION AND DUST CONTROL	\$25,000	\$25,000
COALFIELD TOWNSHIP	NOONAN	DIVIDE	ROAD MAINTENANCE, DUST CONTROL, AND GRAVELING	\$30,000	\$30,000
COLQUHOUN TOWNSHIP	SHERWOOD	RENVILLE	ROAD MAINTENANCE	\$20,000	\$20,000
DELHI TOWNSHIP	SENTINEL BUTTE	GOLDEN VALLEY	RENOVATE 28TH ST AND 161ST AVE SW	\$118,000	\$105,536

2015 General Grant Round - Additional Award Recommendations

DUNN COUNTY	MANNING	DUNN	103RD AVENUE SW ROAD IMPROVEMENTS	\$2,100,000	\$117,776
ELKHORN TOWNSHIP	WESTBY	DIVIDE	ROAD SAFETY	\$35,000	\$35,000
ELMS TOWNSHIP	LANSFORD	BOTTINEAU	ROAD MAINTENANCE	\$15,000	\$15,000
FILLMORE TOWNSHIP	CROSBY	DIVIDE	REPAIRS TO 119TH AVE NW	\$40,000	\$32,000
FORTHUN TOWNSHIP	COLUMBUS	BURKE	ROAD REPAIR, GRAVELING, AND CULVERT REPLACEMENT	\$110,500	\$88,400
FREDERICK TOWNSHIP	ALAMO	DIVIDE	ROAD REBUILDING AND MAINTENANCE	\$200,000	\$200,000
GRASSLAND TOWNSHIP	LANSFORD	RENVILLE	ROAD MAINTENANCE	\$40,000	\$32,000
GRENORA TOWNSHIP	GRENORA	WILLIAMS	REPAIR AND RENOVATE OLD CULVERTS FOR SAFETY	\$33,500	\$33,500
GROVER TOWNSHIP	TOLLEY	RENVILLE	REBUILDING A ROAD WITH HAMERLY TOWNSHIP	\$22,000	\$22,000
HAMERLY TOWNSHIP	SHERWOOD	RENVILLE	ROAD REPAIR AND MAINTENANCE	\$20,000	\$20,000
HAMLET TOWNSHIP	MOHALL	RENVILLE	ROAD REPAIR	\$50,000	\$40,000
HASTINGS TOWNSHIP	MAXBASS	BOTTINEAU	MAINTENANCE AND ROAD REPAIR	\$65,240	\$52,192
HEBRON TOWNSHIP	WILLISTON	WILLIAMS	REPLACE DESTROYED WATER CROSSING	\$36,900	\$36,900
HENRY TOWNSHIP	BEACH	GOLDEN VALLEY	ROAD MAINTENANCE ON VINQUIST & CS CREEK ROAD	\$50,000	\$40,000
JAMES HILL TOWNSHIP	STANLEY	MOUNTRAIL	GRAVEL TOWNSHIP ROADS	\$128,250	\$102,600
KANE TOWNSHIP	NEWBURG	BOTTINEAU	FIXING TROUBLED SPOTS ON OIL TRAVELED ROADS	\$50,000	\$40,000
KELLER TOWNSHIP	COLUMBUS	BURKE	ROAD RE-SHAPE AND GRAVEL	\$40,000	\$40,000
LAKEVIEW TOWNSHIP	KENMARE	BURKE	REPAIR AND MAINTENANCE	\$143,336	\$114,669
LANGBERG TOWNSHIP	BOWMAN	BOWMAN	CULVERT REPLACEMENT AND GRAVELING	\$60,000	\$48,000
LINCOLN VALLEY TOWNSHIP	FORTUNA	DIVIDE	REBUILD PART OF 137TH AVE NW	\$250,000	\$200,000
LONE TREE TOWNSHIP	GOLVA	GOLDEN VALLEY	44TH STREET SW ROAD PROJECT	\$20,000	\$20,000
LUCY TOWNSHIP	POWERS LAKE	BURKE	ROAD MAINTENANCE	\$20,259	\$16,207
MANITOU TOWNSHIP	ROSS	MOUNTRAIL	ROAD MAINTENANCE	\$90,000	\$90,000
MENTOR TOWNSHIP	NOONAN	DIVIDE	107TH AVENUE REPAIR	\$200,000	\$177,231
MINNEHAHA TOWNSHIP	BOWMAN	BOWMAN	REBUILD, IMPROVE DETERIORATING ROADS	\$100,000	\$100,000
MINNESOTA TOWNSHIP	BOWBELLS	BURKE	ROAD REPAIR	\$80,000	\$80,000

2015 General Grant Round - Additional Award Recommendations

MOUNT ROSE TOWNSHIP	LANSFORD	BOTTINEAU	BUILD UP KIP FOLTYN ROAD	\$20,000	\$20,000
MOUNTRAIL COUNTY	STANLEY	MOUNTRAIL	COUNTY ROUTE 10	\$1,000,000	\$300,000
NORTHSTAR TOWNSHIP	FLAXTON	BURKE	ROAD MAINTENANCE	\$38,995	\$35,196
PALMER TOWNSHIP	WILDROSE	DIVIDE	ROAD REPAIR	\$75,000	\$75,000
PEABODY TOWNSHIP	SOURIS	BOTTINEAU	GRAVEL FOR OIL IMPACTED TOWNSHIP ROADS	\$28,000	\$22,400
PEARL TOWNSHIP	BEACH	GOLDEN VALLEY	ROAD GRAVELING	\$66,153	\$52,922
PLAIN TOWNSHIP	CARPIO	RENVILLE	GRAVEL FOR ROADS	\$6,000	\$6,000
POWERS TOWNSHIP	STANLEY	MOUNTRAIL	ROAD REPAIR	\$67,500	\$54,000
PRESCOTT TOWNSHIP	GLENBURN	RENVILLE	ROAD REPAIR AND MAINTENANCE	\$15,000	\$15,000
PROSPERITY TOWNSHIP	SHERWOOD	RENVILLE	GRAVEL FOR ROADS	\$26,000	\$20,800
RAY PARK DISTRICT	RAY	WILLIAMS	RAY PARK DISTRICT RELOCATION PROJECT	\$2,000,000	\$300,000
ROCK ISLAND TOWNSHIP	ALAMO	WILLIAMS	ROAD MAINTENANCE	\$75,000	\$75,000
ROOSEVELT TOWNSHIP	SHERWOOD	RENVILLE	ROAD MAINTENANCE	\$15,000	\$15,000
SADDLE BUTTE TOWNSHIP	BEACH	GOLDEN VALLEY	REBUILD ROADS, GRAVELING AND CULVERT REPLACEMENT	\$260,000	\$237,000
SAUK VALLEY TOWNSHIP	MCGREGOR	WILLIAMS	IMPROVING TOWNSHIP ASSETS	\$475,000	\$40,000
SCANDIA TOWNSHIP	SOURIS	BOTTINEAU	ROAD REPAIR AND GRAVEL	\$38,000	\$34,800
SCOTIA TOWNSHIP	SOURIS	BOTTINEAU	ROAD REPAIR	\$45,000	\$36,000
SENTINEL CIVIL TOWNSHIP	SENTINEL BUTTE	GOLDEN VALLEY	RESURFACING AND MAINTENANCE	\$30,000	\$30,000
SERGIUS TOWNSHIP	WESTHOPE	BOTTINEAU	DUST CONTROL ALONG WITH GRAVEL	\$10,065	\$8,052
SHORTCREEK TOWNSHIP	COLUMBUS	BURKE	ROAD MAINTENANCE	\$43,244	\$34,595
SIOUX TRAIL TOWNSHIP	ZAHL	DIVIDE	ROAD MAINTENANCE	\$37,000	\$37,000
SORKNESS TOWNSHIP	POWERS LAKE	MOUNTRAIL	ROAD MAINTENANCE	\$47,500	\$38,000
SPRING COULEE TOWNSHIP	PLAZA	MOUNTRAIL	GRADE RAISE ON 43RD STREET NW	\$150,000	\$150,000
STONE CREEK TOWNSHIP	KRAMER	BOTTINEAU	ROAD REPAIR	\$8,000	\$8,000
TACOMA TOWNSHIP	NEWBURG	BOTTINEAU	ROAD GRAVELING	\$20,000	\$20,000
TOLLEY FIRE DEPARTMENT	TOLLEY	RENVILLE	EXTRICATION EQUIPMENT	\$32,085	\$25,668

2015 General Grant Round - Additional Award Recommendations

TRENTON TOWNSHIP	TRENTON	WILLIAMS	ROAD MAINTENANCE, DUST CONTROL, REPLACEMENT OF A MOTORGRADER	\$480,000	\$64,000
TROY TOWNSHIP	CROSBY	DIVIDE	REPAIR AND ROAD MAINTENANCE	\$900,900	\$300,000
TWIN BUTTE TOWNSHIP	AMBROSE	DIVIDE	GRADE REPAIR ON 129TH AVENUE	\$35,000	\$35,000
VAN BUREN TOWNSHIP	GLENBURN	RENVILLE	ROAD MAINTENANCE	\$50,000	\$50,000
VIEW TOWNSHIP	RAY	WILLIAMS	EQUIPMENT PURCHASE FOR A TRACTOR, AND ROAD MAINTENANCE	\$80,000	\$32,000
WARD COUNTY	MINOT	WARD	AMBULANCE REPLACEMENT	\$84,115	\$68,892
WARD TOWNSHIP	BOWBELLS	BURKE	90TH STREET ROAD REPAIR	\$52,500	\$42,000
WAYNE TOWNSHIP	ANTLER	BOTTINEAU	ROAD MAINTENANCE	\$10,000	\$8,000
WHEELOCK TOWNSHIP	EPPING	WILLIAMS	GRAVELING	\$60,000	\$60,000
WILLIAMS COUNTY	WILLISTON	WILLIAMS	COUNTY ROAD 17A	\$900,000	\$300,000
WILLIAMS COUNTY	WILLISTON	WILLIAMS	COUNTY ROAD 10	\$1,100,000	\$30,400
					\$5,878,060

Motion: The Board adopted the Energy Impact Grants Advisory Committee and EIO recommendations for 136 grants totaling \$12,360,242 from the Oil and Gas Impact Grant fund to the political subdivisions as identified in the preceding recommendation lists.

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		

With the Board's decision to award \$6,482,182 for general grants as well as a secondary list \$5,878,060 from contingency funds and canceled grants, a balance of \$1,232,268 remains available until the end of the biennium for emergency needs.

Ward County - Request for Amendment of Flood Impact Grant

Ward County requested a change of scope on a flood grant awarded by the Board under the Flood Impacted Political Subdivision Infrastructure Development Grant Program (FIPSIDGP) in 2012:

- F120830 - REPAIR TATMAN TOWNSHIP BRIDGE - \$125,000.00 - Balance Remaining \$52,116.60

Ward County budgeted for replacement of the Tatman Township Bridge at a cost of \$250,000 and the Board awarded \$125,000 for 50% of the cost share. The actual project cost was \$145,766.80, of which 50% (\$72,883.40) has been reimbursed to the county.

Ward County is requesting to use the remaining funds from grant #F120830, \$52,116.60, to pay for the grade raise on a critical roadway. FEMA denied reimbursement for the raise of this roadway in response to the flood event of 2011.

The Director confirmed that the road raise project meets the guidelines and intent as established in SB 2371 as adopted by the 2011 Legislature.

Motion: The Board approved Ward County's request to utilize the balance of Grant #F120830 for use on a county road grade raise project or for the original intent of the award.

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 M A N A G E M E N T

Approval of a Corrective Patent for the NE4 134-68-16 Logan County

An attorney for Mrs. Linda Wilen has requested a corrective patent that accurately conveys the property purchased from the Board by Mr. Ernest E. Wilen under a contract dated April 11, 1974. This contract was subsequently assigned to Vernon Wilen and Linda Wilen, on November 22, 1975.

On July 17, 1990, the Board issued the patent for the NE4 Section 16, T134N, R68W, Logan County to Vernon Wilen and Linda Wilen, husband and wife. The legal description in the patent made exception for a "10.85 acre tract being that acreage previously condemned for the Edgeley-Missouri River Line of the Northern Pacific Railway Company," and by making exception for the 10.85 acre tract the patent failed to convey all of the lands bargained for under the Contract for Sale of Land.

The contract for sale recited the following legal description: "Northeast quarter (NE1/4) of Section Sixteen (16), Township One hundred thirty four (134) North, of Range Sixty eight (68) West." The acreage in the contract was stated as "containing 149.15 acres, more or less."

While it might be construed that the "missing acres" were a railroad easement, the Board of University and School Lands confirmed, in its October 5, 1999 meeting, "its intent that when the land containing a railroad right-of-way was sold, the Board intended to sell the entire tract and not exclude the fee simple interest underlying the railroad right-of-way easement. Any such exclusion was a clerical error and was not intended by the Board."

In order to correct a previous error, and to assist in clearing title to this land, a corrective patent was prepared for issuance to Linda Wilen and that the legal description on the patent should be corrected to read as follows:

Northeast Quarter (NE1/4) of Section 16, Township 134 North, Range 68 West, of the Fifth Principal Meridian, Logan County, North Dakota.

Motion: The Board authorized the Governor and the Commissioner to sign the corrective Patent for the NE4 134-68-16 Logan County.

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		

Adoption of a Surface Director Retirement Congratulations Resolution

After more than 35 years of employment with the Department of Trust Lands, Dr. Michael Brand is retiring as the Director of Surface Management.

Motion: **The Board hereby thanked and commended Dr. Michael D. Brand for his dedication and service to the State of North Dakota, to the Board and most prominently to the “trusts”, and wished him every success in future endeavors.**

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 MANAGEMENT

Consideration of a Policy on Securities Lending

In March, the Board reviewed a proposed policy on securities lending; however, it requested additional details about potential cash collateral investment guidelines.

A copy of Northern Trust’s securities lending guidelines for the Board’s cash collateral pool was provided for the Board and a copy is on file at the Commissioner. These guidelines detail limitations as to credit quality, duration, liquidity and diversification that are meant to allow the portfolio to earn a small return while also protecting it from principal losses.

A proposed Board policy on securities lending was presented for consideration and for eventual inclusion into the Board’s investment policy statement (IPS). The IPS will contain policies and broad language regarding the quality, duration, liquidity and diversification of the collateral pool. Detailed investment guidelines will be in specific securities lending agreements.

In accordance with the proposed policy, the Commissioner, will provide a report to the Board at least annually as to the quality, duration, liquidity, and diversification of the collateral pool and the performance of the securities lending program as a whole. This reporting mechanism is meant to provide the Board with the information necessary to determine that the portfolio is being managed in a prudent, effective and conservative manner.

The proposed policy:

Securities Lending

The objective of the securities lending program is to generate incremental income from overnight and certain term loans of securities. The funds overseen by the Board may participate in a securities lending program.

The program will utilize a high-quality and conservative collateral re-investment approach that safeguards the return of principal and maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities. Each securities lending agent will ensure that specific guidelines are in place as to the quality, duration, liquidity and diversification of securities lending collateral.

The Board requires collateral for loans. The use of assets in any securities lending engagements should:

1. Earn a competitive market return through conservative securities lending practices, consistently with the preservation of capital.
2. Minimize risk with respect to both the borrower and the collateral,
3. Operate the securities lending program so that it will not interfere with the management of overall investment portfolio and strategies.

Unless explicitly exempted by the Board in writing, the lending agent shall provide indemnification against losses arising from borrower default (failure to return equivalent securities and/or insolvency) and failure to comply with the terms and conditions of the lending agreements.

The Commissioner shall provide an annual report to the Board outlining the performance and status of the securities lending program.

Motion: The Board approved the proposed Securities Lending Policy for inclusion into the Board’s Investment Policy Statement.

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

Summary of Total Assets

The Board reviewed a summary of total trust and fund assets as of February 28, 2015. A copy of the summary is on file with the Commissioner.

May Oil and Gas Lease Auction

A list of tracts to be offered in the May 5th oil and gas lease auction was provided to the Board.

Report of Easements Issued by the Land Commissioner

(02-16-15 through 03-13-15): No Action Requested)

- Granted to:** **ROCK ISLAND TOWNSHIP, ALAMO-ND**
For the Purpose of: Easement: Road Right-of-Way
- Granted to:** **BURLINGTON RESOURCES OIL & GAS CO LP, BARTLESVILLE-OK**
For the Purpose of: On-lease Act. Amend: Horizontal Oil Well
- Granted to:** **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
For the Purpose of: Easement: Electric Distribution Line - Above Ground
- Granted to:** **NORTH PLAINS ENERGY LLC, DENVER-CO**
For the Purpose of: Easement: Multiple Pipelines
- Granted to:** **HESS BAKKEN INVESTMENTS II, LLC, MINOT-ND**
For the Purpose of: Easement: Drop Line-Multiple Pipelines & Communication Cable
- Granted to:** **ROUGH RIDER ELECTRIC COOP INC, HAZEN-ND**
For the Purpose of: Easement: Electric Distribution Line - Above Ground
- Granted to:** **ENDURO OPERATING LLC, FORT WORTH-TX**
For the Purpose of: Permit: Access Road
- Granted to:** **SHERIDAN ELECTRIC COOP INC, MEDICINE LAKE-MT**
For the Purpose of: Easement: Electric Distribution Line - Above Ground
- Granted to:** **MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND**
For the Purpose of: Easement: Drop Line-Electric Distribution Line

Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement: Drop Line-Buried Electric Distribution Line
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement-Amend: Electric Distribution Line - Above Ground
Granted to:	ENDURO OPERATING LLC, FORT WORTH-TX
For the Purpose of:	Permit: Access Road
Granted to:	ENDURO OPERATING LLC, FORT WORTH-TX
For the Purpose of:	Permit: Access Road
Granted to:	EDDY COUNTY, NEW ROCKFORD-ND
For the Purpose of:	Easement: Road Right-of-Way
Granted to:	WHITING OIL AND GAS CORPORATION, DENVER-CO
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Granted to:	WHITING OIL AND GAS CORPORATION, DENVER-CO
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Granted to:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
For the Purpose of:	Easement: Electric Transmission Line
Granted to:	MARATHON OIL COMPANY INC, DICKINSON-ND
For the Purpose of:	Easement: Multiple Pipelines
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, MINOT-ND
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Granted to:	DUNN COUNTY, MANNING-ND
For the Purpose of:	Easement: Road Right-of-Way
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Gas Gathering Pipeline
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement-Amend: Drop Line-Pipeline
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Granted to:	SLOPE ELECTRIC COOP INC, NEW ENGLAND-ND
For the Purpose of:	Easement: Drop Line-Buried Electric Distribution Line
Granted to:	OASIS MIDSTREAM SERVICES LLC, HOUSTON-TX
For the Purpose of:	Easement: Salt Water Pipeline
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Granted to:	XTO ENERGY INC, FORT WORTH-TX
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Granted to:	BURLINGTON RESOURCES OIL & GAS CO LP, BARTLESVILLE-OK
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement-Amend: Drop Line-Pipeline

Granted to: **LIBERTY RESOURCES MANAGEMENT CO LLC, DENVER-CO**
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well

Granted to: **XTO ENERGY INC, FORT WORTH-TX**
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well

Granted to: **QEP ENERGY COMPANY, DENVER-CO**
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well

Granted to: **CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK**
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well

Granted to: **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
 For the Purpose of: Easement: Drop Line-Electric Distribution Line

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. Fees may be charged.

Granted to: **DUCKS UNLIMITED INC, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land – Topography Survey

Granted to: **USDA-NRCS, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land – Natural Resource Inventory

Legislative Update

An update of Legislative Bills under consideration by the 2015 Legislature including all or portions of HB 1013, HB 1176, HB 1012, HB 1014, HB 1018, HB 1285, HB 1443, and SB 2103 were highlighted and discussed by the Board.

A D J O U R N

There being no further business, the meeting was adjourned at 10:42 AM.

Jack Dalrymple, Chairman
 Board of University and School Lands

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

**Minutes of the Meeting of the
Board of University and School Lands
May 28, 2015**

The May 28, 2015 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
Wayne Stenehjem	Attorney General
Kelly Schmidt	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

Member Absent:

Alvin A. Jaeger	Secretary of State
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Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Bonnie Storbakken	Governor's Legal Counsel
Jason Nisbet	Governor's Research Analyst
Kyle Wanner	ND Aeronautics Commission
Jared Wingo	ND Aeronautics Commission
Marcia Beard	RVK
Kristen Steffens	RVK

APPROVAL OF MINUTES

A motion to approve the minutes of the April 27, 2015 meeting was made by Attorney General Wayne Stenehjem and seconded by Treasurer Kelly Schmidt and the motion carried on a voice vote.

ENERGY IMPACT AND INFRASTRUCTURE OFFICE

Airport Grant Recommendations

Of the \$239.3 million appropriated by the 2013 Legislature, \$219,092,968 has been awarded by the Board, and as of May 13, 2015, \$118.2 million has been disbursed to completed projects.

In August 2013 the Board awarded \$27,008,442 to airports in oil impacted communities. In June 2014 the Board awarded an additional \$8,893,066 to airports and in July 2014, \$2 million was granted toward the Killdeer airport. In October 2014, \$3,067,374 was awarded by the Board to airports.

Cancellation of Previous Airport Awards

Awards to airports were provided on a cost-share percentage basis. In cases where bids come in under the anticipated project costs, this has resulted in unused grant funds. These funds can be returned to the program to be re-awarded to other projects.

Following is a list of grants recommended for cancellation:

Grant #	Airport	Award Provided for	Award Amount	Balance to be Canceled
G140073	Dickinson	Terminal Building Improvements	\$133,652.00 – 80%	\$11,479.84
G140081	Dunn County	Land acquisition for runway	\$336,000.00 – 80%	\$200,446.09
G140085	Tioga	Design/Construct Fuel System	\$268,900.00 – 75%	\$12,749.43
G140071	Dickinson	Construct Airline Apron Expansion	\$796,363.00 – 80%	\$62,535.29
G140296	Dickinson	Design of Commercial Terminal Access Road, Security Upgrades	\$46,160.00 – 80%	\$46,160.00
Total of Awards Canceled				\$333,370.65

Motion: **The Board canceled the remaining balance of five identified awards totaling \$333,370.65 and made this amount available to be granted to other airport 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		

Airport Award Recommendations

With the cancellation of the five grants in the previous action, an additional \$333,370.65 is available for grants to airports. Thus, \$19,364,488.65 remains to be awarded to meet the \$60 million specified by the 2013 Legislature for airport grants.

The EIO utilized the policies of the Aeronautics Commission related to applying state grant funding at 50% of local share of project costs and it considers a higher funding level if the airport provides justification for the cost-share increase. Federal cost share is always pursued as a priority.

The Aeronautics Commission has again reviewed and approved grant recommendations. Below is the listing of recommended awards for the Board’s consideration.

Airport Energy Impact Awards Recommendations						
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	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
WILLISTON	1. FAA 2015 AIP #39 -Taxiway Rehabilitation	\$1,134,000.00	\$56,700.00	\$56,700.00	\$56,700.00	5%
	2. Land Acquisition for Airport Relocation Project*	\$27,380,000.00	\$9,796,910.00	\$17,583,091.00	\$17,583,091.00	90%
	3. Terminal ARFF/SREE Schematic Design Reimbursement	\$994,531.00	\$99,453.00	\$895,078.00	\$895,078.00	90%
	4. Benefit Cost Analysis / FAA Letter of Intent Application	\$551,387.00	\$55,139.00	\$496,249.00	\$496,249.00	90%
	<i>* The state grant allocation for the Williston Land Acquisition will be dispersed upon an official notice being received by the Aeronautics Commission and the Energy Infrastructure and Impact Office, that the environmental process for the airport relocation project has been approved and that a substantial financial commitment from the Federal Aviation Administration has been provided.</i>					
	Sub Total	\$30,059,918.00	\$10,008,202.00	\$19,031,118.00	\$19,031,118.00	

KILLDEER	1. Design and Construct 100LL and Jet A Fuel Facility	\$444,930.00	\$222,465.00	\$222,465.00	\$222,465.00	50%
	Sub Total	\$444,930.00	\$222,465.00	\$222,465.00	\$222,465.00	
NEW TOWN	1. Runway 12/30 Reconstruction (Supplemental Funding)	\$93,027.00	\$18,605.00	\$74,422.00	\$74,422.00	80%
	Sub Total	\$93,027.00	\$18,605.00	\$74,422.00	\$74,422.00	
WESTHOPE	1. Airport Layout Plan	\$ 97,440.00	\$ 9,744.00	\$ 87,696.00	See Pledged	
	2. Apron Expansion	\$ 50,646.00	\$ 5,065.00	\$ 45,581.00	\$ 36,483.65	90%
	Sub Total	\$ 148,086.00	\$ 14,809.00	\$ 133,277.00	\$ 36,483.65	
TOTALS		\$30,745,961.00	\$10,264,081.00	\$19,461,282.00	\$19,364,488.65	

Motion: **The Land Board awarded \$19,364,488.65 from the Oil and Gas Impact Grant Fund, including \$19,031,118.00 to Williston's Sloulin Airport, \$222,465.00 to Dunn County Airport Authority, \$74,422.00 to New Town Airport Authority, and \$36,483.65 to Westhope Municipal Airport as identified in the preceding recommendations. All grant disbursements are contingent upon confirmation 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
Superintendent Baesler		X	X		
Treasurer Schmidt	X		X		
Attorney General Stenehjem			X		
Governor Dalrymple			X		

Commitment of Grants Planned for 2015-2017

In HB 1176, the 2015 Legislature directed \$48 million of the \$139.3 million appropriated for oil impact grants to airports impacted by oil and gas development. The legislation directs the EIO to develop grant procedures and requirements necessary for distribution of grants which must include cost-share requirements and to give priority to projects having been awarded or that are eligible to receive federal funding.

Separately, in section 39 of SB 2015, the 2015 Legislature adopted legislative intent regarding the \$48 million appropriated to the oil and gas impact grant fund for airports in HB 1176, specifically designating \$39 million to the Williston airport and \$5.8 million to the Dickinson airport. The language indicates legislative intent that the allocation for these two airports be provided without a local match requirement.

The EIO has again worked with the Aeronautics Commissioner to implement policies and procedures for airport assistance grants in the Energy Impact grants process. The EIO utilized the policies of the Aeronautics Commission funding, related to applying state grant funding at 50% of local share of project costs, unless the applying airport provides justification for the increase, federal cost share is always pursued as a priority.

In an effort to allow the airports to proceed with projects during the 2015 construction season, the following recommendations were offered for the Board to commit or pledge to future awards during the 2015-2017 biennium. Recommendations were reviewed and approved by the Aeronautics Commission at its May 21, 2015 meeting.

Airport Energy Impact Commitment Recommendations - 2015-2017 Biennium						
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	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
MINOT	1. 2015 FAA AIP #49 Master Plan / Airport Layout Plan Update with AGIS	\$923,000.00	\$46,150.00	\$46,150.00	\$46,800.00	5%
	2. Construct Terminal Access Road - Phase 2 (\$850,000 was previously awarded at 50%)	\$1,938,157.00	\$969,079.00	\$119,078.00	\$119,078.00	50%
	Sub Total	\$2,861,157.00	\$1,015,229.00	\$165,228.00	\$165,878.00	
DICKINSON	1. General Aviation Apron Light and Security Upgrades	\$307,000.00	\$0.00	\$307,000.00	\$307,000.00	100%
	2. Wildlife Hazard Assessment and Wildlife Hazard Management Plan Update	\$69,712.00	\$0.00	\$69,712.00	\$69,712.00	100%
	3. Master Plan 2 Amendment	\$265,774.00	\$0.00	\$265,774.00	\$265,774.00	100%
	Sub Total	\$642,486.00	\$0.00	\$642,486.00	\$642,486.00	
The three projects above are recommended at a 100% state cost-share						
GARRISON	1. FAA 2015 AIP #12 - Runway 13-31 Rehabilitation	\$2,400,000.00	\$120,000.00	\$120,000.00	\$120,000.00	5%
	2. Reconstruct Fueling Apron with PCC Hardstand	\$83,826.00	\$25,148.00	\$58,678.00	\$58,678.00	70%
	Sub Total	\$2,483,826.00	\$145,148.00	\$178,678.00	\$178,678.00	
KENMARE	1. FAA 2015 AIP #12 - Runway Lighting System Rehabilitation	\$540,345.00	\$27,017.00	\$157,331.00	\$157,331.00	30%
	Sub Total	\$540,345.00	\$27,017.00	\$157,331.00	\$157,331.00	
WASHBURN	1. FAA 2015 AIP #14 - Apron Expansion and Taxiway Widening	\$772,491.00	\$38,625.00	\$64,871.00	\$64,871.00	10%
	Sub Total	\$772,491.00	\$38,625.00	\$64,871.00	\$64,871.00	
WESTHOPE	1. Airport Layout Plan	\$ 97,440.00	\$ 9,744.00	\$ 87,696.00	\$ 87,696.00	90%
	2. Apron Expansion	\$ 50,646.00	\$ 5,065.00	\$ 45,581.00	\$ 9,097.35	90%
	Sub Total	\$ 148,086.00	\$ 14,809.00	\$ 133,277.00	\$ 96,793.35	
TOTALS		\$7,448,391.00	\$1,240,828.00	\$1,341,871.00	\$1,306,037.35	

Motion: The Board committed to future awards totaling \$1,306,037.35 to airports as identified in the preceding list; and thus the Board indicate its intent to award grants during the 2015-2017 biennium. Future grant awards will be contingent upon confirmation that local and federal cost-share is available for the identified projects.

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		

Summary of Grants Approved During the 2013-2015 Biennium

With the adoption of the previously recommended cancelations and grants relating to airports, awards-to-date and remaining funds are as follows:

2013-2015 Biennium Breakdown (Combining like FY Rounds)					
Round or Award	#Applications	Amt of Projects	Amt Requested	#Awards	Amt Awarded
Cities - FY2014	115	\$840,713,894	\$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	44	\$111,600,014	\$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	\$28,957,723	\$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	\$47,469,309	55	\$6,104,494
Cities - FY2015	64	\$156,860,346	\$132,745,228	29	\$40,333,838
K-12 Schools - FY2015	94	\$87,800,906	\$59,157,913	52	\$12,879,294
Airports - FY2015	29	\$36,179,432	\$25,997,510	27	\$24,431,863
EMS & Fire - FY2015	131	\$31,294,341	\$23,496,984	43	\$4,786,415
Emerging Counties FY 2015	1	\$1,250,000	\$1,250,000	1	\$1,250,000
General - FY2015	162	\$93,999,796	\$44,514,467	136	\$12,360,242
Airports-FY2015 Canceled Grants (5)	0	\$0	\$0	0	-\$333,371
	1156	\$1,584,168,912	\$1,124,916,286	596	\$238,124,086
			Administration		\$700,826
			Previous Funds Re-Awarded		-\$57,180
			Remaining Allocated		
			Contingency Fund		\$1,232,268
			Total		\$240,000,000
			Appropriated for Grants		\$239,299,174
			FY 60% Max for Awards		\$143,579,504
					As of May 28, 2015
			Awarded FY 2014		\$142,415,805
			Awarded FY 2015		\$95,708,281

All of the specific allocations made by the 2013 legislature will have been met or exceeded with awards provided by the Board as follows:

- Airports – Legislative designation-\$60 million; awarded-\$60 million
- Higher Education – Legislative designation-\$4 million; awarded-\$4 million
- Dust Control – Legislative designation-\$3 million; awarded-\$3 million
- Fire Districts – Legislative designation-\$3.5 million; awarded-\$9.44 million
- Emergency Medical Services – Legislative designation-\$7 million; awarded-\$7.56 million
- Sheriffs – Legislative designation-\$7 million; awarded-\$7 million
- Hub Cities – Legislative designation-\$14 million; awarded-\$14 million

The remaining \$1,232,268 in contingency is reserved for unexpected emergency needs. If no new requests are received, recommendations for awards to project requests received during the General Grant will be offered for consideration by the Board in June.

Consideration of 2015-2017 Grant Allocations and Schedule

The 2015 Legislative Assembly provided funding and direction to the Energy Infrastructure and Impact Office and the Board in two separate bills. In HB 1176, the Legislature appropriated \$140 million to the oil and gas impact grant fund (OGIGF) with \$139.3 million designated for grants. The Department's budget bill, HB 1013, contains an appropriation of \$700,000 for EIO operations and salaries.

Of the \$139.3 million for grants, HB 1176 identified 16 specific allocations totaling \$132.5 million:

- 1) \$48 million to airports
- 2) \$30 million to school districts, formula derived and must be used for renovation and improvements
- 3) \$10 million to law enforcement agencies where crime related activities have increased
- 4) \$10 million to critical access hospitals, 50% each fiscal year distributed in January
- 5) \$8 million to be split equally between Divide and Bowman counties
- 6) \$6 million to Emergency Medical Services
- 7) \$5 million to political subdivisions in the counties of Golden Valley, Renville, McLean, Slope, Ward, McHenry and Mercer
- 8) \$4 million to nursing homes, basic care providers, home health services and hospice programs, \$500,000 must be distributed to home health services and hospice programs in Williston and Dickinson
- 9) \$3 million to fire protection districts
- 10) \$2 million to developmental disabilities service providers in oil producing counties, distributed in January of each year based on the number of full-time equivalent positions
- 11) \$2 million to domestic violence sexual assault organizations located in oil-producing counties, include required local match of at least \$2 of non-state funds for each \$1 grant
- 12) \$2 million to local district health units located in oil-producing counties
- 13) \$1.7 million to the city of Stanley
- 14) \$500,000 to the city of Kenmare
- 15) \$200,000 to the city of Berthold
- 16) \$100,000 to the city of Burlington

Separately, SB 2199 designates that \$750,000 of the \$10 million provided for law enforcement under HB 1176 be made available to hub city organizations involved in providing prevention and treatment services related to human trafficking victims.

SB 2284 stipulates that \$250,000 of the \$10 million provided for law enforcement under HB 1176 be made available for grants through the domestic violence and rape crisis programs for community-based sexual assault examiner programs.

Regarding the \$48 million targeted for airports in HB 1176, separately within SB 2013 is a statement of legislative intent for \$39 million to targeted to the Williston airport and \$5.8 million to the Dickinson airport; both without a local matching requirement.

HB 1176 also provided biennial carryover authority of any grants awarded from the oil and gas impact grant fund.

The requirement for the energy infrastructure and impact office director to make grant recommendations at least once each calendar quarter was removed in HB 1013.

Grant Round Schedule, Allocations and Advisory Committees:

Legislative allocations include a mix of direct distributions, prescribed calculation of grant amounts and traditional discretionary grants. Communication and consultation with other state agencies and key stakeholders, some specifically directed by legislation, is already underway:

- Bureau of Criminal Investigation within the Attorney General's Office
- Department of Public Instruction
- Aeronautics Commission
- Department of Human Services
- Department of Health
- State Fire Marshall's Office of the Attorney General's Office
- Department of Commerce
- ND Long Term Care Association

In the past, individual key stakeholders have been appointed by the Board as authorized by N.D.C.C. § 15-01-02, to serve in an advisory role assisting in determining grant awards. Given the new diverse areas of allocation by the Legislature, the EIO will review existing committees and provide future recommendations for additional stakeholder groups to provide grant recommendations to the Board at a future meeting.

Legislative allocations account for \$132.5 million of appropriated grant funds. The EIO suggested that the remaining \$6.8 million be reserved for contingencies to address emergency requests during the 2015-17 biennium.

A grant schedule was presented to the Board. Monthly deposits into the OGIGF are estimated to be \$5 to \$6 million starting in September. Since some legislative allocations include formula derived distributions of money instead of a grant process; some funds will need to be managed to meet January obligations in each fiscal year.

ENERGY IMPACT GRANT SCHEDULE					
2015-2017 Biennium					
2015-16 Fiscal Year (In Millions)			2016-17 Fiscal Year (In Millions)		
2015	May/July	Law Enforcement	\$9 Allocated		
		Human Trafficking	\$.75 Allocated		
		Domestic violence Exam	\$.25 Allocated		
	June/July	K-12 Schools	\$15 Allocated	June/July	K-12 Schools \$15 Allocated
	June/Sept	Airports	\$28.8 Allocated	June/Sept	Airports \$19.2 Allocated
	Aug/Oct	Emergency Medical Services	\$6 Allocated		
	Aug/Oct	Fire Protection Districts	\$3 Allocated		
	Oct/Nov	Local District Health	\$2 Allocated		
	Oct/Dec	Critical Access Hospitals	\$5 Allocated	Oct/Dec	Critical Access Hospitals \$5 Allocated
	Dec/Jan	Domestic violence	\$2 Allocated		
2016	Dec	Developmentally Disabled Facilities	\$1 Allocated	Dec	Developmentally Disabled Facilities \$1 Allocated
				Feb/March	Bowman and Divide \$8 Allocated
				Feb/March	City of Stanley \$1.7 Allocated
				Feb/March	City of Kenmare \$.50 Allocated
				Feb/March	City of Berthold \$.20 Allocated
				Feb/March	City of Burlington \$.10 Allocated
	Jan/March	General (Eligible Political Suidivisions)	\$5 Allocated		
	March/April	Nursing Homes, Basic Care	\$2.4 Allocated	March/April	Nursing Homes, Basic Care \$1.6 Allocated
		Contingency	\$3.2		Contingency \$3.6
Total For Awards 2015/16 Fiscal Year			\$83.4	Total For Awards 2016/17 Fiscal Year	
				\$55.9	
2015-16 FISCAL YEAR TOTAL PROJECTED AWARDS at 60% = \$83.58					
2016-17 FISCAL YEAR PROJECTED AWARDS at 40% = \$55.72					
TOTAL BIENNIAL APPROPRIATION = \$140					
TOTAL BIENNIAL APPROPRIATION FOR AWARDS = \$139.3					
<u>Biennial Total Remaining To Be Awarded = \$139.3</u>					
*(In Millions)					

The proposed schedule gives consideration to N.D.C.C. § 15-01-02, which limits the amount that the Board can grant each year to no more than 60% of the biennia appropriation. Sixty percent of the \$139.3 million appropriated for awards would be \$83.58 million.

It is anticipated that changes to committee members are necessary for broad participation across the oil development area and to confirm member's willingness to continue participating on the committee.

Motion: The Board approved the recommended grant schedule, including targeted fund allocations for the 2015-2017 biennium with provision to allow the Director to adapt the schedule and replace additional Advisory Board members as needed.

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		

MINERALS MANAGEMENT

Commitment to Return Royalties if Ownership Claim Changes

N.D.C.C. § 47-16.-39.1 obligates royalties on oil or gas produced under a lease to be paid to owners within 150 days after product is marketed. There is an exception to this rule when there is a title dispute. Because of perceived uncertainty as to the ownership of the minerals under the navigable Yellowstone and Missouri Rivers, many operators have claimed there is a title dispute to these tracts and placed royalties into suspense.

In December of 2013, the North Dakota Supreme Court held in *Reep v. State* that the State owns the minerals under navigable waterways up to the ordinary high watermark. Since the Board manages these sovereign minerals, the Department of Trust Lands is actively engaged in auditing unpaid royalties. Unless a tract is subject to ongoing litigation or there is other evidence of a specific dispute of the State of North Dakota's sovereign lands claim, the Commissioner believes the operators cannot continue to hold royalties in suspense. The Department has long articulated a policy that it will reimburse any paid bonus, rentals or royalties on minerals in which it is later determined that the State does not own and the Board does not manage. In fact the Board's standard lease form provides that:

Lessor neither warrants nor agrees to defend title to the leased premises, except that all bonuses and rentals will be returned to the lessee in the event lessor does not have a lawful right to lease the leased premises for oil and/or gas exploration and production.

Other than assurances by the Department, the Board has not formally recognized that this assurance applies to royalties as well, however; whenever overpayments have been identified, the Department has allowed the reversal of the appropriate transactions. Several examples of transactions of royalty refunds were offered.

Examples of royalty refunds were presented to the Board and are on file with the Department.

The Commissioner requested that the Board adopt a Statement indicating its policy applies to royalties too. It is hoped that such action will give operators assurance and motivate them to take river tract royalties out of suspense and pay the royalties to the state.

Motion: The Board adopted the following Statement of Principle: In the event that it is determined the Board does not have a lawful right to claim ownership on behalf of the State of North Dakota, or its trusts, or right to lease the leased premises for oil and/or gas exploration and production, royalties received prior to such determination will be returned to the current well operator for distribution to the rightful owner(s).

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		

I N V E S T M E N T M A N A G E M E N T

Transition Manager to Restructure Diversified Inflation Strategies Portfolio

In February 2015, the Board approved a structure for the Diversified Inflation Strategies (DIS) portion (10%) of the permanent trusts' investment portfolio that included: 3% master limited partnerships (MLPs), 3% commodities, 2% natural resources equities and 2% Treasury inflation protected securities (TIPS).

In February and March, the Board approved the hiring of Harvest Funds (MLPs), Van Eck (natural resource equities) and Gresham (commodities); the permanent trusts already have an allocation to a Northern Trust TIPS index product. This action removed real estate investment trusts (REITs) from the portfolio.

Negotiation of contracts with Harvest, Van Eck and Gresham is nearly complete, and plans are in place to fund the new mandates in June 2015. In order to do so, the REIT portfolio will be liquidated and the TIPS portfolio will be reduced to near its 2% target allocation.

At the request of the Commissioner, RVK reviewed the planned restructuring of the DIS portfolio. That review led RVK to suggest that it would be more efficient and effective to hire a transition manager to assist in restructuring the portfolio. Doing so reduces the direct trading costs of restructuring the portfolio; it also diminishes market impacts and helps the portfolio maintain market exposures during the transition.

Northern Trust and State Street were asked to submit bids for the transition within the DIS portfolio. The bids were reviewed and each company was subsequently interviewed by RVK and Department staff by telephone.

Both the Commissioner and RVK recommended State Street Bank be hired to assist in the liquidation of the Delaware portfolio and to fund the new DIS structure. Representatives from RVK discussed the process and rationale for using a transition agent, and the basis for State Street being recommended.

RVK presented their Diversified Inflation Strategy transition recommendation to the Board and a copy of that memorandum is available at the Department.

Motion: The Board authorized the Commissioner to engage State Street Bank to liquidate the current Delaware REIT portfolio and to assist in the transitioning to the new diversified inflation strategies portfolios, as applicable.

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		

Capitol Building Fund Investment Guidelines

In accordance N.D.C.C. § 48-10-02, the Capitol Grounds Planning Commission is responsible for: “the administration of the capitol building fund, its interest and income fund, and its investments and properties. It may cause any lands now held in such funds to be sold at market value, direct the conversion of any securities now held by such funds to cash, approve expenditures from such funds subject to law and legislative appropriations, and to do all other things necessary to carry out the intent and purposes of this section. The board of university and school lands or its designee, on the commission's behalf, shall see to the investment and management of the capitol building fund and its interest and income fund and shall account to the commission concerning these funds at the commission's request.”

Thus the Board works for the Commission in managing the surface lands, minerals, and financial assets of the Capitol Building Fund. This is different than the constitutional authority under which the Board manages the Common Schools and 12 other constitutional permanent trust funds.

On May 14, 2015, the Capitol Grounds Planning Commission adopted Asset Management Guidelines.

A copy of the Asset Management Guidelines was provided to the Board and is available at the Department.

The strategic asset allocation, investment guidelines and benchmark for this fund are exactly the same as those adopted by the Board for the Strategic Investment and Improvements Fund.

Motion: The Board accepted the Asset Management Guidelines for the Capitol Building Fund, which were approved by the Capitol Building Planning Commission on May 14, 2015; and authorized the Commissioner to implement the strategy.

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		

Draft Investment Policy Statement

The Board has worked closely with RVK for two years performing an investment study and choosing and implementing a new strategic asset allocation for the permanent trusts. As these

projects near conclusion, a proposed complete Board Investment Policy Statement (IPS) was proposed.

An IPS is a document that provides a frame-work for the management of an investment program. It defines the authority; establishes goals and objectives; defines roles and responsibilities; and expresses limits and boundaries for each entity involved in management of an investment program. In this instance, these entities include the Board, the Commissioner and staff, consultants, custodians and contracted investment managers.

Historically, the Board's investment program has been managed by individual actions, documented by an accumulation of related memos and policies. As the program has grown from an income focus with mostly bonds and loans, to a more sophisticated diversified investment portfolio, it is appropriate that a comprehensive policy document be considered.

A DRAFT Investment Policy Statement was presented which represents a compilation of existing processes, procedures, and practices; as well as guiding policies that were recently adopted. The document is an entirely new version and format of organized existing policies and procedures.

RVK worked closely with the Commissioner and staff in preparing the Policy Statement, and Marcia Beard and Kristen Steffens were present to join in discussing it with the Board.

The DRAFT Investment policy was offered for the Board's review for consideration and adoption at a subsequent meeting.

RVK Investment Performance Report – 1st Quarter 2015

Kristen Steffens and Marcia Beard from RVK met with the Board to review the performance of the permanent trust funds' pool of investment assets for the period ending March 31, 2015.

This report is designed as a tool for the Board to monitor and evaluate the collective performance of the permanent trusts' investments and the performance of individual managers within the program.

RVK's report performance report covers the permanent trust funds' investment portfolio. A report on the status of the Capitol, Coal Development and Strategic Investment and Improvements Fund investment performance will be provided separately by staff.

A copy of this report is available at the Department.

R E P O R T S

- 1) The quarterly financial statement as of March 31, 2015 was provided to the Board and is available at the Department.**
- 2) The May 2015 oil and gas lease auction results were provided to the Board and are available at the Department.**
- 3) Report of Easements Issued by Land Commissioner**

Granted to:
For the Purpose of:

JMAC RESOURCES INC, WILLISTON-ND
Permit: Section Line Access Road

Granted to: For the Purpose of:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Electric Distribution Line - Above Ground
Granted to: For the Purpose of:	TARGA BADLANDS LLC, HOUSTON-TX Easement-Amend: Drop Line-Pipeline
Granted to: For the Purpose of:	SUNDHAGEN SAND & GRAVEL INC, JAMESTOWN-ND Lease: Sand & Gravel
Granted to: For the Purpose of:	CONSOLIDATED TELCOM, DICKINSON-ND Easement: Communication Cable - Buried
Granted to: For the Purpose of:	CONSOLIDATED TELCOM, DICKINSON-ND Easement: Communication Cable - Buried
Granted to: For the Purpose of:	EOG RESOURCES INC, DENVER-CO Easement: Drop Line-Multiple Pipelines
Granted to: For the Purpose of:	EOG RESOURCES INC, DENVER-CO Easement: Salt Water 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:	HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND Easement: Drop Line-Oil Gathering Pipeline
Granted to: For the Purpose of:	WHITE ROCK OIL&GAS GP I LLC, DALLAS-TX Permit: Access Road
Granted to: For the Purpose of:	EOG RESOURCES INC, DENVER-CO Easement: Drop Line-Saltwater Pipeline
Granted to: For the Purpose of:	GERONIMO ENERGY, EDINA-MN Easement-Amend: Electric Transmission Line
Granted to: For the Purpose of:	HAYDEN-WING ASSOCIATES LLC, LARAMIE-WY 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. Fees may be charged for this use.

Granted to: For the Purpose of:	NEWFIELD PRODUCTION COMPANY, DENVER-CO Letter of Permission: Access to School Land for a temporary flat hose for transferring fresh water to Newfield's pad sites
Granted to: For the Purpose of:	DELTA WATERFOWL FOUNDATION, BISMARCK-ND Letter of Permission: Access to School Land to conduct a research study of small mammal/predator trapping
Granted to: For the Purpose of:	BADLANDS POWER FUELS LLC, WATFORD CITY-ND Letter of Permission: Access to School Land for a temporary flat hose for transferring fresh water to a well site

4) Quarterly Revenue Compliance Division Update

The Department's Revenue Compliance Division ensures that royalty and other collections made on behalf of the trusts and other funds are complete and accurate. Oil and gas royalty payments are reviewed 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 biennium-to-date was \$621,338,090. Included in this total is \$11,038,508 which is a result of enhanced efforts of the Division 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 3-31-15)
Additional Royalties Collected	\$ 9,544,389		\$ 9,876,805
Additional Taxes or Other Deductions Collected	\$ 1,284,602		\$ 644,196
Penalties Collected	\$ 662,625		\$ 517,507
Total Collected	\$ 11,491,616		\$ 11,038,508
NDIC Report Corrections	55		160

The Department continues negotiations with operators for payment of royalties on minerals beneath navigable rivers. These discussions have resulted in the collection of royalties from wells that were previously in suspense; increased escrowing of royalties from disputed wells; and generated possible amendments to escrow agreement and procedures.

5) 2015 Legislative Report

The following Legislative Bills adopted by the 2015 Legislature impact the Board or the Department of Trust Lands and their respective operations:

HB 1013 The bill contains the budget and appropriations for the Department of Trust Lands' operations and salaries; including trust fund distributions to beneficiaries. Also appropriates \$700,000 to the Energy Infrastructure and Impact Office for salaries and operations and authorization for energy impact grants.

The bill includes adequate appropriations for salaries, operations and contingencies, along with authorization for two new FTEs. Also included an amendment that exempts Unclaimed Property values from open records laws.

HB 1176 The Western communities' Gross Production Tax sharing and infrastructure bill.

The bill appropriates \$139.3 million to the Oil and Gas Impact Gas Fund. The Board will have continued responsibility in approving grants, however much of the funding areas are legislatively targeted:

- 1) \$48 million for Airports.
- 2) \$30 million for schools renovation and improvement projects. Funds are to be dispersed on same ratio as oil and gas gross production tax distribution.
- 3) \$10 million for law enforcement. Grants are determined in consultation with the Attorney General's Drug and Violent Crime Policy board.
 - a. SB 2199 identified \$750,000 of the \$10 million is allocated to hub city human trafficking prevention and treatment services.
 - b. SB 2284 directed \$250,000 of the \$10 million to assist sexual assault examiner programs.
- 4) \$10 million for critical access hospitals. Grants must be distributed in January of each year of the biennium.
- 5) \$8 million equally to Bowman and Divide counties.

- 6) \$6 million to Emergency Medical Services providers in oil-producing counties.
- 7) \$5 million to political subdivisions, counties, cities, organized townships in lower production oil counties.
- 8) \$4 million to nursing homes, basic care facilities and home health service providers.
- 9) \$3 million to fire districts.
- 10) \$2 million for developmental disabilities service providers. Grants must be distributed in January each fiscal year based on the number of full-time equivalent positions.
- 11) \$2 million to domestic violence and sexual assault organizations on \$2 of non-state funds for each \$1 of grant funds cost-share basis.
- 12) \$2 million to local district health units in oil-producing counties.
- 13) \$1.7 million to the City of Stanley.
- 14) \$500,000 to the City of Kenmare.
- 15) \$200,000 to the City of Berthold.
- 16) \$100,000 to the City of Burlington.
- 17) \$6.8 million remains unallocated and is available the Board's as discretionary grants

SB 2015 This bill:

- Provides for a contingent appropriation from SIIF of \$25.85 million as explain below.
- Contains an appropriation of \$1.71 million from the Capitol Building Fund for signage projects and electrical repairs at the capitol.
- Provides legislative intent related to oil and gas impact grants to airports in HB 1176 be allocated to Williston (\$39.0 million) and Dickinson (\$5.5 million); and that local cost-share is not required for grants to these two airports.

SB 2304 The bill provides a \$4 million appropriation from the Capitol Building Fund for the designing and construction of a new governor's residence.

SB 2039 This bill:

- Establishes an end date of June 30, 2015 on the Board's authority to use of \$150 million from the SIIF to make school construction loans under NDCC 15.1-36-02
- Creates a new revolving school construction assistance loan fund and transfers the school construction loans previously made from the SIIF to the new loan fund, thus reducing the SIIF assets by \$150 million.

It is currently unclear which department will manage the new loan fund, as the bill gives authority to BND to manage the fund, but that authority is contingent upon voters approving a constitutional measure in November 2017 related to the foundation stabilization fund.

Governor Dalrymple vetoed an unconstitutional provision in the bill that would have transferred income from the Coal Development Trust Fund to the School Construction Loan Fund, instead of to the General Fund.

The following adopted bills relate to the Strategic Investment and Improvements Fund, which the Board manages.

HB 1012 The DOT appropriation bill contains a \$7 million transfer from the SIIF for a short-line railroad loan fund.

- HB 1014** The Industrial Commission appropriation bill contains a \$13,625,322 emergency clause transfer from the SIIF for the expansion of the drilling core library at UND.
- HB 1018** The Department of Commerce appropriation bill contains a \$7.5 million transfer from the SIIF for an enhanced lease use on property associated with the Grand Forks Air Force Base.
- HB 1020** The NDSU Experiment Station and Extension Service budget contains an \$18 million appropriation from the SIIF for a Veterinary Diagnostic laboratory.
- HB 1022** The appropriation for the Legal Counsel for Indigents Commission includes a \$200,000 transfer from the SIIF.
- HB 1285** This bill includes a \$650,000 appropriation from the SIIF to the Department of Commerce for grants to domestic violence shelters.
- HB 1443** This bill creates an infrastructure revolving loan fund at the Bank of North Dakota with \$50 million from the SIIF.
- SB 2012** The Health Department appropriation bill includes a section that converts the Medical Facility Infrastructure Loan program into a revolving loan fund, thus reducing SIIF assets by \$50 million.
- SB 2015** The OMB budget contains a \$25.85 million appropriation from the SIIF that is contingent on general fund revenues for the period beginning July 1, 2015, and ending December 31, 2015, exceeding the legislative estimates made at the close of the 2015 legislative session for general fund revenues during the same period by at least \$126,000,000.
- SB 2103** The "Surge Bill" directs \$1.1 billion from the SIIF, including:
- \$450 million during current biennium to the NDDOT Highway Fund
 - \$298 million to the Treasurer who has already distributed the funds to cities and counties
 - \$352 million through the NDDOT to counties and townships based upon need and road miles

A D J O U R N

There being no further business, the meeting was adjourned at 11:15 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

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

**Minutes of the Meeting of the
Board of University and School Lands
June 18, 2015**

The June 18, 2015 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 2:01 PM by Chairman Jack Dalrymple.

Members Present:

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

No Members Absent

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Gerry Fisher	Director, Grants and Claims
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Jason Nisbet	Governor's Research Analyst
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APPROVAL OF MINUTES

A motion to approve the minutes of the May 28, 2015 meeting was made by Secretary Al Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried on a voice vote.

ENERGY IMPACT AND INFRASTRUCTURE OFFICE

Consideration of Grants of Remaining Funds in the 2013-2015 Biennium

Within the Oil and Gas Impact Grant Fund, \$1,232,268 remained of the 2013-2015 biennial appropriation. In order for these funds to be available to grantees in consequent fiscal years, the Board awarded the remainder of the funds to eligible projects within qualifying political subdivisions.

The Energy Infrastructure and Impact Office recommended awarding remaining funds several applicants for the recently completed 2015 general grant round, whose grants were capped at that time. The EIO recommendations for awards follow:

POLITICAL SUB NAME	CITY	COUNTY	SHORT DESCRIPTION	PROJECT TOTAL	AMOUNT REQUESTED
DEBING TOWNSHIP	ROSS	MOUNTRAIL	ROAD MAINTENANCE AND REBUILDING	\$1,275,000	\$1,100,000
DUNN COUNTY	MANNING	DUNN	103RD AVENUE SW ROAD IMPROVEMENTS	\$2,100,000	\$2,100,000
MOUNTRAIL COUNTY	STANLEY	MOUNTRAIL	COUNTY ROUTE 10	\$14,500,000	\$1,000,000
TROY TOWNSHIP	CROSBY	DIVIDE	REPAIR AND ROAD MAINTENANCE	\$900,900	\$900,900
WILLIAMS COUNTY	WILLISTON	WILLIAMS	COUNTY ROAD 10	\$1,300,000	\$1,100,000
WILLISTON TOWNSHIP	WILLISTON	WILLIAMS	REBUILD 52ND STREET NW	\$3,000,000	\$2,000,000
					\$1,232,268

Motion: **The Board adopted the EIO recommendations for six grants totaling \$1,232,268 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		

With the Board adopting the preceding recommendation, the final summary of awards for the 2013-2015 is:

2013-2015 Biennium Breakdown (Combining like FY Rounds)					
Round or Award	#Applications	Amt of Projects	Amt Requested	#Awards	Amt Awarded
Cities - FY2014	115	\$840,713,894	\$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	44	\$111,600,014	\$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	\$28,957,723	\$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	\$47,469,309	55	\$6,104,494
Cities - FY2015	64	\$156,860,346	\$132,745,228	29	\$40,333,838
K-12 Schools - FY2015	94	\$87,800,906	\$59,157,913	52	\$12,879,294
Airports - FY2015	29	\$36,179,432	\$25,997,510	27	\$24,431,863
EMS & Fire - FY2015	131	\$31,294,341	\$23,496,984	43	\$4,786,415
Emerging Counties FY 2015	1	\$1,250,000	\$1,250,000	1	\$1,250,000
General - FY2015	162	\$93,999,796	\$44,514,467	136	\$12,360,242
Contingency- FY2015	6	\$1,232,268	\$1,232,268	6	\$1,232,268
Airports-Fy2015 Canceled Grants (5)	0	\$0	\$0	0	-\$333,371
	1162	\$1,585,401,180	\$1,126,148,554	602	\$239,356,354
			Re-Awarded Funds		(\$57,180)
			Admin		\$700,826
			Total		\$240,000,000
			Appropriated for Grants		\$239,299,174
			FY 60% Max for Awards		\$143,579,504
				As of June 30, 2015	
			Awarded FY 2014		\$142,415,805
			Awarded FY 2015		\$97,273,920

Appointment of Advisory Committees

North Dakota Century Code 15-01-02 provides the Board with the authority to create an advisory committee to assist in making grant award determinations. The Board has created several targeted committees with expertise in specific grant areas, which have proven valuable. Committee members offer firsthand knowledge of needs, background in the focus area and local experience.

A number of new grant areas assigned by the 2015 Legislature has increased the advisory committees' role to advise on grants to manage social impacts as a result of energy development related population growth. The EIO recommended advisory committee members that will offer expert knowledge in each respective legislative grant area.

The legislated grant focus areas of K-12 schools and developmentally disabled service providers are formula based and will not require an advisory committee. The following persons were recommended for appointment to specified energy impact grants advisory committees to assist the Board in determining grant priorities:

Law Enforcement - The Drug and Violent Crime Policy Board, appointed by the Attorney General

- Chairman - Peter Welte, Grand Forks County
- Wade Enget, State's Attorney-Mountrail County
- Aaron Birst, Legal Counsel-North Dakota Association of Counties (NDACo)
- Dave Oehlke, State Senator-Ramsey County
- Andrea Martin, Owner/Counselor-Soul Survivor Counseling
- Dave Todd, Chief-Fargo Police Department
- Pat Rummel, Sheriff-Billings County
- Scott Busching, Sheriff-Williams County
- Steve Kukowski, Sheriff-Ward County
- Jake Rodenbiker, State's Attorney-McKenzie County
- Dustin Dassinger, Chief-Dickinson Police Department
- Terry Traynor, Assist. Director of Policy & Program-NDACo
- Arland Rasmussen, Cass Co. Commissioner
- Rory Teigen, Sheriff-Bowman County
- Jim Lokken, Chief-Williston Police Department
- Lonnie Grabowska, Deputy Director, Bureau of Criminal Investigation (BCI)
- Janelle Moos (North Dakota Council on Abused Women's Services)
- Phil Pfennig, Chief Agent-BCI
- Mark Saylor, Chief Agent-BCI

Emergency Medical Services

- Kari Enget – Powers Lake Ambulance
- Jason Catrombone – Fire Chief, Williston Fire Department (includes ambulance service)
- Lynn Hartman – Dickinson Area Ambulance
- Duane Estvold – New Town Ambulance
- Emily Halleen- Bowman Ambulance
- Ann Hafner- Killdeer Ambulance
- Diane Witteman – Mohall Ambulance
- Jerry Jurena- President of the ND Hospital Association
- Tom Nehring- Director of EMS and Trauma, ND Dept. of Health

Airports – North Dakota Aeronautics Commission

- Jay B. Lindquist - Chairman, Hettinger
- Cindy Schreiber-Beck – Secretary, Wahpeton
- Maurice E. Cook – Bismarck
- Dr. Kim Kenville – Grand Forks
- Warren A. Pietsch - Minot

Fire Protection

- Chief Robert (Bob) Sivak – Dickinson Fire Department
- Ryan Olson – Ray Fire Department
- Deputy Chief Cody Reis (former) – Billings County Fire Department
- Chief Jamie Germundson – Stanley Fire Department
- Chief Oscar Knudtson – Watford City Fire Department
- Ken Sisk – ND State Fire Marshal's Office

Nursing Homes, basic care facilities, and providers of home health and hospice services

- Shelly Peterson – President of the ND Long Term Care Association
- Sue Heitkamp – Executive Director of CHI Health at Home-Home Health & Hospice
- Dan Kelly – CEO, McKenzie County Health Care System in Watford City
- Jon Frantsvog – CEO, St. Benedict's Health Center in Dickinson
- Kurt Stoner- Administrator, Bethel Lutheran Nursing & Rehab Center in Williston
- Randy Pederson- President, Tioga Medical Center
- Amy Kreidt – Administrator in training, St. Luke's Home in Dickinson

Domestic Violence Sexual Assault Organizations

- Adele Sigl – ND Department of Commerce

- Bonnie Malo – ND Department of Commerce
- Sherry Leno – ND Department of Commerce
- Janelle Moos –CAWS of ND
- Mary Dasovick –ND Department of Health
- Mallor Sattler –ND Department of Health
- A staff member - Attorney General's office

The EIO will continue to evaluate options for an advisory committee to assist with critical access hospital grants, local district health unit grants and the seven county general grant round.

Motion: The Board approved the advisory committees recommended in this memo for the 2015-2017 biennium.

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		

Mercer County Coal Impact Loan Interest Rate

In March of 2014, the Board approved a \$7 million 20 year coal impact loan with a fixed interest rate of 3% to Mercer County for the expansion and remodeling of the county courthouse and jail facility.

Mercer County just requested disbursement of these funds as they initiate the project. According to the ND Public Finance Authority, the current interest for GAO AA rated municipal revenue bonds has increased to 3.3%.

The AA municipal rate was the basis for the 3% offered in 2014, and the EIO recommended increasing the interest to a fixed 3.3% to reflect current market.

The Board did not act upon the Director's recommendation, noting that the county's financing plans had likely been built upon the rate approved in 2014. The rate will remain at 3% as adopted in March of 2014.

The Board suggested that future loan commitments be coupled with a time-frame limit.

I N V E S T M E N T M A N A G E M E N T

Investment Implementation Updates

Diversified Inflation Strategies Portfolio

Prior to the end of the fiscal year, the Diversified Inflation Strategies (DIS) portion of the portfolio will be fully funded. Creating the new DIS will involve liquidating the entire Delaware REIT portfolio and a portion of the current TIPS (Treasury Inflation-Protected Securities) portfolio. The funds generated from these liquidations will be used to fund new mandates for master limited partnerships (Harvest – 3%), commodities (Gresham – 3%) and energy equities (Van Eck – 2%).

The current TIPS portfolio will be reduced to 2% of assets during the process, resulting in a total allocation to DIS of 10% of assets. As authorized by the Board in May, State Street Bank is serving as the transition manager to assist in efficiently restructuring the DIS portfolio.

Partial Funding of Real Estate Mandates

The Commissioner has received capital calls from two real estate managers that the Board hired in 2014.

The UBS Trumbull Property Fund has requested that \$25 million, of a \$150 million total commitment, be delivered to UBS on July 1, 2015. The Morgan Stanley Prime Property Fund has requested that \$112.50 million, of a \$150 million total commitment, be delivered to Morgan Stanley on June 30, 2015. Together they will result in approximately 3.8% of the permanent trusts' real estate allocation being funded as of July 1, out of the total allocation of 15% to real estate

Investment Operations and Consulting

The Commissioner continues to work with staff of the State Investment Board (SIB) to evaluate and document the best ways that it and the Land Board can work together to effectively manage state assets. A final analysis is not yet completed, but will be included on the Board's July meeting agenda.

The investment consultant contract with RVK expires at the end of June. The Commissioner has requested a proposal from RVK to provide investment consulting and performance monitoring services to the Board on an ongoing basis. A related recommendation will be offered during Board's July meeting.

A D J O U R N

There being no further business, the meeting was adjourned at 2:34 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
July 29, 2015**

The July 29, 2015 special meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 3:32 PM by Chairman Jack Dalrymple.

Members Present:

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

No Members Absent

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Gerry Fisher	Director, Grants and Claims
Catelin Newell	Office Manager

Others in Attendance:

Ginny Peterson	Attorney General's Office
Ann Scott	Attorney General's Office
Daniel Wassim	Attorney General's Office
Chris Harvey	Attorney General's Office
Bonnie Storbakken	Governor's Legal Counsel

APPROVAL OF MINUTES

A motion to approve the minutes of the June 18, 2015 meeting was made by Secretary Al Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried on a voice vote.

ENERGY IMPACT AND INFRASTRUCTURE OFFICE

Law Enforcement Grant Recommendations

Law enforcement agencies experiencing impacts from oil and gas development were allocated at least \$10 million of grant funds by the 2015 Legislature. Of this \$10 million appropriated from the Oil and Gas Impact Grant Fund, \$750,000 was designated to assist hub city organizations efforts toward prevention and treatment services of human trafficking victims and \$250,000 was designated for grants for community-based sexual assault examiner programs.

In June 2015 the Board appointed the Drug and Violent Crime Policy Board (DVCPB) to act as an advisory committee for the law enforcement grant round. The EIO elected to utilize the grant processes and experience of the Bureau of Criminal Investigation in conjunction with the DVCPB during the law enforcement grant round.

The grant round was announced on May 1, 2015 with applications accepted until May 20, 2015. The focus is to assist criminal justice entities in addressing crime related issues affecting oil-

producing and oil impacted areas of the state as a result of oil-production and development activities.

Grant round requirements included:

- Applicants must be located in an oil-producing county or in an oil impacted county experiencing an increase in crime related issues which originated in oil-producing counties.
- Applying agencies must serve a criminal justice purpose and must be considered part of a city, county or domestic violence prevention program serving these areas.

A total of 59 applications were received from 41 political subdivisions. Projects totaled \$22,102,480 and \$19,853,329 million in award funds were requested. The Board reviewed a list of all of the applications received and reviewed by the Bureau of Criminal Investigation (BCI), the Drug and Violent Crime Policy Board (DVCPB) and the Energy Impact Office.

The following is a summary of projects by category:

\$ 6.2 million for equipment including vehicles	\$378,000 for other costs
\$11.2 million for salaries/overtime	\$1.8 million for housing
\$784,000 for travel & training	\$1.7 million for supplies

The Drug and Violent Crime Policy Board (DVCPB) studied all applications and developed formal recommendations for the Land Board's consideration. The DVCPB members are:

Board Chairman - Peter Welte, Vogel Law Firm

*Committee Chairs

Committee 1

*Wade Enget, Mountrail Co. (States Attorney)
 Dave Oehlke, State Senator
 Dave Todd, Fargo PD (Chief)
 Scott Busching, Williams Co. (Sheriff)
 Jake Rodenbiker, McKenzie Co. (States Attorney)

Committee 2

*Aaron Birst, Legal Counsel-ND Association of Counties
 Steve Kukowski, Ward Co. (Sheriff)
 Andrea Martin, Soul Survivor Counseling Service
 Pat Rummel, Billings Co. (Sheriff)
 Dustin Dassinger, Dickinson PD (Chief)

Committee 3

*Terry Traynor, Assoc. of Counties (Assistant Director Policy & Programs)
 Mark Saylor, BCI (Chief Agent)
 Arland Rasmussen, Cass Co. (Commissioner)
 Rory Tiegen, Bowman Co. (Sheriff)
 Jim Lokken, Williston PD (Chief)

Advisors

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

Alternate

Phil Pfennig, BCI (Chief Agent)
 Mark Saylor, BCI (Chief Agent)

The DVCPB adopted cost share guidelines of: 10% for entities within western counties with oil and gas production and 10% cost-share for entities outside of those western counties and no cost-share requirement for task force agencies and regional training.

LAW ENFORCEMENT GRANTS

The DVCPB and Energy Impact Office recommendations for Oil and Gas Impact grants to law enforcement were presented as follows:

Recommendation List					
Political Sub Name	Total Project Cost	Recommended	% Match	Project	Grant Portion
Adams County	\$209,960	\$171,160	10%	Salary & fringe for new Deputy along with fully equipped vehicle @ \$55,000	\$154,044
Billings County	\$193,837	\$159,297	10%	Salary & fringe for new deputy.	\$143,367
Bottineau County	\$27,467	\$12,500	10%	Salary & fringe for new victim advocate/victim witness advocate at reduced amount.	\$11,250
Bowman County	\$17,552	\$12,672	10%	Tasers, LED Spotlight, Respirators, Headlamps, EO Tech Sights.	\$11,405
Burke County	\$173,038	\$79,364	10%	Overtime for deputy at reduced flat rate. One vehicle. Housing for two deputies.	\$71,428
Burleigh County	\$76,176	\$16,954	25%	K9 travel & training.	\$12,716
City of Arnegard	\$340,916	\$157,889	10%	Salary, fringe & overtime for new officer. Housing for Chief of Police and new Officer.	\$142,100
City of Belfield	\$883,958	\$232,494	10%	Salary & fringe for new Officer. One flat amount overtime requested. Housing for Chief of Police, two existing officers and one new officer.	\$209,245
City of Berthold	\$155,202	\$22,875	10%	Overtime. Evidence locker, laptop, and medical bag.	\$20,587
City of Beulah	\$12,672	\$9,192	10%	Salary & fringe for existing Shelter Supervisor. Special Condition: Must make an attempt to approach Oliver, Dunn, & Mercer county as well as the city of Beulah to get alternate budgeted funds for personnel.	\$8,273
City of Bismarck	\$200,964	\$44,928	25%	Salary & fringe for one existing advocate.	\$33,696
City of Bismarck	\$95,000	\$95,000	25%	Fund as requested.	\$71,250
City of Burlington	\$137,640	\$59,086	10%	Salary & fringe for a new officer for 12 months.	\$53,178
City of Dickinson	\$145,772	\$95,772	10%	Tasers and accessories. K9.	\$86,194
City of Dickinson	\$106,485	\$25,000	10%	Salary & fringe for parenting time monitor at reduced amount.	\$22,500
City of Dickinson	\$26,970	\$23,136	10%	Fund as requested but with reduced amount of optics.	\$20,822
City of Dickinson	\$200,000	\$200,000	0%	Regional Trainings-Oil Counties	\$200,000
City of Kenmare	\$192,605	\$124,505	10%	Salary & fringe for existing officer for 12 months. Vehicle, portable radios, vehicle radio, radar gun. Housing for three officers reduced to \$300/officer/month.	\$112,055
City of Killdeer	\$685,517	\$303,329	10%	Salary & fringe for one new officer. Overtime at flat amt for all personnel listed. Taser, bulletproof vest, uniform. Housing for Chief of Police, Sergeant and (3) Officers.	\$272,996

Recommendation List					
City of Minot	\$201,313	\$142,365	10%	Salary & fringe for one new evidence technician. Overtime at reduced flat amount. Cellebrite. Evidence refrigerator and freezer.	\$128,128
City of Minot	\$153,296	\$35,000	10%	Salary & fringe for one existing forensic interviewer at reduced amount.	\$31,500
City of Minot	\$200,000	\$200,000	0%	Regional Trainings-Oil Counties	\$200,000
City of Powers Lake	\$148,860	\$84,303	10%	Salary & fringe for existing officer for 12 months. Overtime at reduced flat amount. Vehicle computer, netmotion & imobile fees, driver's license reader, camera system, Less Lethal supplies, shoreline rescue kit. Housing for 1officer.	\$75,873
City of Surrey	\$238,023	\$76,392	10%	Salary & fringe for new officer for 12 months. Overtime at reduced flat amount.	\$68,753
City of Tioga	\$842,361	\$286,213	10%	Salary, fringe & overtime for three existing officers.Housing for 2 officers, 1 sergeant, and 1admin assist/dispatch	\$257,592
City of Watford City	\$1,302,363	\$492,286	10%	(4) Fully equipped vehicles, portable radios, and housing as requested.	\$443,057
City of Williston	\$265,018	\$85,736	10%	Salary & fringe for one direct services provider advocate at reduced amount.	\$77,162
City of Williston	\$885,548	\$663,261	10%	Salary & fringe for (3) new officers and (3) fully equipped vehicles. (3) used detective vehicles.	\$596,935
Divide County	\$235,650	\$63,700	10%	One fully equipped vehicle. Mobile radios and repeaters.	\$57,330
Dunn County	\$1,102,814	\$361,740	10%	Salary & fringe for new admin assistant. Overtime at a flat amount for all/any of the personnel listed. Housing for thirteen deputies.	\$325,566
Golden Valley County	\$254,712	\$81,500	10%	Equipped patrol vehicle. One mobile computer. Server & wireless router.	\$73,350
Hettinger County	\$254,476	\$17,650	10%	Equipment & installation costs for an interview/interrogation room. Active shooter communication gear. Trauma kits.	\$15,885
McHenry County	\$37,599	\$2,500	10%	Security System	\$2,250
McKenzie County	\$368,353	\$303,960	10%	Salary & fringe for one existing and one new Assistant State's Attorney.	\$273,564
McKenzie County	\$3,645,801	\$1,005,000	10%	Overtime at flat rate for all personnel listed. New patrol deputy equipment packages for (7) deputies. Additional equipment and training for K9. Housing as requested.	\$904,500
McLean County	\$360,790	\$55,000	10%	One fully equipped vehicle.	\$49,500
Mercer County	\$74,400	\$5,000	10%	Radar units.	\$4,500
Morton County	\$429,689	\$123,042	25%	Salary & fringe for new deputy for 12 months. One fully equipped vehicle.	\$92,281
Mountrail County	\$152,134	\$68,858	10%	Salary & fringe for existing directed at reduced rate. Salary & fringe for new advocate.	\$61,972
Mountrail County	\$137,880	\$137,880	10%	Fund as requested	\$124,092
Mountrail County	\$713,418	\$82,278	10%	Overtime at reduced amount. Repeaters.	\$74,050
Renville County	\$58,053	\$10,223	10%	MDT, radar unit, in-car video.	\$9,201
Sheridan County	\$5,745	\$1,400	0%	Shotgun & camera kit.	\$1,400
Slope County	\$337,753	\$59,000	10%	One fully equipped vehicle and radios.	\$53,100
Stark	\$245,717	\$25,000	10%	Salary & fringe for new coordinator at a reduced amount.	\$22,500

Recommendation List					
County					
Stark County	\$391,244	\$342,244	0%	Salary & fringe for existing intel analyst/admin assistant and two TF agents. Overtime for TF agents. Housing for intel analysts & task force agents.	\$342,244
Stark County	\$1,144,915	\$132,025	10%	Salary & fringe for one new school resource officer. One vehicle. Rifles.	\$118,823
Ward County	\$173,475	\$85,736	10%	Salary & fringe for existing criminal justice advocate at reduced amount.	\$77,162
Ward County	\$346,314	\$166,157	10%	Salary & fringe for one new deputy. Overtime at reduced amount. One vehicle. One each of: Radar, cage, Toughbook with mount and printer/scanner, light bars, siren equipment, in-car camera. Personal (duty) equipment for one officer.	\$149,541
Ward County	\$582,650	\$233,904	10%	Salary & fringe for legal office assistant and legal administrative assistant.	\$210,514
Williams County	\$805,718	\$646,460	0%	Northwest Narcotics Task Force-Salary & fringe for existing intel analyst and (2) new TF officers. Overtime for (4) TF officers. (2) vehicles <u>leased</u> , vehicle radios, crime scene camera kit. Armor, search kit, binoculars, flashlights, handcuffs, computer, cell phones. Housing for six officers. Cell phone monthly costs, pen registers.	\$646,460
Williams County	\$1,366,995	\$296,830	10%	Salary & fringe for one new detective. One fully equipped vehicle for patrol 1 fully equipped vehicle for investigator.	\$267,147
Williams County	\$166,158	\$166,158	10%	Fund as requested	\$149,542
Williams County	\$200,000	\$200,000	0%	Regional Trainings-Oil Counties	\$200,000
	\$21,710,965	\$8,583,9574			\$7,842,580

The following is a summary of grant recommendations by category:

- \$1.5 million for equipment including vehicles
- \$4.4 million for salaries/overtime
- \$616,000 for travel & training
- \$10,000 for other costs
- \$1.2 million for housing
- \$134,000 for supplies

Funds will be disbursed upon evidence of project completion, asset acquisition or hire. All reimbursement requests for these awards will be submitted through the BCI for review of compliance with the terms and cost-share. Once approved by BCI, the law enforcement reimbursements will be reviewed and paid from oil and gas impact grant fund by the EIIO.

Motion: The Board awarded \$7,842,580 from the oil and gas impact grant fund to law enforcement as detailed in the preceding list of recommended awards, including referenced cost-share requirements.

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		

Emergency Medical Services Grant Recommendations

The 2015 Legislature directed that \$6 million from the oil and gas impact grant fund be provided toward Emergency Medical Services' (EMS) needs as a result of impacts being realized from oil and gas development.

In June 2015, the Board approved preliminary guidelines and made appointments to the EMS Grants Advisory Committee. The purpose of the advisory committee is to assist in formulating recommendations for energy development impact grants.

The EMS Impact Grants Advisory Committee:

Kari Enget, Powers Lake	Jason Catrombone, Williston	Lynn Hartman, Dickinson
Duane Estvold, New Town	Emily Halleen, Bowman	Ann Hafner, Killdeer
Diane Witteman, Mohall	Jerry Jurena, ND Hospital Association	
Tom Nehring, ND Department of Health		

Announcements indicating the availability of funds included the following grant guidelines:

- Grant round is for EMS needs resulting from impacts of oil and gas development activities.
- Requests for funding to improve readiness, quality and responsiveness of EMS response teams.
- Applications for projects to improve equipment; facilities; safety; staffing; oil industry specific training, leadership development; and obtaining assets to improve emergency response.

Grant applications were accepted from May 28, 2015 to June 17, 2015, with a total of 43 applications, requesting \$7,467,128 in funding. The Board reviewed a summary of all applications received

All applications were scored by a representative of the Department of Health, Emergency Medical Services Division; and EIO staff using the established 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, other revenue sources available including previous EIO awards and debt

The EMS Grants Advisory Committees met in Killdeer on June 26, 2015 and it evaluated applications based upon:

- Critical and immediate needs
- Projects supporting enhanced readiness, quality and responsiveness of EMS providers.
- Staffing, training, leadership development and assets to improve emergency providers.
- 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 the Energy Infrastructure and Impact Office in coordination with the Emergency Medical Services Division of the Health Department using the recommendations of the Emergency Medical Services Grants Advisory Committee:

Political Subdivision	Short Description	Amount Requested	Recommended Award
BEACH COMMUNITY AMBULANCE SERVICE	AMBULANCE EQUIPMENT	\$67,500	\$67,500
BILLINGS COUNTY	STAFFING-PARAMEDIC POSITION/EMT STIPENDS	\$90,000	\$60,000
BOWMAN COUNTY RURAL AMBULANCE DISTRICT	STAFFING	\$75,000	\$75,000
BOWMAN COUNTY RURAL AMBULANCE DISTRICT	AMBULANCE EQUIPMENT	\$69,135	\$52,830
CITY OF BELFIELD	PARAMEDIC AND VOLUNTEER STAFFING	\$80,000	\$60,000
CITY OF TIOGA	NEW AMBULANCE BUILDING	\$1,000,000	\$200,000
CITY OF TIOGA	12 LEAD EKG SYSTEM/LUCAS CPR SYSTEM/POWER LOAD SYSTEM	\$72,000	\$72,000
CITY OF WATFORD CITY	STAFFING, TRAINING, OFFICE AND LIVING QUARTERS UPGRADES	\$284,674	\$272,674
CITY OF WILLISTON	STAFFING, TRAINING, RADIOS, EQUIPMENT, AND VEHICLE	\$419,904	\$369,324
DICKINSON AREA AMBULANCE	STAFFING	\$60,000	\$60,000
DIVIDE COUNTY AMBULANCE SERVICE	CONTACT STAFFING	\$120,000	\$120,000
GARRISON-MAX AMBULANCE DISTRICT	STAFFING, TYPE 2 AND 3 AMBULANCES	\$445,860	\$120,000
GRENORA AMBULANCE DISTRICT	PERSONNEL	\$176,800	\$80,000
HALLIDAY RURAL FIRE DISTRICT	EQUIPMENT FOR TWO AMBULANCE RIGS	\$49,848	\$26,479
KILLDEER AREA AMBULANCE DISTRICT	STAFFING AND BUILDING REPAIR	\$440,977	\$332,000
MANDAREE EMD AMBULANCE SERVICE	STAFFING, AMBULANCE, AND EQUIPMENT	\$526,362	\$206,362
MERCER COUNTY RURAL AMBULANCE DISTRICT	NEW AMBULANCE AND HAZMAT TRAINING	\$160,947	\$120,000
NEW ENGLAND RURAL FIRE DISTRICT	STRYKER POWER LOAD SYSTEM	\$22,741	\$22,741
NEW ENGLAND RURAL FIRE DISTRICT	STAFFING FOR BOTH FULL TIME AND PART TIME STAFF FOR ONE YEAR	\$34,000	\$34,000
NEW TOWN AMBULANCE	NEW AMBULANCE & STAFFING	\$600,000	\$485,000
PARSHALL AMBULANCE DISTRICT	STAFFING	\$80,000	\$80,000
PORTAL RURAL AMBULANCE DISTRICT	NEW AMBULANCE BUILDING	\$27,000	\$20,000
POWERS LAKE RURAL AMBULANCE DISTRICT	AMBULANCE COT LOADING SYSTEM	\$25,335	\$25,335
RAY AMBULANCE DISTRICT	LUCAS II CPR DEVICE, ZOLL 12 LEAD MONITOR UPDATES, SUPPLIES	\$50,000	\$50,000
RENVILLE COUNTY RURAL AMBULANCE DISTRICT	MOHALL AMBULANCE AND SUBSTATIONS STAFFING	\$82,200	\$82,200
RENVILLE COUNTY RURAL AMBULANCE DISTRICT	STAFFING AND AMBULANCE FOR GLENBURN	\$150,000	\$60,000
RICHARDTON-TAYLOR AMBULANCE DISTRICT	STAFFING	\$80,000	\$60,000
RURAL EMS ASSISTANCE, INC	STAFFING	\$30,000	\$30,000
STANLEY RURAL AMBULANCE SERVICE DISTRICT	BUILDING EXPANSION & RENOVATION	\$400,000	\$200,000
UNITED RURAL AMBULANCE DISTRICT	NEW AMBULANCE BUILDING	\$750,000	\$100,000
WARD COUNTY	AMBULANCE REPLACEMENT AND STAFFING ASSISTANCE	\$250,000	\$60,000
WESTHOPE AMBULANCE SERVICE	STAFFING AND COMPLETION OF A NEW BUILDING	\$112,750	\$92,750
			\$3,696,195

\$2,303,805 will remain to be awarded in a future grant round to be held during the biennium to reach the \$6 million designated for awards to EMS by the 2015 Legislature.

Motion: The Board awarded \$3,696,195 from the Oil and Gas Impact Grant Fund to the 28 Emergency Medical Services providers identified in the 32 award recommendations listed previously.

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		

Update of Department and Board Legal Issues

Attorney General Stenehjem and Commissioner Gaebe provided an update regarding litigation involving the Board and the Department.

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 continues to work with lessees and operators to collect royalties that have been held in suspense or escrowed pending the outcome of legal action.

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. Including:

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 just to the southeast of Williston. The well 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.

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 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.

On July 1, 2014, the Plaintiffs filed an amended complaint in the case and added claims of unconstitutional takings, conversion, constructive trust and unjust enrichment, civil conspiracy and deprivation of rights under 42 U.S.C. § 1983. The Plaintiffs also pled 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 water mark.

The parties are currently conducting discovery and depositions, and a trial date for this case was been scheduled for November 9-20, 2015, but has now been shifted to May 2016.

EEE Minerals, LLC et. al. v. State of North Dakota; Continental Resources, Inc.

On July 31, 2014 the Attorney General's Office 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.

Continental filed a motion to dismiss for failure to join indispensable parties. Continental believes the Plaintiffs have failed to name all the parties who have interest in the property in question. The Plaintiffs have agreed to amend their complaint to join in the additional parties. The State is waiting for the Plaintiffs to amend the complaint.

Whitetail Wave LLC v. XTO Energy, Inc., Board of University and School Lands, and the State of North Dakota

On August 1, 2015, the Attorney General's Office was served with a complaint in the above referenced case. This case is also challenging the State's determination of the OHWM but the tract is located on the east side of the Highway 85 Bridge where the Department has currently leased only the historic channel of the Missouri River. The Plaintiffs are requesting that title to the minerals be quieted and have alleged claims of unconstitutional takings, trespass, slander of title and constructive trust/unjust enrichment against the State. The complaint also makes a number of claims against XTO individually. An answer was filed on behalf of the Board and the State on July 21, 2015.

Statoil Oil & Gas, LP v. Abaco Energy, LLC, et. al.

On June 22, 2015, the Attorney General's Office was served with a complaint in the above referenced case. Similar to the Brigham Oil & Gas case listed above, Statoil filed an interpleader for the lands underlying two spacing units located east of the Highway 85 Bridge containing 15 active wells. Statoil is requesting the Court determine the property interests for the two spacing units so that Statoil can correctly distribute the proceeds from the wells. The federal government claims interest in the disputed lands however Statoil acknowledges that the United States is not amenable to state court jurisdiction. There have been ongoing discussions with Statoil regarding this case and an answer is due from the Board by August 15, 2015.

OTHER LITIGATION**Willard Burk v. State of North Dakota, et. al.**

On April 24, 2015 the Attorney General's Office was served with a complaint in the above referenced case. Mr. Burk has brought this suit against the State through both the Board of University and School Lands and Tax Commissioner Ryan Rauschenberger. Mr. Burk is requesting a declaratory judgment that the State has wrongfully withheld gross production taxes on Mr. Burk's share of royalties being paid to him pursuant to a Settlement Agreement with the State.

In 1991, the Bank of North Dakota conveyed to Mr. Burk and his wife some property in Williams County reserving 50% of the minerals. At the time, the statutory mineral reservation was 100%. Mr. Burk brought this issue to the Board in 2011 and threatened litigation. The Board entered into an agreement with Mr. Burk to convey to him 50% of the minerals he thought were previously conveyed to him. Mr. Burk now claims that he should not have to pay taxes on the royalties he is receiving pursuant to this agreement. The Board filed an answer to the Complaint and is now waiting for further deadlines to be established by the Court.

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 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.

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, which issued an opinion in this case on July 15, 2015. For the tract to which the State claims interest, the Supreme Court found that the deed was ambiguous and remanded the case back to the district court for further trial.

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 was appealed to the Eighth Circuit Court of Appeals and was affirmed on June 1, 2015. The United States re-filed its brief in support of its motion to dismiss on September 26, 2014 and the State and Counties responded on January 27, 2015. The United States filed its reply brief on April 30, 2015. On May 22, 2015, the State and Counties requested leave to file a surreply, which was then filed on May 28, 2015. The United States replied to the surreply on June 8, 2015. To date, no party has requested oral argument. The parties are awaiting a ruling from the Court on the United States' motion to dismiss.

A D J O U R N

There being no further business, the meeting was adjourned at 4:14 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
July 30, 2015**

The July 30, 2015 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

Member Absent:

Wayne Stenehjem	Attorney General
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Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Drew Combs	Director, Minerals Management Division
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Director Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Bonnie Storbakken	Governor's Legal Counsel
Nick Smith	Bismarck Tribune

ENERGY IMPACT AND INFRASTRUCTURE OFFICE

Consideration of Grants to Airports

In May 2015, the Board committed future grants to airports during the 2015-2017 biennium. The Director asked the Board to formally award the grants now during the 2016 fiscal year.

Airport Energy Impact Award Recommendations - Spring 2015							
All Grant Allocations will be approved on a <u>project percentage basis not to exceed the dollar amount approved</u> . 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	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND	
MINOT	1. 2015 FAA AIP #49 Master Plan / Airport Layout Plan Update with AGIS	\$923,000.00	\$46,150.00	\$46,150.00	\$46,800.00	5%	
	2. Construct Terminal Access Road - Phase 2 (\$850,000 was previously awarded at 50%)	\$1,938,157.00	\$969,079.00	\$119,078.00	\$119,078.00	50%	
	Sub Total	\$2,861,157.00	\$1,015,229.00	\$165,228.00	\$165,878.00		
DICKINSON	1. General Aviation Apron Light and Security Upgrades	\$307,000.00	\$0.00	\$307,000.00	\$307,000.00	100%	
	2. Wildlife Hazard Assessment and Wildlife Hazard Management Plan Update	\$69,712.00	\$0.00	\$69,712.00	\$69,712.00	100%	
	3. Master Plan 2 Amendment	\$265,774.00	\$0.00	\$265,774.00	\$265,774.00	100%	
	Sub Total	\$642,486.00	\$0.00	\$642,486.00	\$642,486.00		
The three projects above are recommended at a 100% state cost-share recognizing Federal cost share dollars dedicated to Dickinson's airport are being sought for other projects. Federal funding is expected this fall on these other projects at a 90% Federal participation rate exhausting the Federal allocation to Dickinson. For the 2013-2015 biennium, Federal funding totals \$3.6 million, local share \$551,000, state share \$1.39 million.							
GARRISON	1. FAA 2015 AIP #12 - Runway 13-31 Rehabilitation	\$2,400,000.00	\$120,000.00	\$120,000.00	\$120,000.00	5%	
	2. Reconstruct Fueling Apron with PCC Hardstand	\$83,826.00	\$25,148.00	\$58,678.00	\$58,678.00	70%	
	Sub Total	\$2,483,826.00	\$145,148.00	\$178,678.00	\$178,678.00		
KENMARE	1. FAA 2015 AIP #12 - Runway Lighting System Rehabilitation	\$540,345.00	\$27,017.00	\$157,331.00	\$157,331.00	30%	
Sub Total	\$540,345.00	\$27,017.00	\$157,331.00	\$157,331.00			
WASHBURN	1. FAA 2015 AIP #14 - Apron Expansion and Taxiway Widening	\$772,491.00	\$38,625.00	\$64,871.00	\$64,871.00	10%	
Sub Total	\$772,491.00	\$38,625.00	\$64,871.00	\$64,871.00			
WESTHOPE	1. Airport Layout Plan	\$ 97,440.00	\$ 9,744.00	\$ 87,696.00	\$ 87,696.00	90%	
	2. Apron Expansion	\$ 50,646.00	\$ 5,065.00	\$ 45,581.00	\$ 9,097.35	90%	
	Sub Total	\$ 148,086.00	\$ 14,809.00	\$ 133,277.00	\$ 96,793.35		
TOTALS		\$7,448,391.00	\$1,240,828.00	\$1,341,871.00	\$1,306,037.35		

Motion: **The Board authorized awards totaling \$1,306,037.35 as identified in the preceding list in accordance with commitments made on May 28, 2015. Grant distribution will be contingent upon confirmation that local and federal cost-share is available for the identified projects.**

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		

K-12 School Award Recommendations

For the 2015-2017 Biennium, \$30 million was specified by the 2015 Legislature in HB 1176 for awards to school districts impacted by oil and gas development. According to the legislation, grant funds may only be used for purposes related to renovation and improvement projects and must be awarded based on the ratio of oil and gas gross production tax distributions from September 1, 2013 through August 31, 2014.

Grant payments will be made on a reimbursement basis to school districts which submit invoices and supporting documentation to confirm the funds were used for renovation and improvement projects.

The following list contains the recommendations for awards for Fiscal Year 2016. These recommendations are approximately 50% of the full biennial allocation and a similar award recommendation will be made in 2016 for the granting of the remaining 50% of the \$30 million to K-12 schools:

School District	Total Biennial Amount	Recommended FY 2016 Award	To be Awarded in FY 2017
ALEXANDER PSD #2	\$366,029	\$183,015	\$183,014
ANAMOOSE PSD #14	\$2,064	\$1,032	\$1,032
BEACH PSD #3	\$1,163,958	\$581,979	\$581,979
BELFIELD PSD #013	\$118,330	\$59,165	\$59,165
BEULAH PUBLIC SCHOOL DISTRICT #27	\$31,172	\$15,586	\$15,586
BILLINGS COUNTY PSD #1	\$398,271	\$199,136	\$199,135
BOTTINEAU PSD #1	\$1,311,310	\$655,655	\$655,655
BOWBELLS PSD #14	\$78,995	\$39,498	\$39,497
BOWMAN PSD	\$553,468	\$276,734	\$276,734
BURKE CENTRAL PSD #36	\$151,061	\$75,531	\$75,530
CENTER-STANTON PSD #1	\$19	\$19	\$0
CENTRAL ELEMENTARY SCHOOL DISTRICT #32	\$177,166	\$88,583	\$88,583
DICKINSON PSD #1	\$2,589,469	\$1,294,735	\$1,294,734
DIVIDE COUNTY PSD #1	\$794,022	\$397,011	\$397,011
DRAKE PSD #57	\$2,630	\$1,315	\$1,315
EARL PSD #18	\$23,946	\$11,973	\$11,973
EIGHT MILE PSD #6	\$419,027	\$209,514	\$209,513
GARRISON PUBLIC SCHOOL DISTRICT #51	\$194,014	\$97,007	\$97,007
GLENBURN PSD #26	\$385,222	\$192,611	\$192,611
GREMORA PSD #99	\$311,067	\$155,534	\$155,533
HALLIDAY SCHOOL DISTRICT	\$180,269	\$90,135	\$90,134
HAZEN PUBLIC SCHOOL DISTRICT #3	\$339	\$339	\$0
HEBRON PSD #13	\$51,154	\$25,577	\$25,577
HORSE CREEK PSD #32	\$30,787	\$15,394	\$15,393

School District	Total Biennial Amount	Recommended FY 2016 Award	To be Awarded in FY 2017
KENMARE PSD #28	\$71,591	\$35,796	\$35,795
KILLDEER PSD	\$1,661,997	\$830,999	\$830,998
LEWIS & CLARK PSD 161	\$135,237	\$67,619	\$67,618
LONE TREE PSD #6	\$112,501	\$56,251	\$56,250
MANDAREE PSD#36	\$641,628	\$320,814	\$320,814
MARMARTH SCHOOL DISTRICT	\$125,731	\$62,866	\$62,865
MAX PUBLIC SCHOOL DISTRICT #50	\$69,395	\$34,698	\$34,697
MCKENZIE PSD #1	\$2,787,978	\$1,393,989	\$1,393,989
MINOT PSD #1	\$739,848	\$369,924	\$369,924
MOHALL LANSFORD SHERWOOD PSD	\$807,508	\$403,754	\$403,754
MONTEFIORE PUBLIC SCHOOL DISTRICT #1	\$53,263	\$26,632	\$26,631
NEDROSE ELEMENTARY SCHOOL	\$4,500	\$2,250	\$2,250
NEW ENGLAND PSD #9	\$217,691	\$108,846	\$108,845
NEW PSD #8	\$517,751	\$258,876	\$258,875
NEW TOWN PSD	\$1,901,244	\$950,622	\$950,622
NEWBURG PSD #54	\$111,196	\$55,598	\$55,598
PARSHALL SCHOOL DISTRICT #3	\$537,864	\$268,932	\$268,932
POWERS LAKE PSD #27	\$249,190	\$124,595	\$124,595
NESSON PSD #2	\$544,757	\$272,379	\$272,378
RICHARDTON-TAYLOR PSD	\$160,452	\$80,226	\$80,226
SAWYER PSD #16	\$2,326	\$1,163	\$1,163
SCRANTON PSD	\$145,789	\$72,895	\$72,894
SOUTH HEART PSD	\$181,947	\$90,974	\$90,973
SOUTH PRAIRIE ELEMENTARY SCHOOL PSD #70	\$3,782	\$1,891	\$1,891
STANLEY PSD #2	\$1,482,330	\$741,165	\$741,165
SURREY PSD #41	\$8,761	\$4,381	\$4,380
TGU SCHOOL DISTRICT #60	\$24,339	\$12,170	\$12,169
TIOGA PSD #15	\$830,858	\$415,429	\$415,429
TURTLE-LAKE MERCER PUB. SCHOOL DIST. #72	\$96,327	\$48,164	\$48,163
TWIN BUTTES PUBLIC SCHOOL DISTRICT #37	\$175,873	\$87,937	\$87,936
UNDERWOOD PUBLIC SCHOOL DISTRICT #8	\$111,061	\$55,531	\$55,530
UNITED PSD #7	\$16,057	\$8,029	\$8,028
VELVA PSD #1	\$13,249	\$6,625	\$6,624
WASHBURN PUBLIC SCHOOL DISTRICT #4	\$147,324	\$73,662	\$73,662
WESTHOPE PSD #17	\$287,598	\$143,799	\$143,799
WHITE SHIELD PSD #85	\$63,462	\$31,731	\$31,731
WILLISTON PSD #1	\$5,302,248	\$2,651,124	\$2,651,124
YELLOWSTONE PSD #14	\$321,558	\$160,779	\$160,779
	\$30,000,000	\$15,000,193	\$14,999,807

Motion: The Board awards a total of \$15,000,193 from the Oil and Gas Impact Grant Fund for grants to K-12 school districts as identified in the preceding list, for the school districts to use for renovation and improvement projects as designated by the 2015 Legislative Assembly.

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		

With the Board's approval of the award recommendations submitted for law enforcement, Emergency Medical Services, airports and K-12 schools, the following is a summary of the awards, the remaining fund allocations and the grant schedule for the remainder of the biennium.

2015-2017 Biennium Breakdown (Combining like FY Rounds)					
Round or Award	#Applications	Amt of Projects	Amt Requested	#Awards	Amt Awarded
Airports FY 2016	11	\$7,491,991	\$1,306,037	11	\$1,306,037
EMS FY 2016	43	\$9,859,855	\$7,467,128	28	\$3,696,195
K-12 FY 2016	62	\$15,000,193	\$15,000,193	62	\$15,000,193
Law Enforcement FY 2016	59	\$22,102,479	\$19,853,329	54	\$7,842,580
	175	\$54,454,518	\$43,626,687	155	\$27,845,005
				Admin	\$700,000
				Remaining Allocation	
				Airports	\$46,693,962
				K-12 Schools	\$14,999,807
				Law Enforcement Agencies	\$1,157,420
				Human Trafficking	\$750,000
				Sexual Assault Examiner	\$250,000
				Critical Access Hospitals	\$10,000,000
				Bowman & Divide Counties	\$8,000,000
				EMS	\$2,303,805
				Eligible General	\$5,000,000
				Nursing Homes, Basic Care	\$4,000,000
				Fire Districts	\$3,000,000
				Developmentally Disabled	\$2,000,000
				Domestic Violence	\$2,000,000
				District Health Units	\$2,000,000
				City of Stanley	\$1,700,000
				City of Kenmare	\$500,000
				City of Berthold	\$200,000
				City of Burlington	\$100,000
				Contingency	\$6,800,000
				Total	\$140,000,000
				Appropriated for Grants	\$139,300,000
				FY 60% Max for Awards	\$83,580,000
				As of:	July 30, 2015
				Awarded FY 2016	\$27,845,005
				Awarded FY 2017	\$0

City of Crosby - Request to Change Grant Purpose

The City of Crosby was awarded two EIO grants for wastewater and water system improvements during the 2013-2015 biennium:

- G140007 WATER AND WASTEWATER INFRASTRUCTURE EXPANSION \$3,000,000
- G150020 WATER AND WASTEWATER INFRASTRUCTURE EXPANSION \$2,000,000

Crosby was able to realize cost savings in these projects and grant G150020 has a current unexpended balance of \$1,409,035.23 and due to the lower bids, approximately \$500,000 is expected to remain upon completion of the original awarded project.

On June 16, 2015 the city requested approval to use the remaining funds within grant G150020 to be used toward the retrofit of a 500,000 gallon clearwell project to provide additional emergency water storage; including a pump house, two new pumps, a control system and work to tie into the city's infrastructure. The approximate cost of the project is estimated to be \$900,000.

Motion: The Board approved the City of Crosby's request to utilize grant #G150020 to be used for its originally awarded waste water project or for a water storage expansion project.

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

BNI Nomination for Coal Lease in Oliver County

The Board received a nomination from BNI Coal for the right to lease 160 net coal acres within: T146N – R84W – Sec. 29: S½; Oliver County.

These lands are within mining permit BNCR-9702 and the private surface leases have already been obtained. The Board manages 50% of the mineral interest in these tracts.

The nomination is the first step in making the tract available for leasing. The Board's coal leasing rules outline a process whereby the records of the mining company's lease with other owners are reviewed to arrive at a fair market rate of terms. This market rate serves as the basis for the lease auction opening bid. The Board's rules set forth that it must approve the initiation of the process to lease lands for coal development; with its approval of offering these mineral acres for lease for coal production, examination of the terms for adjacent mineral leases will commence.

Motion: The Board approved the application received from BNI Coal for coal leases of the south ½ of Section 29 T146N R84W and directed the Commissioner to begin term discovery and lease negotiations on its behalf.

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		

INVESTMENT MANAGEMENT

Investment Operations and Consulting Services

The Commissioner presented an evaluation with the staff of the State Investment Board (SIB) on it managing all or part of the permanent trusts' investments. The discussion focused on costs, efficiencies, services and potential savings: as well as challenges and expenses. A summary and a recommendation were offered as follows:

SIB Client Fee

The standard SIB client fund management fee is slightly over 1 basis point per year. The SIB would charge a client fee of approximately \$400,000 annually if the Land Board were to hire it to invest 100% of permanent trust assets with a current balance of approximately \$3.6 billion. This fee would cover SIB's day-to-day management of the investment program, including due diligence efforts, but would not cover manager fees. It is possible that the fee could be negotiated to slightly less than the standard 1BP as assets under management increase.

Cost Savings

Investing through the SIB could result in some operational savings for the Department of Trusts Lands as the DTL could revert to one person overseeing the investment area, instead of the current two. Annual savings were estimated at \$125,000.

The Department would still have at least one individual to manage the Board's various loan programs, coordinate the relationship with the SIB, oversee beneficiary distributions, to develop, maintain and monitor investment policies, and to manage the assets of the Coal Development Trust Fund, Capitol Building Fund and Strategic Investment and Improvements Fund.

Manager and Custody Fees

The Commissioner has historically worked closely with the SIB when negotiating money manager and service provider fees to ensure that both entities are getting the best possible fees, based on the cumulative assets involved. This has resulted in significant fee savings for both entities in the past 20 years. Transferring investment responsibility to the SIB would create little, if any, additional fee savings.

Governance

Hiring the SIB to manage the permanent trusts' investments would not relieve the Land Board of its responsibility to adopt a strategic asset allocation, develop and maintain an investment policy statement, and monitor investment and program performance.

If the SIB were hired, the Land Board and staff would no longer be involved in determining specific managers or investment strategies to be used to invest the permanent trusts.

Investment Consulting Services

If the Land Board were to hire the SIB to manage permanent trust investments there could be potential savings in consulting fees. Basic quarterly performance monitoring services could be obtained for an estimated \$50,000 per year. Comprehensive consultant services similar to what the Land Board has received from RVK would cost an anticipated \$150,000 annually.

Operational Considerations

If the SIB were hired to manage the permanent trusts' investments, significant coordination would be required to ensure timely cash transfers and implementation of investment decisions.

Financial reporting would be delayed one month, as the DTL would need to receive financial reports from the SIB prior to booking those investment results into the Board's financial statements.

Recommendation

Although there is some potential value to contract with the SIB for the management of permanent trust financial assets, most of the benefits and savings are already realized as a result of the coordination and information sharing between the two offices. Any additional savings that could be realized through personnel cuts or reduced operational costs at the DTL or in consulting fee reductions would be more than offset by the management fee that the SIB would need to charge for these services.

The Commissioner's recommendation was that the Land Board continue to directly manage the permanent trusts' investment program with the assistance of a retained investment consultant; while continuing to work with the SIB to minimize costs and fees, and to improve efficiencies.

RVK Investment Consulting Services

The current six-month investment consulting contract with RVK will expire after its second quarter investment performance report to the Board in August of 2015.

The Commissioner recommended that the Board continue to utilize RVK's services to assist in monitoring and maintaining the investment program and to support ongoing due diligence of managers, mandates and strategies.

At the Commissioner's request, RVK had provided a proposal for ongoing investment consulting and performance monitoring services. The proposed fee is \$145,000 per year for the next two years, with an escalator of 3% or the previous year's CPI. The service level offered is comprehensive in nature and includes, quarterly performance reports, four meetings a year with the Board, ongoing due diligence and investment manager searches (excluding illiquid assets).

Motion: The Board approved a contract with RVK for comprehensive investment advisory services, including investment performance monitoring, assistance with investment manager searches, ongoing due diligence, investment advice and educational efforts. The contract will be for a two year period, with an option for a one year extension, and is subject to final approval 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		

Investment Updates

The Board was updated on the status of several investment items including the asset re-allocation of the permanent trusts as of June 30, 2015.

Account/Asset Class	Long-Term Asset Allocation	Interim Target Allocation	6/30/15 Rebalanced	6/30/15 Asset Allocation %
Large Cap US Equity	13.5%	15.6%	\$ 563,364,873	15.6%
Small Cap US Equity	3.5%	3.9%	\$ 143,861,525	4.0%
International Equity	12.0%	13.9%	\$ 488,501,531	13.6%
Emerging Market Equity	3.0%	3.5%	\$ 126,744,148	3.5%
Total Equities	32.0%	36.9%	\$ 1,322,472,077	36.7%
Investment Grade US FI	13.6%	15.3%	\$ 567,904,893	15.8%
Loans	0.6%	0.4%	\$ 14,788,310	0.4%
High Yield FI	3.0%	3.5%	\$ 126,683,210	3.5%
International FI	5.8%	7.0%	\$ 247,884,580	6.9%
Total Fixed Income	23.0%	26.2%	\$ 957,260,993	26.6%
Core Real Estate	8.0%	3.5%	\$ 137,500,000	3.8%
Core Plus Real Estate	7.0%	0.3%	\$ 10,353,328	0.3%
Total Real Estate	15.0%	4.1%	\$ 147,853,328	4.1%
Total Absolute Return	20.0%	22.0%	\$ 783,528,881	21.8%
Commodities	3.0%	3.2%	\$ 116,960,293	3.3%
MLPs	3.0%	3.2%	\$ 115,889,635	3.2%
TIPS	2.0%	2.2%	\$ 77,800,204	2.2%
Natural Resource Equities	2.0%	2.2%	\$ 76,473,750	2.1%
Total Inflation Strategies	10.0%	10.8%	\$ 387,123,882	10.8%
Total Asset	100.0%	100.0%	\$ 3,598,239,161	100.0%

During June 2015, progress was made toward implementing the long-term asset allocation that the Board adopted in September 2013, including the following:

- A total restructuring of the diversified inflation strategies portion of the portfolio. This included the funding of new commodities (Gresham), MLP (Harvest) and natural resources equities (Van Eck) portfolios. The new mandates were funded through a total liquidation of the trusts' REIT portfolio and a reduction in the size of the trusts' TIPS portfolio.
- The partial funding of three real estate mandates. In June, Morgan Stanley (\$112.5 million), UBS (\$25.0 million) and Jamestown (\$10.4 million) all made initial capital calls. These capital calls were funded on June 30th and July 1st.
- The trusts' equity and fixed income portfolios were reduced to fund the real estate mandates.
- The interim target allocations for equities, fixed income and diversified inflation strategies were all reduced to bring them closer to the long-term allocations for each asset class.

As money is called to fund the remaining unfunded real estate mandates, the permanent trusts' equity, fixed income, absolute return and diversified inflation strategies portfolios will all be reduced to long-term target allocations. Listed below is the Commissioner's best information as to when the remaining real estate commitments will be funded:

- Morgan Stanley \$37.5 million 3rd qtr. 2015
- UBS \$125.0 million 3rd qtr. 2015
- Jamestown \$64.6 million 3rd qtr. 2015
- Prologis \$75.0 million 4th qtr. 2015
- JP Morgan \$113.0 million 2nd qtr. 2016

RVK Investment Study Report

In August RVK will present a final report on the investment study for which it was initially hired. The bulk of the report was done in 2013, but it can now be completed with the final governance structure adopted.

PIMCO

Fee negotiations between PIMCO, the SIB, and Department resulted in a fee discount of approximately \$135,000 to the SIB. The permanent trusts did not benefit from this negotiation since its investment is in a PIMCO's mutual fund products, which by law cannot be discounted. However, if the trusts' use other PIMCO products in the future, they could very well benefit from the relationship discount now in place.

SSGA

Fee negotiations with State Street Global Advisors, the State Investment Board (SIB) and Department resulted in a fee reduction benefiting both the SIB and the Board's trust investments. The trusts benefit by about \$16,000 per year, while SIB will benefit approximately \$6,000 per year.

J.P. Morgan – Fixed Income

In early July, J.P. Morgan announced the departure of three investment analysts. A senior municipal bond analyst will be retiring in August, while two more junior analysts left the firm for other opportunities. Due to the depth and quality of other analysts at J.P. Morgan, RVK does not have concerns that these departures will have a negative impact on the investment team. RVK will continue to monitor this situation closely and will inform the Commissioner if turnover at J.P. Morgan becomes an issue.

Second Review of Draft Investment Policy Statement

In May, the Board reviewed a first draft of its Investment Policy Statement (IPS) which documents a framework for the management of trust assets and the four 'other' funds' investments. An updated copy of the IPS was provided. The second version included proposed material changes related to the investment guidelines of the Coal Development Trust Fund.

Within the IPS, the investment guidelines for the Coal Fund have been revised to allow for greater liquidity and a shorter time horizon to better match the constitutional and statutory constraints of the fund. The revised guidelines would be the same as that of the SIIF, thus the Coal Development Trust Funds could be pooled with the SIIF and Capitol Building Fund investments in the ultra-short fixed income strategy at Northern Trust that the Board approved in October, 2014.

The draft IPS was presented for a second review and Board will be asked to consider its formal adoption in August. A copy of the draft IPS is available at the Department.

OTHER FUNDS**Strategic Investment and Improvements Fund - Assigned Fund Balance**

Revenues from sovereign lands are deposited into the Strategic Investment and Improvements Fund (SIIF). In July, 2014 the Board classified \$141,197,060 of this fund (balance as of June 30, 2014) as an "Assigned Fund Balance" that was not be transferred out of the fund until title claims to certain riverbed leases were resolved. The Board authorized similar revenues received during FY 2015 to be included within the Assigned Fund Balance.

The Board established this balance within the SIIF to reserve funds related to the State's minerals beneath navigable bodies of water. Although the courts have ruled that the state owns sovereign minerals up to the ordinary high water mark, there is continuing litigation relating to this acreage and meetings with operators to distribute previously suspended royalties are ongoing.

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. There are approximately 665 tracts that contain river acreage, with bonuses and rents associated with these acres totaling an estimated \$146,007,505.

Since the Supreme Court affirmed state ownership of minerals within the high water marks, the Department has diligently worked with operators to collect royalties. Some operators have agreed to distribute royalties based upon the State’s delineation, while negotiations for the payment of royalties continue with others. For tracts in which royalties have been distributed in accord with the State survey, the Commissioner will evaluate a methodology to reduce the Assigned Fund Balance.

Motion: The Board declared \$146,007,505 as the cumulative “Assigned Fund Balance” of the Strategic Investment and Improvements Fund, as of June 30, 2015. These funds should not be transferred from the SIIF until current title claims related sovereign lands have been resolved.

Secondly, any amounts collected in bonus and rent for river tracts within the Fort Berthold Reservation, and the bonus and rent collected from the approximate “shore zones” of navigable rivers during FY 2016 should be designated as part of the “Assigned Fund Balance” 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		

Other Funds Status

A quarterly review of “Other Funds Managed by the Land Board” was presented. These funds are not included in the pool of permanent trust funds and include the Strategic Investment and Improvements Fund; the Coal Development Trust Fund and the Capitol Building Fund. All three of these funds have distinct purposes that are different than the permanent trusts and are not necessarily investment oriented.

The report is a status updated to include the various activities and transfers of these funds as in the financing of various aspects of state government, as well as investment performance.

A review of the “Other Funds” managed by the Land Board in the 2nd quarter of 2015 was provided at the meeting and is on file with the Department.

OPERATIONS

Consideration of Commissioner’s Salary

As authorized by the 65th Legislative Assembly, state employees were eligible for a base salary increase ranging from 2% to 4% on July 1 of 2015. Most Department of Trust Lands staff received at least a 3% increase on those dates; and when warranted by expansion of duties or equity, some received additional increases within budget limitations.

The increases are all supported with documented evaluations of employee performance and work load.

The Commissioner requested that the Board approve a 2% increase to his base salary.

The Board discussed an additional increase to the Commissioner's salary. He was directed to prepare an updated job description that the Board will evaluate in comparison to market information for similar positions in consideration for additional compensation.

Motion: The Board approved an increase of 3% to the Commissioner's current salary of \$10,712 per month to \$10,926 effective July 30, 2015.

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		

Electronic Royalty Reporting Procedures

The Revenue Compliance Division has finalized the details of the electronic oil and gas royalty reporting format and has informed the industry of the future submittal requirements effective October 1, 2015. This unified reporting tool will significantly reduce the staff time dedicated to manual entry and save costs paid to third party vendors who collect and aggregate royalty data. These resources will be further utilized to enhance the royalty audit function of the Department with the expectations of greater recovery and collection of royalties.

The information and instructions were mailed and e-mailed to all operators as well as posted on the Department's website. A sample of the reporting instructions were reviewed by the Board and are available on the Department's website.

Performance Audit Update

In January 2015 the State Auditor initiated a performance audit of the Department of Trust Lands as directed by the Legislative Audit and Fiscal Review Committee.

The audit commenced with a meeting of the Department's managers and supervisors and the staff of the State Auditor's Performance Division to facilitate introductions and to discuss information related to statutory authority for the audit, general audit guidelines, confidentiality, processes, access to records and personnel etc. The auditors conducted a survey of all employees have reviewed all of Board minutes and rules, and all agency policies and procedures to determine the scope and objective of the audit.

In early May, the Department was informed that the audit time period would be July 1, 2011 through June 30, 2015 and that the objectives include:

- Is Unclaimed Property effectively administered?
- Are Energy Infrastructure and Impact Office grants effectively administered?
- Is the Department of Trust Lands obtaining, accounting for, and using resources efficiently and effectively?

Field work for the audit is expected to continue through September and a draft report will presented two to three weeks later.

Nearly all processes and personnel have been involved, and hundreds of documents have been provided, as has access to the central agency databases and all network files has been granted upon request.

The Auditors have offered to meet with the Board during the review or at its conclusion.

R E P O R T S

- 1) **The quarterly financial statement as of May 31, 2015** was provided to the Board and is available at the Department.
- 2) **The July and August 2015 oil and gas lease auction** offering lists were provided to the Board and are available at the Department.

3) **Report of Easements Issued by Land Commissioner:**

Granted to: For the Purpose of:	BULL MOOSE LLC, SOUTHLAKE-TX Easement: Raw Water Pipeline
Granted to: For the Purpose of:	USG MIDSTREAM BAKKEN I LLC, HOUSTON-TX Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	XTO ENERGY INC, FORT WORTH-TX Permit: Section Line Access Road
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	ENABLE BAKKEN CRUDE SERVICES LLC, TULSA-OK Easement-Amend: Drop Line-Multiple Pipelines
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Gas Gathering Pipeline
Granted to: For the Purpose of:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Gas Gathering Pipeline
Granted to: For the Purpose of:	1804 OPERATING LLC, DALLAS-TX Easement: Salt Water Pipeline
Granted to: For the Purpose of:	VANTAGE PIPELINE US LP, CALGARY AB-CANADA Easement: Gas Gathering Pipeline
Granted to: For the Purpose of:	PETRO-HUNT LLC, BISMARCK-ND Easement-Amend: Drop Line-Multiple Pipelines
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	RANCH OIL COMPANY, GREENWOOD VILLAGE-CO Easement: Salt Water Disposal Well - Extension

Granted to: WHITING OIL AND GAS CORPORATION, DENVER-CO
 For the Purpose of: Easement: Salt Water Disposal Well - Extension

Granted to: ENDURO OPERATING LLC, FORT WORTH-TX
 For the Purpose of: Easement: Salt Water Disposal Well - Extension

Granted to: 1804 OPERATING LLC, DALLAS-TX
 For the Purpose of: Easement: Drop Line-Saltwater Pipeline

Granted to: TRIANGLE USA PETROLEUM CORPORATION, DENVER-CO
 For the Purpose of: Easement-Amend: Salt Water Disposal Well

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. Fees may be charged for this use.

Granted to: AMES WATER SOLUTIONS LLC, WILLISTON-ND
 For the Purpose of: Letter of Permission: Access to School Land for laying a temporary frac water hose

Granted to: DICKINSON STATE UNIVERSITY, DICKINSON-ND
 For the Purpose of: Letter of Permission: Access to School Land to conduct vegetation studies in relation to rodent use of native grasslands in Western North Dakota

Granted to: WEST DAKOTA WATER LLC, WILLISTON-ND
 For the Purpose of: Letter of Permission: Access to School Land for laying a temporary frac water hose

A D J O U R N

There being no further business, the meeting was adjourned at 10:34 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 27, 2015**

The August 27, 2015 special 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
Wayne Stenehjem	Attorney General
Kelly Schmidt	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

No Members Absent

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Bonnie Storbakken	Governor's Legal Counsel
Marcia Beard	RVK
Mike Nowatski	Forum News Service
Nick Smith	Bismarck Tribune

APPROVAL OF MINUTES

A motion to approve the minutes of the July 29 and the July 30, 2015 meetings was made by Attorney General Wayne Stenehjem and seconded by Secretary Al Jaeger and the motion carried on a voice vote.

ENERGY IMPACT AND INFRASTRUCTURE OFFICE

Appointment of Advisory Committees

North Dakota Century Code 15-01-02 provides the Board with the authority to utilize an advisory committee to assist in making grant award determinations. The Board has appointed committees for law enforcement, emergency medical services, airports, fire protection, nursing homes, basic care facilities, and providers of home health and hospice services and domestic violence sexual assault organizations. The EIIO recommended advisory committee candidates for the continued practice of developing award recommendations for each grant round. The suggested committees and members are:

Critical Access Hospitals

Becky Hansen, Chief Executive Officer, Southwest Healthcare Services, Bowman
 Daniel Kelly, Chief Executive Officer, McKenzie County Healthcare, Watford City
 Darrold Bertsch, Sakakawea Medical Center, Hazen
 Matt Grimshaw, Chief Executive Officer, Mercy Medical Center, Williston
 Randall Pederson, Chief Executive Officer, Tioga Medical Center, Tioga
 Tom Nehring, Director of EMS and Trauma, ND Department of Health, Bismarck
 Jerry Jurena, President of the ND Hospital Association, Bismarck

Local District Health Units

Lisa Cute, Executive Officer, First District Health Unit
 Sherry Adams, Executive Officer, Southwestern District Health Unit
 Javayne Oyloe, Executive Officer, Upper Missouri District Health Unit
 Kelly Nagel, Director of the Office of Public Health Systems & Performance, Dept. of Health
 Mary Korsmo, Executive Director, ND SACCHO, North Dakota Association of Counties

General Grant Round

(Eligible Political Subdivisions in Golden Valley, McHenry, McLean, Mercer, Renville, Slope and Ward Counties)

Shelly Wepler, Ward County Commissioner
 Mike Teske, Slope County Commissioner
 Walter Losinski, Mayor of Beach, Golden Valley County
 Darrell Bjerke, Mayor of Beulah, Mercer County
 Shannon Jeffers, Mayor of Garrison, McLean County
 Larry Lee, North Prairie Township, McHenry County
 Peggy Christianson, Prescott Township, Renville County

Motion: **The Board appointed members to the advisory committees as detailed above for the 2015-2017 biennium grant reviews.**

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		

Cancellation of Flood-Impacted Political Subdivision Infrastructure Development Grants (FIPSIDG)

During the 2011 Special Legislative Session, within SB 2371, \$30 million was appropriated for grants to flood-impacted political subdivisions to assist with impacts to infrastructure as a result of the 2011 flood. Grants were for political subdivisions within certain counties that were designated as individual assistance disasters by the federal emergency management agency related to the 2011 flood. Grants were to be used to offset up to 50% of the costs not otherwise reimbursable through other state, federal or insurance

During calendar year 2012, the Board approved 141 grants totaling \$29,895,080. The 2013 Legislature approved the carryover of the unspent funds allowing the grants to be used beyond the 2011-2013 biennium. As of June 30, 2015, \$23.9 million has been reimbursed to political subdivisions with just under \$6 million of the awarded funds remaining.

The EIIO contacted political subdivisions with unused flood grant balances to encourage expedient use of the funds. Several political subdivisions expect to complete projects during the 2015 construction season; others indicated that projects are no longer planned; and some projects have been completed under budget, leaving a grant fund balance that will not be utilized.

The Board was presented with a list of the grants that political subdivisions have agreed can be canceled:

Political Subdivision	Grant #	Award Amt	Amount Paid	Balance	Project Description
BANTRY TOWNSHIP	F120320	\$6,750	\$6,695.00	\$55.00	GRADE RAISE
BELFORD TOWNSHIP	F120705	\$25,426	\$22,747.00	\$2,679.00	MOVE ROAD
BENSON COUNTY	F120113	\$21,000	\$0.00	\$21,000.00	AQUIRE LAND TO MOVE CO SHOP
CENTER TOWNSHIP	F120708	\$24,525	\$21,043.00	\$3,482.00	RESTORE ROAD
CITY OF GREAT BEND	F120703	\$5,555	\$3,395.02	\$2,159.98	AUTOMATE CITY ST DRAINAGE
CITY OF MANDAN	F120400	\$672,938	\$559,118.91	\$113,819.09	REPAIR WWTP OUTFALL PIPE
CITY OF MANDAN	F120404	\$63,561	\$62,431.50	\$1,129.50	FLOOD CONTROL STRUCTURES
CITY OF MINNEWAUKEN	F120132	\$44,625	\$38,706.25	\$5,918.75	PURCHASE LAND FOR FLOODWAY
CITY OF OBERON	F120109	\$10,000	\$0.00	\$10,000.00	RAISE DIKE AROUND CITY WELL
CITY OF SAWYER	F120809	\$50,000	\$0.00	\$50,000.00	PUMP REPLACEMENT
CITY OF SHERWOOD	F120605	\$5,000	\$1,924.56	\$3,075.44	REPAIR PARK ROADS
CITY OF WAHPETON	F120709	\$76,915	\$71,493.00	\$5,422.00	CLEAN NATURAL DRAIN
DANTON TOWNSHIP	F120710	\$8,768	\$8,609.10	\$158.90	RAISE ROAD
DEEP RIVER TOWNSHIP	F120344	\$6,716	\$5,969.00	\$747.00	GRADE RAISE
EATON FLOOD IRR. DIST.	F120356	\$27,547	\$0.00	\$27,547.00	BANK REPAIR
GREATER RAMSEY WTR DIST.	F120501	\$179,100	\$156,953.00	\$22,147.00	REPAIR INFRASTRUCTURE
GREATER RAMSEY WTR DIST.	F120502	\$68,420	\$68,184.00	\$236.00	INFRASTRUCTURE EXPANSION
GREATER RAMSEY WTR DIST.	F120508	\$150,000	\$149,581.00	\$419.00	INFRASTRUCTURE EXPANSION
LAYTON TOWNSHIP	F120337	\$9,163	\$0.00	\$9,163.00	GRADE RAISE
NANSEN TOWNSHIP	F120714	\$36,700	\$0.00	\$36,700.00	BRIDGE REPLACEMENT
PROSPERITY TOWNSHIP	F120607	\$1,440	\$1,400.00	\$40.00	REPAIR ROADS
RENVILLE COUNTY	F120603	\$50,000	\$0.00	\$50,000.00	BRIDGE REPAIR
ROCK TOWNSHIP	F120118	\$4,650	\$4,623.28	\$26.72	GRADE RAISE
SPRING GROVE TOWNSHIP	F120317	\$14,000	\$13,680.00	\$320.00	RAISE ROAD INSTALL FABRIC
SUMMIT TOWNSHIP	F120713	\$10,886	\$5,432.50	\$5,453.50	REPAIR CONCRETE CULVERTS
VIKING TOWNSHIP	F120715	\$1,933	\$1,288.00	\$645.00	RAISE ROAD
Total Recommended for Cancellation				\$372,343.88	

The EIO Director recommended that the grants in the preceding list be canceled and that all FIPSIDG funds remaining undelivered in January 2016 be canceled, and the funds be returned to the General Fund.

Motion: The Board canceled the identified 26 Flood-Impacted Political Subdivision Infrastructure Development Grants with a total balance of \$372,343.88; and it also set December 31, 2015 as the deadline for FIPSIDG awards to be reimbursed to grantees.

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 MANAGEMENT

Revised Investment Guidelines for the Coal Development Trust Fund

Demand has increased for school construction loans and coal impact loans funded by the Coal Development Trust Fund, thus the balance of its investments have declined from over \$30 million on December 31, 2014 to less than \$9 million, and the balance is anticipated to fall below \$5 million.

The Coal Development Trust Fund has been invested in a fixed income strategy that maintains a 1-3 year investment horizon.

With lower investment balance, the Commissioner recommended a revised investment strategy to focus on short-term fixed income. It was suggested that the Coal Development Trust Fund investment be included in the Northern Trust ultra-short bond portfolio pooled with the Strategic Investment and Improvements Fund (SIIF) and Capitol Building Fund to keep manager and custody costs low. The ultra-short fee is 6 basis points and the current Coal only account with Payden and Rygel will be closed.

The investment guidelines proposed for the Coal Development Trust Fund match those previously adopted for the SIIF and Capitol Building Fund:

Investment Guidelines

The Coal Development Trust will be invested in a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper and will adhere to the following guidelines:

- 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

Benchmark

The benchmark is composed of 50% of the three-month U.S. Treasury Bill and 50% Barclays 1- 3 Year Gov't Corp Index.

Motion: The Board adopted the recommended investment guidelines and benchmark for the Coal Development Trust Fund and authorized the investment of the assets of the Coal Development Trust Fund in Northern's ultra-short strategy in a pool of investment assets together with the Strategic Investment and Improvements Fund and Capitol Build Fund.

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		

Final Investment Study Report - RVK

In 2013, the investment consultant firm, R.V. Kuhns (now RVK), was hired to perform a comprehensive review of the Board's investment program. In February 2014 RVK presented the Board with a draft of the completed study; but a final report could not be completed until asset class structure details and strategies were determined and upon adoption of a Board governance structure.

In early 2014 the Board hired RVK to help implement the adopted asset allocation. This entailed determining a specific structure for each major asset class and researching and interviewing investment managers for the new investment mandates and recommending firms for the Board's consideration.

On behalf of RVK, Marcia Beard discussed the scope of the study and summarized the decisions outlined in the final report; the completion of which and the Board acceptance thereof marks the official end of the study.

The following points summarize the scope of the study and final report, a complete copy of which is on file with the Department:

- A recommendation for an asset allocation for the permanent trust funds (PTFs) that balances the Board's dual responsibilities to preserve the purchasing power and to maintain stable distributions, and that also recognizes the Board's risk tolerance and current market conditions.
- A complete update of the Board's investment policies and procedures for the PTFs that will help ensure accomplishing its long-term goals and objectives for the PTFs.
- An analysis and recommendation as to the most appropriate way to transition from the Board's historic asset allocation and policies, to the approved investment plan.
- Recommendations for establishing specific 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.

Motion: The Board acknowledged receipt and acceptance of the final investment study report provided by RVK.

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		

Adoption of Investment Policy Statement

In May and July, the Board reviewed a draft Investment Policy Statement (IPS). The document provides a comprehensive framework for the management of the investment program. It defines the authority; establishes goals and objectives; defines roles and responsibilities; and expresses limits and boundaries for each entity involved in management of an investment program. These entities include the Board, the Commissioner and staff, consultants, custodians, and contracted investment managers.

Historically, the Board's investment program has been managed essentially by individual actions, documented by an accumulation of related memos and policies. The program has grown from an income focus with mostly bonds and loans, to a more sophisticated diversified investment portfolio. The Commissioner recommended the adoption of the Investment Policy Statement to consolidate all of the Board's investment guidelines.

The final Investment Policy Statement is available at the Department.

Motion: The Board approved the Investment Policy Statement.

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 Investment Performance Report – 2nd Quarter 2015

Marcia Beard from RVK reviewed the performance of the permanent trust funds' pool of investment assets for the period ending June 30, 2015. The report is prepared for the Board to help it monitor and evaluate the collective performance of the permanent trusts' investments and the performance of individual managers within the program.

The 2nd quarter performance report as well as a draft monitoring tool report were presented to the Board by RVK and are available at the Department.

Investment Updates

The Board reviewed the status of the asset reallocation of the permanent trusts as of July 30, 2015, adjusted for August cash flows and transfers. It includes:

- The long-term asset allocation approved by the Board in September of 2013
- Interim allocations to asset classes while awaiting to fully fund all real estate mandates
- Estimated dollar value and percentage of each asset class after transfers that have or will occur in August, 2015

Account/Asset Class	Long-Term Asset Allocation	Interim Target Allocation	7/31/15 Rebalanced	7/31/15 Asset Allocation %
Large Cap US Equity	13.5%	15.6%	\$ 545,373,920	15.1%
Small Cap US Equity	3.5%	3.9%	\$ 131,642,467	3.7%
International Equity	12.0%	13.9%	\$ 476,658,920	13.2%
Emerging Market Equity	3.0%	3.5%	\$ 119,796,635	3.3%
Total Equities	32.0%	36.9%	\$ 1,273,471,942	35.3%
Investment Grade US FI	13.6%	15.3%	\$ 650,425,684	18.0%
Loans	0.6%	0.4%	\$ 14,869,518	0.4%
High Yield FI	3.0%	3.5%	\$ 126,946,962	3.5%
International FI	5.8%	7.0%	\$ 249,540,971	6.9%
Total Fixed Income	23.0%	26.2%	\$ 1,041,783,135	28.9%
Total Absolute Return	20.0%	22.0%	\$ 778,281,694	21.6%
Commodities	3.0%	3.2%	\$ 105,000,446	2.9%
MLPs	3.0%	3.2%	\$ 112,574,032	3.1%
TIPS	2.0%	2.2%	\$ 77,896,877	2.2%
Natural Resource Equities	2.0%	2.2%	\$ 66,752,786	1.9%
Total Inflation Strategies	10.0%	10.8%	\$ 362,224,140	10.1%
Core Real Estate	8.0%	3.5%	\$ 137,499,947	3.8%
Core Plus Real Estate	7.0%	0.3%	\$ 10,353,328	0.3%
Total Real Estate	15.0%	4.1%	\$ 147,853,275	4.1%
Total Asset	100.0%	100.0%	\$ 3,603,614,186	100.0%

During July and August, a total of \$95 million will be liquidated from various equity portfolios to make money available for the \$150-200 million of real estate fund calls anticipated at the end of September 2015. In the interim, this money is being invested in the Payden & Rygel Low Duration Fund.

Funding Status of Real Estate

The funding of the real estate mandates is the remaining project to complete the implementation of the permanent trusts' long-term asset allocation. The estimated timing of the funding of the remaining real estate commitments is:

- Morgan Stanley \$37.5 million 3rd qtr. 2015
- UBS \$125.0 million 3rd qtr. 2015 (\$100 mil. called for 10/1)
- Jamestown \$64.6 million 3rd qtr. 2015
- Prologis \$75.0 million 4th qtr. 2015
- JP Morgan \$113.0 million 2nd qtr. 2017

While most real estate investments are on schedule as originally anticipated, JP Morgan recently indicated that the expected draw date has been pushed back a year, to mid-2017. A recommendation of where to allocate the funds planned for this investment will be provided to the Board at a future meeting.

Initial Funding of New Ultra-Short Portfolio

In July, an initial \$200 million of Strategic Investment and Improvements Fund (SIIF) assets were transferred into the new ultra-short portfolio at Northern Trust. This account will be used to manage the investments of the SIIF, Capitol Building Fund and Coal Development Trust Fund.

S U R F A C E M A N A G E M E N T

Central Power Electric Cooperative Request to Purchase Trust Land Under NDCC Ch. 15-09 (Burleigh 36-139-80)

Central Power Electric Cooperative Inc. has submitted an application to purchase approximately 15 acres in the SW4 Section 36, T139N, R80W, Burleigh County to develop an Electric Substation, outpost building and laydown yard.

As required under NDCC Ch. 15-09, an appraisal has been requested from Burleigh County and a second appraisal will be completed by a qualified commercial real estate appraiser. The approximate location of the tract is east of the existing Capital Electric Cooperative, Montana Dakota Utilities Co. and U.S. Bureau of Reclamation (WAPA) electric substations.

The information was presented for the Board's awareness and no formal action was requested.

Market Analysis Final Report – East Bismarck Tract (Burleigh: 36-139-80)

On February 26, 2015 Kadrmas, Lee & Jackson Engineering was selected to complete a market analysis study and provide recommendations on subdividing Section 36, T139N, R80W, Burleigh County for potential sale. The final report was recently completed and submitted to the Department. A copy of the market analysis study was presented to the Board is available at the Department.

A KLJ representative will be invited to present highlights of the report and answer questions at a subsequent Board meeting.

O P E R A T I O N S

Commissioner Job Description

During its July 2015 meeting the Board approved a 3% increase to the Commissioner's salary. In its discussion, the Board indicated its intent to undertake a review of the current job responsibilities and to consider a salary adjustment in consideration of similar management positions within the state.

A list of the Commissioner's responsibilities in 2010 compared to present day was presented to the Board for its review. The information was received under advisement and will be reviewed at a later meeting.

Report of Easements Issued by Land Commissioner (07-15-15 through 08-07-15)

Granted to:	HESS CORPORATION, MINOT-ND
For the Purpose of:	Easement: Multiple Pipelines

Granted to: For the Purpose of:	ENBRIDGE PIPELINES (NORTH DAKOTA) LLC, SUPERIOR-WI Easement: Oil Transmission Pipeline
Granted to: For the Purpose of:	ENBRIDGE PIPELINES (NORTH DAKOTA) LLC, SUPERIOR-WI Easement: Oil Transmission Pipeline
Granted to: For the Purpose of:	QEP ENERGY COMPANY, DENVER-CO Permit: Access Road
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement-Amend: Electric Distribution Line - Buried
Granted to: For the Purpose of:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND Easement: Potable Water Pipeline
Granted to: For the Purpose of:	PETRO-HUNT LLC, BISMARCK-ND Easement-Amend: Salt Water Disposal Well
Granted to: For the Purpose of:	CALIBER MIDSTREAM ND LLC, DENVER-CO Assignment: Salt Water Disposal Well-Assignment
Granted to: For the Purpose of:	LIBERTY RESOURCES MANAGEMENT CO LLC, DENVER-CO On-lease Act. Amend: Horizontal Oil Well
Granted to: For the Purpose of:	SHD OIL & GAS LLC, MCLEAN-VA Easement: Salt Water Disposal Well
Granted to: For the Purpose of:	HUNT OIL COMPANY, DALLAS-TX Easement: Salt Water Pipeline
Granted to: For the Purpose of:	WEST RIVER TELECOM COOP, HAZEN-ND Easement: Communication Cable - Buried
Granted to: For the Purpose of:	BURKE-DIVIDE ELECTRIC COOPERATIVE, COLUMBUS-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	WHITING OIL AND GAS CORPORATION, DENVER-CO Easement: Tower Site
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:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Buried Electric Distribution Line
Granted to: For the Purpose of:	NESSON GATHERING SYSTEMS LLC, FORT WORTH-TX Easement: Drop Line-Gas Gathering Pipeline
Granted to: For the Purpose of:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Electric Distribution Line
Granted to: For the Purpose of:	ENBRIDGE PIPELINES (NORTH DAKOTA) LLC, SUPERIOR-WI Easement: Oil Transmission Pipeline

Granted to: ROCKWATER WM NORTH DAKOTA LLC, HOUSTON-TX
 For the Purpose of: Letter of Permission: Access to School Land

Granted to: DAKOTA CENTRAL TELECOMMUNICATIONS, CARRINGTON-ND
 For the Purpose of: Easement: Communication Cable – Buried

Granted to: NEMONT TELEPHONE COOP INC, SCOBEEY-MT
 For the Purpose of: Easement-Amend: Communication Cable

Granted to: MEADOWLARK MIDSTREAM COMPANY LLC, RUSTON-LA
 For the Purpose of: Permit: Temporary Construction

Granted to: HUNT OIL COMPANY, DALLAS-TX
 For the Purpose of: Easement: Drop Line-Saltwater Pipeline

Granted to: GREAT NORTHERN GATHERING & MARKETING LLC, HOUSTON-TX
 For the Purpose of: Easement-Amend: Drop Line-Pipeline

Granted to: CRAFTON TULL, CONWAY-AR
 For the Purpose of: 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. Fees may be charged for this use.

Granted to: MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
 For the Purpose of: Letter of Permission: Access to School Land for temporary maintenance or construction access

Granted to: WEST DAKOTA WATER LLC, WILLISTON-ND
 For the Purpose of: Letter of Permission: Access to School Land for a temporary lay flat surface frac water pipeline

Granted to: NDSU, FARGO-ND
 For the Purpose of: Letter of Permission: Access to School Land for dust collecting equipment for a dust abatement study in the oil field

Granted to: SELECT ENERGY SERVICES, WILLISTON-ND
 For the Purpose of: Letter of Permission: Access to School Land for a temporary lay flat surface frac water pipeline

Granted to: ROCKWATER WM NORTH DAKOTA LLC, HOUSTON-TX
 For the Purpose of: Letter of Permission: Access to School Land for a temporary lay flat surface frac water pipeline

MINERALS MANAGEMENT

The August 4th Oil and Gas Lease Auction Results Summary was presented to the Board:

August 2015			
	Mineral Acres	Total Bonus	Bonus/Acre
Billings	2,399.36	33,438.08	13.94
Bowman	160.00	1,760.00	11.00
Burke	3,557.79	24,949.53	7.01
Divide	4,538.06	120,230.66	26.49
McKenzie	1,047.98	94,436.50	90.11
Mountrail	60.89	1,522.25	25.00
Stark	726.52	7,271.20	10.01
Williams	2,764.14	318,665.41	115.29
	15,254.74	\$602,273.63	\$39.48

A D J O U R N

There being no further business, the meeting was adjourned at 10:26 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 24, 2015**

The September 24, 2015 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
Wayne Stenehjem	Attorney General
Kelly Schmidt	State Treasurer

Member Absent:

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

Lance D. Gaebe	Land Commissioner – via telephone
Jeff Engleson	Director, Investment Division
Drew Combs	Director, Minerals Division
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Mike Humann	Director, Surface Division
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Bonnie Storbakken	Governor's Legal Counsel
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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 August 27, 2015 meeting was made by Treasurer Kelly Schmidt and seconded by Attorney General Wayne Stenehjem and the motion carried on a voice vote.

I N V E S T M E N T M A N A G E M E N T

Permanent Trust Funds - Structure of Fixed Income Portfolio

In September of 2014, the Board approved the following structure for the permanent trusts' fixed income allocation:

Sub-Asset Class	Long-Term Allocation
P&R - Aggregate	6.8%
JP Morgan - Intermediate	6.8%
BND – Project Note	0.0%
P&R Low Duration	0.0%
FLP/ECLP - Loans	0.6%
Lazard – High Yield	3.0%
1 st Intl. – International Bonds	3.5%
Brandywine – Global Bonds	2.3%
P&R Cash	0.0%
TOTAL FIXED INCOME	23.0%

As adopted in 2014, there was an error should be corrected; the “Loans” allocation should have read FLP/ECLP, which stands for Farm Loan Pool and Energy Construction Loan Pool. The permanent trusts are not involved with School Construction Loans.

Loan volume increases or declines as loans are paid and the Board does not have as much control over the actual dollar amount invested, like with equities and bonds. The farm and energy construction portfolios are high quality loans, with few delinquencies and almost no foreclosures over the past 20 years, but the Board is not presently participating in these loans due to low interest rates and the long loan terms.

Because of the difficulty in controlling the amount of in the loan portfolios, the following consolidated long-term structure for the permanent trusts’ fixed income portfolio was recommended:

Sub-Asset Class	Long-Term Allocation
Domestic Investment Grade Including <ul style="list-style-type: none"> • P&R - Aggregate • JP Morgan – Intermediate • P&R Low Duration • FLP and ECLP • P&R Cash 	14.2%, any amount not invested in loans will generally be split evenly between the Aggregate and Intermediate portfolios. Low Duration and Cash portfolios will be used for short term cash management purposes only.
High Yield	3.0%
International Bonds	3.5%
Global Bonds	2.3%
TOTAL FIXED INCOME	23.0%

The revised structure is the same overall fixed income target with less internal detail which improve the ability to manage changing loan demand/balances, and provide flexibility to hold funds in shorter term investments while accumulating money to fund real estate mandates or to rebalance.

Motion: The Board adopted the long-term fixed income structure detailed in preceding table.

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		

Permanent Trust Funds – Interim Target Allocation

A total of \$185.918 million was called by real estate managers for quarter ending September 30, 2015, as detailed below:

Morgan Stanley	\$37.5 million	September 30
UBS	\$125.0 million	October 1
Jamestown:	\$23.42 million	October 1

Once these transfers are made, both Morgan Stanley and UBS will be fully funded up to the 4% allocation for those portfolios. Jamestown will have funded approximately half of its 2% allocation. Nine percent of the total 15% asset allocation to real estate will be funded as of October 1st.

The anticipated call dates and amounts of remaining real estate commitments are:

Jamestown	\$40.0 million expected to be called end of Q4 2015
Prologis	\$75.0 million potential to be called at end of Q4 2015
JP Morgan	\$113.0 earliest expected call end of Q2 2017

Most of the real estate commitments have been called as expected; however, JP Morgan and Prologis calls are taking longer than anticipated. Prologis has been pushed back at least two quarters and JP Morgan's expected funding will not occur for two years. It was recommended that the Board adopt an "interim allocation" target for the permanent trust funds. The proposed interim target allocation balances the Board's objective to keep money invested with the desire to reduce the risk of funds that are committed to a specific funding date. The proposed interim allocation takes the 6% underweight in real estate and allocates in two ways:

- The underweights in JP Morgan and Prologis (5%) is spread proportionately between the other four major asset classes.
- The underweight from target related to Jamestown (approximately 1%) is allocated to investment grade fixed income, specifically the Payden & Rygel Low Duration Fund.

The Board reviewed information that showed the projected October 1 status of the asset reallocation of the permanent trusts using September 17, 2015 asset values. It included:

- The long-term asset allocation approved by the Board in September, 2013, including a breakdown of the structure of sub-asset classes subsequently approved by the Board
- The proposed "interim allocations" to asset classes and sub asset classes while in the queue to fund remaining real estate mandates
- Percentage difference between Long-term and Proposed allocations
- Estimated dollar value and percentage of each asset class after funding of real estate mandates on September 30th and October 1st

Account/Asset Class	Long-Term Asset Allocation	Proposed Interim Target Alloc.	Interim % +/- Weight	Estimated After RE Transfers	Est. 10/1 Allocation %
Large Cap US Equity	13.5%	14.2%	5.2%	\$ 515,861,948	14.8%
Small Cap US Equity	3.5%	3.7%	5.7%	\$ 126,144,086	3.6%
International Equity	12.0%	12.7%	5.8%	\$ 440,484,245	12.6%
Emerging Market Equity	3.0%	3.2%	6.7%	\$ 110,836,069	3.2%
Total Equities	32.0%	33.8%	5.6%	\$ 1,193,326,347	34.3%
Domestic Investment Grade	14.2%	16.0%	12.7%	\$ 526,656,824	15.1%
High Yield FI	3.0%	3.2%	6.7%	\$ 110,731,654	3.2%
International/Global FI	5.8%	6.3%	8.6%	\$ 216,256,587	6.2%
Total Fixed Income	23.0%	25.5%	10.9%	\$ 853,645,066	24.5%
Total Absolute Return	20.0%	21.1%	5.5%	\$ 743,134,413	21.3%
Commodities	3.0%	3.2%	6.7%	\$ 105,931,288	3.0%
MLPs	3.0%	3.2%	6.7%	\$ 104,642,882	3.0%
TIPS	2.0%	2.1%	5.0%	\$ 77,033,194	2.2%
Natural Resource Equities	2.0%	2.1%	5.0%	\$ 72,153,764	2.1%
Total Inflation Strategies	10.0%	10.6%	6.0%	\$ 359,761,128	10.3%
Core Real Estate	8.0%	8.0%	0.0%	\$ 299,999,950	8.6%
Core Plus Real Estate	7.0%	1.0%		\$ 33,771,569	1.0%
Total Real Estate	15.0%	9.0%	-40.0%	\$ 333,771,520	9.6%
Total Asset	100.0%	100.0%		\$ 3,483,638,474	100.0%

As the Jamestown, Prologis, and JP Morgan portfolios are funded, the interim target allocations will be adjusted proportionately to the allocation approved in September 2013.

Motion: The Board adopted the proposed interim target allocation shown in the preceding table until selected real estate mandates are funded, at which time the Commissioner should adjust the target to the permanent allocation adopted in September 2013.

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 Board Reviewed Investment Updates

Funding of New Ultra-Short Portfolio

In July an initial \$200 million of Strategic Investment and Improvements Fund (SIIF) assets were transferred into the new ultra-short portfolio at Northern Trust. Both the Capitol Building Fund and Coal Development Trust Fund will also be commingled in this new account with SIIF investments.

Asset Class Structure Reviews

The following is the schedule of regular reviews of the investment strategies and role of each of the broad asset classes in the context of the permanent trusts' investment program. The reviews will coincide with the quarterly performance reports provided by RVK.

Asset Class	Presentation to the Board
Absolute Return	November/December, 2015
Equity	February, 2016
Fixed Income	May, 2016
Inflation Strategies	August, 2016
Real Estate	November/December, 2016

Changes at SSGA

(\$966.9 million – 27.8% of permanent trust assets, passive S&P, Russell Completeness and ACWI Ex US)

In late-August State Street Global Advisors announced that Chief Risk Officer, David Saulnier elected to depart the firm. Mr. Saulnier will be replaced by current Global Head of Cash Matt Steinaway. Mr. Steinaway's cash position will be filled by Pia McCusker, the long-tenured Global Head of Credit Research.

RVK is visiting SSGA's offices to discuss the transition and will report back to the Commissioner, particularly if there are issues or concerns.

Changes at JP Morgan Fixed income

(\$247.1 million – 7.1% of permanent trust assets, domestic intermediate fixed income)

In mid-September J.P. Morgan announced that Doug Swenson, head of the Columbus based U.S Value Fixed Income team, will be taking a personal leave of absence to spend more time with his family. Mr. Swenson will be succeeded by Barb Miller who has worked with Mr. Swenson for over 17 years and is currently one of the team's lead portfolio managers. If Doug returns, Barb will maintain in her role as lead portfolio manager and head of the US Value Driven platform in Columbus.

J.P. Morgan has a strong team in Columbus and it doesn't expect any other changes in the 15 portfolio managers, 10 credit analysts, six risk professionals and the global client portfolio management team that supports the U.S. Value Driven platform.

At the present time RVK has no immediate concerns about J.P. Morgan; however they will be visiting with Barb Miller and other members of the JPM team and will report to the Commissioner.

S U R F A C E M A N A G E M E N T

Deep Borehole Field Test Project

The Energy & Environmental Research Center (EERC), in partnership with Battelle, is pursuing a funding opportunity with the U.S. Department of Energy (DOE) to conduct a deep borehole field test to conduct scientific and technological research regarding the disposal of used nuclear fuel and wastes.

The deep borehole field test would be conducted to evaluate geotechnical feasibility without the use of any radioactive material. The EERC proposes to conduct the field test on school trust land. EERC representatives met with Department of Trust Land staff on-site August 27, 2015, to review the proposed deep stratigraphic test well site on a tract of school trust land located in the east half of Section 36, Township 154 N, Range 73W, in Pierce County. After review of the proposed drilling plan, the site was determined to be suitable for the proposed project.

If the EERC is successful in securing the DOE project, a right-of-way application for this location is anticipated from the EERC. The easement would require compensation to the School Trust for the use of an approximate 20 acre site at commercial (oil field) rates for drilling locations.

Motion: **The Board directed that no action be taken by the Commissioner or Department regarding the EERC easement or project without Board consultation.**

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		

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Fire Protection District Grant Round Update

Within its appropriation, the 2015 Legislature assigned \$3 million for grants to fire districts during the biennium. The EIO recently received 67 applications from oil development impacted fire districts requesting \$16.8 million in grant funds. From September 14 through September 21, 2015, the EIO staff and a State Fire Marshal official traveled to eight communities meeting with the 58 applicants.

The Board's Energy Impact Fire Grant Round Advisory Committee is meeting October 6, 2015 to review applications and to develop recommendations for awards. Grant recommendations will be presented to the Board for its consideration during the October 2015 meeting.

Cash Management for the 2015-17 Biennium

The Oil and Gas Impact Grant Fund (OGIGF) just received its first distribution of \$6 million of Gross Production Tax (GPT) collections from July production. This is the initial allocation toward the full \$140 million appropriated to the fund for the 2015-2017 Biennium. As of September 18, 2015, the EIO has received requests for reimbursement totaling \$3.1 million of the \$27.8 million that has been awarded so far this biennium. These reimbursement requests will be fulfilled using the recent deposit.

In HB 1176, the 2015 Legislature identified direct distribution of \$1 million to service providers the developmentally disabled and \$5 million to critical access hospitals each January of the biennium. For the months of September, October and November of 2015 and again in 2016, the EIO will retain \$2 million of the GPT distribution to ensure adequate funds are available to meet this distribution time-frame.

Funds not retained for January distribution will be used to address reimbursement requests received by the EIO during the biennium. If available funds are less than reimbursement requests, distributions will be made in the order received as funds are deposited. Partial payments will be considered if reimbursement requests significantly outpace available funds.

Oil Revenues Based on Alternative Price Scenarios

Since the start of the biennium the price of crude oil has trended down which results in lower oil and gas tax collections. An analysis was done to determine how oil price changes could impact allocations to the OGIGF. The Office of State Tax Commissioner provided an analysis of possible outcomes regarding the Oil and Gas Impact Grant Fund:

The official legislative revenue forecast for oil and gas taxes for the 2015-17 biennium assumed an average North Dakota crude oil price of about \$50. Total oil and gas taxes, now that it is known the big trigger will not be in effect, are estimated to be about \$3.96 billion with the forecast assumptions of \$50 average price for a barrel of crude oil and 1.1 million Barrels of

Oil Per Day (BOPD) production. In this scenario, the OGIGF is fully funded at the \$140 million appropriated by the 2015 Legislature.

This is the official legislative forecast for the biennium, with the only adjustment made reflecting the fact the big trigger did not become effective (and a slight upward adjustment to price for those months when the price was assumed to be below the trigger in the original forecast). No other official forecast has been prepared. However, for discussion purposes, the Tax Department research section has developed revenue estimates using three hypothetical price scenarios.

- *If production is held constant at 1.1 million BOPD, but price averages only about \$45 per barrel, total oil and gas taxes would average \$3.6 billion and the impact fund would receive about \$127 million.*
- *If production is held constant at 1.1 million BOPD, but price averages only about \$40 per barrel, total oil and gas taxes would average \$3.2 billion and the impact fund would receive about \$99 million.*
- *If production is held constant at 1.1 million BOPD, but price averages only about \$35 per barrel, total oil and gas taxes would average \$2.9 billion and the impact fund would receive about \$71 million.*

The prices noted above are for North Dakota crude. The North Dakota price of crude has been averaging at about a \$7 to \$8 discount from the price of West Texas Intermediate (WTI) crude oil (WTI). The price of WTI has ranged from \$56.96 on July 1, 2015 to as low as 38.24 on August 24, 2015 with the price on September 16, 2015 being \$47.15. The above estimates are based on using 1.1 million BOPD in the model.

The price of oil and the amount of production for the biennium are unknown, but are not expected to rise in the near term. Of the \$139.3 million that Legislature allocated to OGIGF for grants, \$132.5 million was earmarked to specific categories, areas or locales.

The Board instructed the Director to closely monitor collections and to formulate, and present for the Board's consideration a revised grant schedule and targets in anticipation of reduced revenues.

R E P O R T S

Report of Easements Issued by Land Commissioner (08-17-15 through 09-11-15)

Granted to:	HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND
For the Purpose of:	Easement: Multiple Pipelines
Legal Description:	WIL-154-95-16
Granted to:	EAST VALLEY INDUSTRIAL PARK LLC, WILLISTON-ND
For the Purpose of:	Easement: Railroad Right-of-Way
Legal Description:	WIL-154-100-16
Granted to:	KNIFE RIVER TOWNSHIP, NEW TOWN-ND
For the Purpose of:	Easement: Road Right-of-Way
Legal Description:	MOU-153-92-16

Granted to: For the Purpose of: Legal Description:	CONSOLIDATED TELCOM, DICKINSON-ND Easement: Communication Cable - Buried DUN-145-92-16
Granted to: For the Purpose of: Legal Description:	BURKE-DIVIDE ELECTRIC COOP, KENMARE-ND Easement: Drop Line-Electric Distribution Line DIV-161-98-36
Granted to: For the Purpose of: Legal Description:	OASIS MIDSTREAM SERVICES LLC, HOUSTON-TX Easement: Salt Water Pipeline MOU-154-94-16
Granted to: For the Purpose of: Legal Description:	LIBERTY RESOURCES MANAGEMENT CO LLC, DENVER-CO On-lease Act. Amend: Horizontal Oil Well WIL-158-95-16
Granted to: For the Purpose of: Legal Description:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Electric Transmission Line MCK-150-100-16
Granted to: For the Purpose of: Legal Description:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND Easement: Electric Distribution Line - Above Ground WIL-154-95-16
Granted to: For the Purpose of: Legal Description:	BRIDGER PIPELINE LLC, CASPER-WY Easement: Drop Line-Oil Gathering Pipeline MCK-153-94-36
Granted to: For the Purpose of: Legal Description:	HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND Easement: Multiple Pipelines MOU-155-94-32
Granted to: For the Purpose of: Legal Description:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Electric Distribution Line DUN-148-97-36
Granted to: For the Purpose of: Legal Description:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement-Amend: Multiple Pipelines DUN-146-94-36
Granted to: For the Purpose of: Legal Description:	NEMONT TELEPHONE COOP INC, SCOBAY-MT Easement: Communication Cable - Buried DIV-162-100-16
Granted to: For the Purpose of: Legal Description:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND Easement: Electric Transmission Line MOU-152-88-16
Granted to: For the Purpose of: Legal Description:	SHD OIL & GAS LLC, MCLEAN-VA Easement: Drop Line-Multiple Pipelines MCK-151-95-36

Granted to: For the Purpose of: Legal Description:	NORTHWEST COMMUNICATIONS COOP, RAY-ND Easement: Communication Cable - Buried WIL-156-101-36
Granted to: For the Purpose of: Legal Description:	CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK Permit: Access Road WIL-154-100-16
Granted to: For the Purpose of: Legal Description:	TARGA BADLANDS LLC, HOUSTON-TX Easement: Oil Gathering Pipeline MCK-150-95-16
Granted to: For the Purpose of: Right-of-Way Number: Legal Description:	GREAT NORTHERN GATHERING & MARKETING LLC, HOUSTON-TX Easement-Amend: Oil Gathering Pipeline RW0007609 MCK-149-99-16
Granted to: For the Purpose of: Legal Description:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement: Drop Line-Multiple Pipelines DUN-146-94-36
Granted to: For the Purpose of: Legal Description:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement-Amend: Drop Line-Multiple Pipelines DUN-145-96-36
Granted to: For the Purpose of: Legal Description:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement-Amend: Drop Line-Multiple Pipelines DUN-145-96-36
Granted to: For the Purpose of: Legal Description:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement-Amend: Multiple Pipelines DUN-144-96-36
Granted to: For the Purpose of: Legal Description:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement-Amend: Multiple Pipelines DUN-144-96-8
Granted to: For the Purpose of: Legal Description:	MARATHON OIL COMPANY INC, DICKINSON-ND Easement-Amend: Multiple Pipelines DUN-144-96-14
Granted to: For the Purpose of: Legal Description:	STANTEC CONSULTING SERVICES, FARGO-ND Permit: General Land Surveys WAR-155-84-1
Granted to: For the Purpose of: Legal Description:	CENTRAL POWER ELECTRIC COOP INC, MINOT-ND Easement: Electric Transmission Line PIE-158-69-23
Granted to: For the Purpose of: Legal Description:	EOG RESOURCES INC, DENVER-CO Easement-Amend: Drop Line-Multiple Pipelines MOU-155-90-16

Granted to: **LIBERTY RESOURCES MANAGEMENT CO LLC, DENVER-CO**
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well
 Legal Description: WIL-158-95-16

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: **ND GAME & FISH DEPT, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land to place trail cameras and bait on several tracts of School Trust Land as part of a Swift Fox population study
 Legal Description: ADA-129-94-16
 Legal Description: ADA-129-98-36
 Legal Description: BOW-129-107-36
 Legal Description: BOW-130-105-16
 Legal Description: BOW-131-102-36
 Legal Description: BOW-132-105-16
 Legal Description: GOL-137-103-14
 Legal Description: GOL-137-104-16
 Legal Description: GOL-138-103-6
 Legal Description: GOL-138-104-4
 Legal Description: SLO-133-103-24
 Legal Description: SLO-134-103-36

Granted to: **SELECT ENERGY SERVICES, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Access to School Land for a temporary surface frac water pipeline
 Legal Description: MCK-153-98-36

Granted to: **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
 For the Purpose of: Letter of Permission: Access to School Land for the purpose of Temporary Maintenance or Construction Access
 Legal Description: DUN-146-96-36

Granted to: **NORTH DAKOTA GEOLOGICAL SURVEY, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land for non-vehicular walking access to conduct sampling of coal outcrops
 Legal Description: BIL-138-100-8
 Legal Description: BIL-138-102-16
 Legal Description: BIL-139-101-16
 Legal Description: BIL-139-101-36
 Legal Description: BIL-139-102-22
 Legal Description: BIL-139-102-26
 Legal Description: BIL-140-100-16
 Legal Description: BIL-141-101-13
 Legal Description: BIL-141-101-14
 Legal Description: BIL-141-101-16
 Legal Description: BIL-141-101-21
 Legal Description: BIL-142-101-36
 Legal Description: BIL-143-102-30

Legal Description:	BIL-144-100-16
Legal Description:	BIL-144-101-16
Legal Description:	BIL-144-102-36
Legal Description:	GOL-138-103-36
Legal Description:	GOL-139-103-16
Legal Description:	GOL-144-103-16
Legal Description:	MCK-145-101-16
Legal Description:	MCK-145-101-36
Legal Description:	SLO-134-101-16
Legal Description:	SLO-136102-16

Revenue Compliance Report

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 payments are in accordance with the Board's lease terms, rules, and North Dakota statutes. The total oil and gas royalties and interest and penalties collected during the 2013-2015 biennium was \$685,036,930 (FY-14:\$351,286,564; FY-15: \$333,750,365). Included in this total is \$11,803,822 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 2013-2015
Additional Royalties Collected	\$ 9,544,389		\$ 10,519,938
Additional Taxes or Other Deductions Collected	\$ 1,284,602		\$ 720,158
Penalties Collected	\$ 662,625		\$ 563,726
Total Collected	\$ 11,491,616		\$ 11,803,822
NDIC Report Corrections	55		221

Despite the decline in oil and gas revenues, the division has seen a continued increase in both the number of wells and transactions. In the 2011-2013 biennium, the division processed royalties from about 2,800 wells. As of July 2015, this has nearly doubled to just under 5,200 wells. Total lines of data reported to have increased from about 205,000 lines in FY-14 to approximately 357,000 lines in FY-15.

In addition to royalty collection efforts, the Revenue Compliance Division, together with the Minerals Division, continues efforts with operators to collect royalties based on the Ordinary High Water Mark survey of the state's navigable waters. The Department has met with Oasis, Statoil, Whiting, XTO and Hess regarding wells producing along the Missouri and Yellowstone Rivers. Overall, the meetings have resulted in more wells that were held in suspense placed in pay status and also increased escrowing of revenue from disputed wells.

Comments on BLM Proposed Rules Regarding: Onshore Oil and Gas Operations

The United State Bureau of Land Management has proposed changes to the Code of Federal Regulations that would expand the BLM's claimed authority over oil and gas activities on state and private lands.

The proposed rule would make regulations applicable to non-federal wells within units and communitization agreements (CA). Since the rule requiring an Application for Permit to Drill (APD) is located within this rule, operators would have to obtain an APD even for non-federal wells that

are located within a unit or CA. This change would result in significant delays in the drilling of wells and in the subsequent payment of royalties owed to the trusts and funds managed by the Board.

The Board reviewed a comment letter that the Commissioner had submitted to the BLM regarding the proposed rule change. The proposed rules' negative impact to the ability and timeliness of generating income for the educational trusts were the particular focus of the comments.

A copy of the Land Commissioner's letter is available at the Department.

Commissioner Compensation

During its July 2015 meeting the Board approved a 3% increase to the Commissioner's salary. In its discussion, the Board indicated its intent to undertake a review of the current job responsibilities and to consider a salary adjustment in consideration of similar management positions within the state.

In August 2015, a comparison of the Commissioner's responsibilities in 2010 as compared to present day was reviewed by the Board.

The Chairman offered a recommendation to increase the Commissioner's annual compensation by \$1,000 per month with the objective of bringing his compensation to a range similar to other state agency directors.

Motion: The Board approved an annual salary increase of \$12,000 for the Land Commissioner raising the salary from \$128,544 to \$140,544 effective July 1, 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		

A D J O U R N

There being no further business, the meeting was adjourned at 9:46 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 29, 2015**

The October 29, 2015 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:03 AM by Chairman Jack Dalrymple.

Members Present:

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

Department of Trust Lands Personnel present during open session:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Allisen Bement	Land Professional
Drew Combs	Director, Minerals Division
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Mike Humann	Director, Surface Division
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance during open session:

Nick Smith	Bismarck Tribune
Jason Nisbet	Governor's Legal Counsel
Hope Hogan	North Dakota Office of the Attorney General
Jennifer Verleger	North Dakota Office of the Attorney General
Mike Nowatski	Forum Communications
Jared Wingo	ND Aeronautics Commission
Patrick McGarry	Missouri Ridge Township
Rep. Patrick Hatlestad	State Legislator Missouri Ridge Township
Garry Chilcott	Missouri Ridge Township
Ken Sisk	Assistance State Fire Marshal
Mary Korsmo	ND Association of Counties – LPHU
Joel Quanbeck	KLJ

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

A motion to approve the minutes of the September 24, 2015 meeting was made by Secretary of State Al Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried on a voice vote.

Disputed Mineral Claims to the Riverbed of the Missouri and Yellowstone Rivers

Motion: Under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, it was moved that the Board close the meeting to the public and enter executive session for purposes of attorney consultation.

The purpose of the executive session will be to consult with the Board's attorneys to discuss pending litigation that challenge the state's claim to sovereign lands' minerals, including:

- Brigham Oil & Gas LP v. the Board;
- Wilkinson, et. al. v. the Board;
- EEE Minerals, LLC, et. al. v. the Board;
- Whitetail Wave LLC v. XTO Energy, et.al (including the Board);
- Statoil Oil & Gas, LP v. Abaco Energy, LLC, et.al (including the Board)
- Estate of Bruno Herman Weyrauch v. Kelly Schmidt, State Treasurer, as Trustee for State of North Dakota, et.al.

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		

At 9:05 AM the Board entered executive session for purposes of attorney consultation regarding disputed mineral claims to the riverbed of the Missouri and Yellowstone rivers.

EXECUTIVE SESSION

Members Present:

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

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Allisen Bement	Land Professional
Drew Combs	Director, Minerals Division
Linda Fisher	Deputy Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager

Others in Attendance:

Jason Nisbet	Governor's Legal Counsel
Hope Hogan	North Dakota Office of the Attorney General
Jennifer Verleger	North Dakota Office of the Attorney General

No action was taken during the Executive Session which was adjourned at 9:55 AM and the Board returned to open session.

After returning to open session the public was invited to return to the meeting and the following motion was made:

The Board directed the Commissioner to request the State Engineer to complete an Ordinary High Water Mark delineation for parts of the Missouri River affected by or reasonably anticipated to be affected by pending sovereign lands litigation.

The Commissioner should work with the State Engineer to determine a timeline and a cost estimate for the Board’s consideration.

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		

S U R F A C E M A N A G E M E N T

KLJ Market Analysis Final Report Presentation – East Bismarck Tract (Burleigh: 36-139-80)

In 2014 the Board requested proposals for a market analysis relating to possible land sales of parcels of Section 36, T139N, R80W, Burleigh County.

In August, Kadrmaz, Lee & Jackson Engineering, which was selected to complete the study analysis, submitted its final report. At the meeting, Joel Quanbeck of KLJ presented a summary of the market analysis study and its recommendations on subdividing the property for potential sale.

An overview of easements involving the property, KLJ’s presentation materials, and the final report were provided to the Board, copies of which are on file at the Department.

Central Power Electric Cooperative, Inc. Request to Purchase 15 acres within Burleigh County, Township 139 North, Range 80 West, Section 36: SW4

Central Power Electric Cooperative Inc. had submitted an application under N.D.C.C. Chapter 15-09 to purchase approximately 15 acres within Burleigh County, Township 139 North, Range 80 West, Section 36: SW4 to develop an electric substation, outpost building and laydown.

Two appraisals were completed:

Burleigh County Appraisal	\$100,000/acre
Point Value Appraisal	\$109,000/acre

The Commissioner recommended utilization of the Point Value appraisal.

Under NCCC § 15-09-04 the Board may sell the property required for public purposes for the appraised value if it concludes that the land is required for the identified purpose.

The sale of a 15-acre parcel to Central Power Cooperative, Inc. will leave 107 acres more or less in the SW4 of section 36.

Motion: The Board 1) approved the appraised value of \$109,000 per acre for the 15 acres of land within Burleigh County, Township 139 North, Range 80 West, Section 36: SW4 required for public purposes and 2) authorized the Commissioner to advertise the proposed sale, conduct a public hearing, and complete the sale to Central Power Cooperative on the Board's behalf.

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		

Minot Park District Request to Purchase Trust Land within Ward County, Township 155 North, Range 83 West, Section 16: NW4 and N2 of the SW4

The Minot Park Board applied under N.D.C.C. Chapter 15-09 to purchase 240 acres more or less within Ward County, Township 155 North, Range 83 West, Section 16: NW4 and N2 of the SW4 from the Common Schools Trust Fund for the purposes of developing a public golf course and park.

Two appraisals were conducted:

Boulder Appraisal \$3 million

Point Value Appraisal and Consulting \$5.52 million

Because of the wide range between the two appraisals, Dakota Appraisal and Consulting was contracted to review the appraisals. This firm concurred with the basis of the appraisal which estimated the land value at \$3 million.

Department staff met with the Minot Park Board on January 6, 2015 in an informational session. The Park Board renewed its application with the intent to proceed with the purchase in late 2015, but it had several issues to resolve before moving forward. The land was tested for sufficient irrigation ground water and an architect was hired for planning and exploring funding options. The Minot Park Board has finalized its planning and has requested that the Land Board proceed with the sale.

The sale of 240 acres would convey the entire School Trust surface in this parcel, however all minerals will be reserved in accordance with state law.

Motion: The Board 1) approved the appraised value of \$3,000,000 (\$12,500 per acre) for the 240 acres of land within Ward County, Township 155 North, Range 80 West, Section 16: NW4, N2SW4 required for public purposes and 2) authorized 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		X		
Superintendent Baesler			X		
Treasurer Schmidt			X		
Attorney General Stenehjem		X	X		
Governor Dalrymple			X		

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Of the \$139.3 million appropriated by the 2015 Legislature for energy impact grants during FY 2016, the Board has approved \$1.3 million to airports; \$3.7 million to emergency medical services; \$15 million to K-12 schools and \$7.8 million to law enforcement agencies.

The following table provides details of the awarded and remaining allocations:

2015-2017 Biennium Breakdown (Combining like FY Rounds)					
Round or Award	#Applications	Amt of Projects	Amt Requested	#Awards	Amt Awarded
Airports FY 2016	11	\$7,491,991	\$1,306,037	11	\$1,306,037
EMS FY 2016	43	\$9,859,855	\$7,467,128	32	\$3,696,195
K-12 FY 2016	62	\$15,000,193	\$15,000,193	62	\$15,000,193
Law Enforcement FY 2016	59	\$22,102,479	\$19,853,329	54	\$7,842,580
	175	\$54,454,518	\$43,626,687	159	\$27,845,005
				Admin	\$700,000
				Remaining Allocation	
				Airports	\$46,693,962
				K-12 Schools	\$14,999,807
				Law Enforcement Agencies	\$1,157,420
				Human Trafficking	\$750,000
				Sexual Assault Examiner	\$250,000
				Critical Access Hospitals	\$10,000,000
				Bowman & Divide Counties	\$8,000,000
				EMS	\$2,303,805
				Eligible General	\$5,000,000
				Nursing Homes, Basic Care	\$4,000,000
				Fire Districts	\$3,000,000
				Developmentally Disabled	\$2,000,000
				Domestic Violence	\$2,000,000
				District Health Units	\$2,000,000
				City of Stanley	\$1,700,000
				City of Kenmare	\$500,000
				City of Berthold	\$200,000
				City of Burlington	\$100,000
				Contingency	\$6,800,000
				Total	\$140,000,000
				Appropriated for Grants	\$139,300,000
				FY 60% Max for Awards	\$83,580,000
				As of July 30, 2015	
				Awarded FY 2016	\$27,845,005
				Awarded FY 2017	\$0

- \$9,471,588.72 was received by the Oil and Gas Impact Fund from July and August 2015 Gross Production Tax collections
- As of October 20th 2015, \$4,197,726.18 has been reimbursed to grantees
- \$4 million is reserved for the January 2016 distributions of \$6 million to Critical Access Hospitals and service providers to the developmentally disabled

Fire Department Impact Grants

The 2015 Legislature assigned \$3 million of oil and gas impact funds for grants to fire protection districts in producing counties.

Grant applications were accepted through August 2015, with a total of 67 applications requesting \$16,837,094 received. The applications represent \$22,745,202 of total proposed projects.

A detailed list of applications received is available at the Department.

In June 2015 the Board made appointments to the Fire Department Impact Grants Advisory Committee. The purpose of the advisory committee is to assist in formulating recommendations of grants for Board consideration. The committee includes:

Robert (Bob) Sivak, Fire Chief, Dickinson
Ryan Olson, Ray Fire Department
Cody Reis, Former Deputy Chief, Fairfield

Oscar Knudtson, Fire Chief, Watford City
Jamie Germundson, Fire Chief, Stanley
Ken Sisk, State Fire Marshal's Office, Bismarck

The Advisory Committees met in Watford City on October 6, 2015. The committees evaluated all applications based upon:

- Critical and immediate needs
- Projects enhancing safety of firefighters as well as public safety
- Projects supporting enhanced readiness, quality and responsiveness of fire departments.
- 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 the Fire Department Impact Grants Advisory Committees and the Energy Infrastructure and Impact Office:

POLITICAL SUB NAME	CITY	Award is For	Recommended Award
ALEXANDER RURAL FIRE DISTRICT	ALEXANDER	Rescue Truck	\$225,000
AMIDON RURAL FIRE DISTRICT	AMIDON	Air Packs	\$5,500
ARNEGARD RURAL FIRE DISTRICT	ARNEGARD	SCBA Upgrade	\$54,000
BILLINGS CO. RURAL FIRE PROTECTION DIST.	BELFIELD	Helmet Lights and Extrication Suites	\$26,740
BILLINGS CO. RURAL FIRE PROTECTION DIST.	BELFIELD	Rescue Pumper	\$225,000
BURLINGTON RURAL FIRE DEPARTMENT	BURLINGTON	Water tank with a pump and equipment on an Argo Trailer	\$10,422
CITY OF BEACH	BEACH	Extrication Equipment & additions to existing rescue unit	\$35,000
CITY OF BOWMAN	BOWMAN	Rescue Truck	\$225,000
CITY OF CROSBY	CROSBY	Pumper Tanker	\$128,000
CITY OF NEW TOWN	NEW TOWN	Air Bottles and Thermal Imagers	\$30,180
CITY OF TIOGA	TIOGA	SCBA'S, Radios, Pagers	\$68,265
CITY OF WILLISTON	WILLISTON	Heavy Rescue Truck and Training	\$198,000
DICKINSON RURAL FIRE DISTRICT	DICKINSON	Radios and Personal Protective Gear	\$83,709
EPPING RURAL FIRE DISTRICT	EPPING	SCBA Upgrade and Radios	\$37,260
GOLDEN VALLEY RURAL FIRE PROT. DISTRICT	GOLDEN VALLEY	SCBA'S	\$19,184
GOLDEN VALLEY RURAL FIRE PROT. DISTRICT	GOLDEN VALLEY	Turnout Gear	\$22,077
GOLVA RURAL FIRE DISTRICT	GOLVA	SCBA Upgrade	\$58,500
GRASSY BUTTE FIRE DISTRICT	GRASSY BUTTE	Rescue Truck	\$115,200

POLITICAL SUB NAME	CITY	Award is For	Recommended Award
KRAMER FIRE DISTRICT	KRAMER	Pagers and Programming	\$9,000
LANSFORD FIRE DISTRICT	LANSFORD	Multi-Use Pumper Truck	\$20,000
LIGNITE FIRE DISTRICT	LIGNITE	Bunker Gear and Boots	\$14,317
MAX RURAL FIRE DISTRICT	BENEDICT	Rescue Truck	\$85,000
MCKENZIE COUNTY	WATFORD CITY	Personal Protective Gear	\$31,500
MCKENZIE COUNTY RURAL FIRE PROT. DIST.	WATFORD CITY	Wildfire truck	\$103,500
MINOT RURAL FIRE DISTRICT	MINOT	Light Rescue Truck	\$99,000
MOHALL RURAL FIRE DISTRICT	MOHALL	New Quick Response Unit	\$27,924
NEW ENGLAND RURAL FIRE DISTRICT	NEW ENGLAND	Wildland/Extrication Gear	\$14,985
PARSHALL RURAL FIRE DISTRICT	PARSHALL	Tanker/Pumper Truck	\$130,917
PLAZA FIRE DISTRICT	PLAZA	Rescue Truck	\$225,000
POWERS LAKE RURAL FIRE DISTRICT	POWERS LAKE	Rescue Truck	\$153,000
RAY FIRE DISTRICT	RAY	First Response Truck	\$119,000
RHAME RURAL FIRE DISTRICT	RHAME	Truck Tank Replacement	\$5,400
RHAME RURAL FIRE DISTRICT	RHAME	Turnout Gear	\$9,000
STANLEY RURAL FIRE DISTRICT	PALERMO	Truck and Air Packs	\$130,000
TRENTON TOWNSHIP	TRENTON	Extrication Equipment, SCBA's & radios	\$52,200
ZAP RURAL FIRE PROTECTION DISTRICT	ZAP	Mini Pumper/Quick attack Truck	\$203,220
36 Recommended Awards			\$3,000,000

These 36 recommended awards total \$3 million for fire districts as specified by the 2015 Legislature.

Motion: The Board awarded \$3,000,000 from the Oil and Gas Impact Grant Fund to the 33 political subdivisions identified in the 36 award recommendations in the preceding list. With this action the Board affirmed that \$3 million designated for Fire Protection Districts by the 2015 Legislative Assembly is satisfied.

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		

Airport Grant Recommendations, Grant Reduction, and Change of Purpose

The EIIO utilizes the policies of the Aeronautics Commission related to applying state grant funding at 50% of local share of project costs and if a higher funding level is needed, the airport indicates the level required and provides justification for the cost-share increase. Federal cost share is always pursued as a priority.

Grant Reduction

A July 2015 grant was provided to the Garrison Municipal Airport in Grant Number G160007. This grant included \$58,678 to reconstruct a fueling apron. Bids received on the project which resulted in a savings of \$12,677 compared to the estimate. It was recommended that the Board reduce the

award amount on Grant Number G160007 to a revised award amount of \$46,001 reserving the \$12,677 for future awards to airports.

Grant Recommendations

The Aeronautics Commission reviewed applications and developed grant recommendations for airport projects. A list of recommended awards totaling \$2,225,460 was reviewed by the Board.

Figure A

Airport Energy Impact Award Recommendations - Fall 2015							
COMMERCIAL AIRPORTS	PROJECT DESCRIPTION	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND	
DICKINSON	1. FAA 2015 AIP #33: Runway 32 Safety Area Improvements *	\$518,000.00	\$0.00	\$51,800.00	\$51,800.00	10%	
	2. FAA 2015 AIP #34: Environmental Assessment - Phase I *	\$626,000.00	\$0.00	\$62,600.00	\$62,600.00	10%	
	3. FAA 2015 AIP #35: Taxiway Pavement Maintenance *	\$700,000.00	\$0.00	\$70,000.00	\$70,000.00	10%	
	4. Runway 14/32 Pavement Maintenance	\$35,940.00	\$0.00	\$35,940.00	\$35,940.00	100%	
	5. eALP, Aeronautical Survey, Imagery, & Topography	\$236,750.00	\$0.00	\$236,750.00	\$236,750.00	100%	
	6. BCALOI Application Documentation	\$535,100.00	\$0.00	\$535,100.00	\$535,100.00	100%	
	7. Compatible Land Use Plan	\$98,750.00	\$0.00	\$98,750.00	\$98,750.00	100%	
	* 2015 Federal Grant Awards Totaled \$ 1,659,600.00						
	Sub Total	\$2,750,540.00	\$0.00	\$1,090,940.00	\$1,090,940.00		
MINOT	1. FAA 2015 AIP #51: Detention Pond Design *	\$253,500.00	\$12,675.00	\$12,675.00	\$12,675.00	5%	
	3. New Commercial Terminal Building Furniture (Previous State Grant Award was \$100,000 at 20%)	\$782,917.00	\$548,042.00	\$234,875.00	\$234,875.00	30%	
	* 2015 Federal Grant Awards Totaled \$ 1,880,690.00						
	Sub Total	\$1,036,417.00	\$560,717.00	\$247,550.00	\$247,550.00		
GENERAL AVIATION AIRPORTS	PROJECT DESCRIPTION	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND	
GARRISON	1. FAA 2015 AIP #12 - Runway 13-31 Rehabilitation (Original State Grant Award was \$120,000)	\$2,568,144.00	\$128,408.00	\$8,407.00	\$8,407.00	5%	
	2. Fueling Apron with PCC Hardstand (recommendation to increase project percentage basis of original grant from 70% to 90%)	\$51,112.00	\$5,111.00	\$46,001.00	\$0.00	90%	
	Sub Total	\$2,619,256.00	\$133,519.00	\$54,408.00	\$8,407.00		
MOHALL	1. FAA 2015 AIP #12 - Construct New Apron and Taxiway	\$1,426,113.00	\$59,481.00	\$59,480.00	\$59,480.00	5%	
	2. Construct Access Road	\$236,501.00	\$47,301.00	\$189,200.00	\$189,200.00	80%	
	Sub Total	\$1,662,614.00	\$106,782.00	\$248,680.00	\$248,680.00		
NEW TOWN	1. Construct GA Terminal Building	\$60,764.00	\$18,229.00	\$42,535.00	\$42,535.00	70%	
	Sub Total	\$60,764.00	\$18,229.00	\$42,535.00	\$42,535.00		
TIOGA	1. FAA 2015 AIP # 8 - Construct Apron and Taxiway	\$5,073,986.00	\$253,700.00	\$253,699.00	\$253,699.00	5%	
	2. Construct Access Road	\$284,312.00	\$56,863.00	\$227,449.00	\$227,449.00	80%	
	Sub Total	\$5,358,298.00	\$310,563.00	\$481,148.00	\$481,148.00		
WATFORD CITY	1. Wetland Delineation and Cultural Survey Work	\$38,000.00	\$3,800.00	\$34,200.00	\$34,200.00	90%	
	2. Master Plan Phase V	\$80,000.00	\$8,000.00	\$72,000.00	\$72,000.00	90%	
	Sub Total	\$118,000.00	\$11,800.00	\$106,200.00	\$106,200.00		
	TOTALS	\$13,605,889.00	\$1,141,610.00	\$2,271,461.00	\$2,225,460.00		
Project Turnbacks to be reallocated:							
G160007 - Fueling Apron with PCC Hardstand (Garrison)		\$	12,677.00				
TOTAL:		\$	12,677.00				

Change of Grant Purpose

Grant Number G150284 was approved by the Board in May of 2015 to Williston's Sloulin Airport. This grant was for land acquisition for the relocated airport. Succeeding that award, federal funds were approved for that purpose. The Aeronautics Commission and the EIO recommended that the purpose for Grant Number G150284 be changed for use with the design and bidding of the new terminal building and a fire and rescue and snow removal equipment building be eligible uses of the grant as detailed:

Figure B

Airport Energy Impact Award Reallocations - Fall 2015							
COMMERCIAL AIRPORTS	PROJECT DESCRIPTION	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND	
WILLISTON	1. Design and Bidding Services for New Commercial Terminal Building	\$3,224,000.00	\$322,400.00	\$2,901,600.00	\$2,901,600.00	90%	
	2. Design and Bidding Services for New ARFF/SRE Building	\$1,206,000.00	\$120,600.00	\$1,085,400.00	\$1,085,400.00	90%	
	3. Construct New Commercial Terminal Building - Phase I *	\$15,106,767.00	\$1,510,676.00	\$13,596,091.00	\$13,596,091.00	90%	
	* Total Estimated Cost of terminal Building is \$55,000,000						
	2015 Federal Grant Awards Totaled \$ 27,944,914.00						
	Sub Total	\$19,536,767.00	\$1,953,676.00	\$17,583,091.00	\$17,583,091.00		

Motion: The Board approved awards totaling \$2,225,460 to the seven airports identified in Figure A; and the Board reduced the award amount on Grant Number G160007 from \$58,678 to \$46,001; and the Board authorized the change of purpose on Grant Number G150284 to Williston from land acquisition, instead to design, bidding and construction identified in Figure B. All grant distributions will be contingent upon confirmation that local and federal cost-share 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		

Local District Health Units Award Recommendations

In HB 1176, the 2015 Legislature directed that \$2 million from the oil and gas impact grant fund be awarded to district health units located in oil-producing counties to address the effects of oil and gas-related development activities.

In August 2015, the Board approved preliminary guidelines and made appointments to a Local District Health Units Grants Advisory Committee. The purpose of the advisory committee was to assist in formulating energy development impact grant recommendations. The committee includes:

- Lisa Clute, Executive Officer, First District Health Unit
- Sherry Adams, Executive Officer, Southwestern District Health Unit
- Javayne Oyloe, Executive Officer, Upper Missouri District Health Unit
- Kelly Nagel, Director of the Office of Public Health Systems & Performance, Dept. of Health
- Mary Korsmo, Executive Director, ND SACCHO, North Dakota Association of Counties

Grant applications were accepted in early October, 2015. The Energy Impact Office, in consultation with the ND Department of Health identified the following criteria: the need being a result of energy activity; safety improvement; financial need; improve project readiness; and contribution to the district's and community long term viability.

A meeting of the advisory committee was held October 15, 2015. The applications were reviewed by the committee, which offered the following award recommendations:

LOCAL DIST HEALTH UNIT NAME	CITY	SHORT DESCRIPTION	AWARD IS FOR	Recommended Award
FIRST DISTRICT HEALTH UNIT	MINOT	INFRASTRUCTURE FOR LOCAL PUBLIC HEALTH- FIRST DISTRICT HEALTH UNIT	BUILDING UPGRADES \$71,000; SOFTWARE AND HARDWARE \$135,000; EQUIPMENT 114,000; STAFFING \$169,500	\$489,500
SOUTHWESTERN DISTRICT HEALTH UNIT	DICKINSON	INFRASTRUCTURE FOR LOCAL PUBLIC HEALTHO SWDHU	BUILDING \$559,800; EQUIPMENT \$150,000; SUPPLIES \$38,000; SOFTWARE \$120,000; STAFFING \$100,000	\$967,800
UPPER MISSOURI DISTRICT HEALTH UNIT	WILLISTON	INFRASTRUCTURE FOR LOCAL PUBLIC HEALTH- UMDHU	BUILDING UPGRADES \$52,850; SOFTWARE AND HARDWARE \$100,000; STAFFING \$389,850	\$542,700

Motion: The Board awarded \$2,000,000 from the Oil and Gas Impact Grant Fund to the three local district health units identified as detailed in the preceding award recommendations. With this action, the Board affirmed that \$2 million designated for local district health units by the 2015 Legislature is satisfied.

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		

Missouri Ridge Township – Emergency Application

On September 25, 2015, the Energy Infrastructure and Impact Office received an application from Missouri Ridge Township of Williams County, requesting \$1,100,000 for road improvements on 58th Street NW to improve safety and transportation. The project includes widening the road surface, re-grading, hard surfacing the road, upgrading the drainage system along with culverts.

The road section is one mile long and lies between Highway 2 and 135th Ave NW. Presently the road is dirt and gravel and is uneven and generally in poor shape. Traffic estimates are 1,000 trucks and 3,000 passenger vehicles travel this section of the roadway daily even after the decrease in oil prices.

The Missouri Ridge Township indicates that this section of road is in need of an upgrade and improvements to make this a safe road to travel and has noted \$385,500 in damages to personal property attributing these losses to accidents on the road from 2012 to present. The Township does not have the financial resources for the project and would like to receive oil impact money.

The Board's fund contains \$6,800,000. These funds have been identified to target emergency requests. The Director recommended not funding the request based upon the possible shortfall in the Oil and Gas Impact Grant fund.

After discussion with representatives of the township the Board determined that an emergency situation existed, and it offered a grant in an effort to improve safety of the corridor.

Motion: The Board moved to commit \$500,000 to Missouri Ridge Township for road improvements to 58th St NW contingent upon raising additional funds for the project for the purpose of public safety.

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		

2015-2017 Biennium Schedule Consideration

As the price of oil has dropped below \$50 per barrel, it is possible that the Oil and Gas Impact Grant Fund (OGIGF) may not reach the \$140 million as budgeted and appropriated by the 2015 Legislature.

The EIOO offered an alternative schedule for consideration. It reduces the awards that would be approved in FY-2016 to 40% of funds appropriated for grants, from the 60% that was previously anticipated:

ENERGY IMPACT GRANT SCHEDULE									
Updated: October 30, 2015									
2015-2017 Biennium									
2015-16 Fiscal Year (In Millions)			2016-17 Fiscal Year (In Millions)						
2015	May/July	Law Enforcement	\$7.8 Awarded	May/July	Law Enforcement	\$1.2 Allocated			
		Human Trafficking	\$0.75 Allocated						
		Sexual Assault	\$0.25 Allocated						
		Examiner Programs							
	May/July	Emergency Medical Services	\$3.7 Awarded	May/July	Emergency Medical Services	\$2.3 Allocated			
	June/July	K-12 Schools	\$15 Awarded	June/July	K-12 Schools	\$15 Allocated			
	July	Airports	\$1.3 Awarded	June/Sept	Airports	\$39.3 Allocated			
	Oct	Airports	\$2.2 Awarded						
	Aug/Oct	Fire Protection Districts	\$3 Awarded						
	Oct	Local District Health	\$2 Awarded						
	Critical Access Hospitals	\$5 Allocated	Oct/Dec	Critical Access Hospitals	\$5 Allocated				
Dec/Jan	Domestic violence	\$2 Allocated							
Dec	Developmentally Disabled	\$1 Allocated	Dec	Developmentally Disabled	\$1 Allocated				
			Feb/March	Bowman and Divide	\$8 Allocated				
			Feb/March	City of Stanley	\$1.7 Allocated				
			Feb/March	City of Kenmare	\$0.50 Allocated				
			Feb/March	City of Berthold	\$0.20 Allocated				
			Feb/March	City of Burlington	\$0.10 Allocated				
2016	Jan/March	General (Eligible Political Suidivisions)	\$5 Allocated						
	March/April	Nursing Homes, Basic Care	\$1.6 Allocated	March/April	Nursing Homes, Basic Care	\$2.4 Allocated			
	March/April	Airports	\$5.2 Allocated						
		Contingency	\$0		Contingency	\$6.8			
Total For Awards 2015/16 Fiscal Year			\$55.8	40.00%		Total For Awards 2016/17 Fiscal Year	\$83.5	60.00%	
<p>2015-16 FISCAL YEAR TOTAL PROJECTED AWARDS at 40% = \$55.72 2016-17 FISCAL YEAR PROJECTED AWARDS at 60% = \$83.58 TOTAL BIENNIAL APPROPRIATION = \$140 TOTAL BIENNIAL APPROPRIATION FOR AWARDS = \$139.3 Biennial Total Remaining To Be Awarded = \$104.2</p>									
*(In Millions)									

Motion: That the Board approved the revised grant schedule for the 2015-2017 biennium.

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

RE: Report of Easements Issued by Commissioner (09-14-15 through 10-15-15)

Granted to:	STATOIL OIL AND GAS LP, AUSTIN-TX
For the Purpose of:	Permit: Access Road
Legal Description:	MCK-153-98-36-SW4
Granted to:	STATOIL OIL AND GAS LP, AUSTIN-TX
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Legal Description:	MCK-153-98-36-SW4
Granted to:	ENABLE BAKKEN CRUDE SERVICES LLC, TULSA-OK
For the Purpose of:	Easement: Multiple Pipelines
Legal Description:	WIL-154-96-16-NE4
Granted to:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
For the Purpose of:	Easement: Drop Line-Buried Electric Distribution Line
Legal Description:	MCK-151-95-36-LOTS 1,2
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Gas Gathering Pipeline
Legal Description:	MCK-148-98-16-NE4
Granted to:	TARGA BADLANDS LLC, HOUSTON-TX
For the Purpose of:	Easement: Drop Line-Multiple Pipelines
Legal Description:	MCK-149-98-16-NE4, NW4
Granted to:	CONSOLIDATED TELCOM, DICKINSON-ND
For the Purpose of:	Easement: Communication Cable - Buried
Legal Description:	DUN-145-97-16-SE4, SW4
Legal Description:	DUN-146-97-36-NE4, SE4
Granted to:	WHITE ROCK OIL&GAS GP I LLC, DALLAS-TX
For the Purpose of:	Easement: Salt Water Disposal Well
Legal Description:	BIL-141-100-16-NE4
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement: Drop Line-Electric Distribution Line
Legal Description:	DIV-160-101-36-SE4
Granted to:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
For the Purpose of:	Easement: Drop Line-Buried Electric Distribution Line
Legal Description:	DUN-146-97-36-SE4, SW4
Granted to:	HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND
For the Purpose of:	Easement: Multiple Pipelines
Legal Description:	MOU-155-94-32-NE4
Granted to:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
For the Purpose of:	Easement-Amend: Electric Transmission Line
Legal Description:	MCK-153-97-16-NW4

Granted to: For the Purpose of: Legal Description:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement: Drop Line-Gas Gathering Pipeline MCK-153-94-36-SE4, SW4
Granted to: For the Purpose of: Legal Description:	VANTAGE PIPELINE US LP, CALGARY AB-CANADA Easement: Gas Gathering Pipeline DIV-164-103-36-NW4, SW4
Granted to: For the Purpose of: Legal Description:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND Easement: Potable Water Pipeline WIL-156-99-16-NE4
Granted to: For the Purpose of: Legal Description:	TARGA BADLANDS LLC, HOUSTON-TX Easement: Drop Line-Multiple Pipelines MCK-149-95-36-LOTS 3,4
Granted to: For the Purpose of: Legal Description:	TARGA BADLANDS LLC, HOUSTON-TX Easement: Drop Line-Oil Gathering Pipeline MCK-150-95-36-LOTS 1,2
Granted to: For the Purpose of: Legal Description:	LINDAHL WIND PROJECT LLC, ANDOVER-MA Permit: Wind meteorological tower WIL-158-95-16-SE4
Granted to: For the Purpose of: Legal Description:	CENTRAL POWER ELECTRIC COOP INC, MINOT-ND Easement: Electric Transmission Line BEN-154-68-20-NW4
Granted to: For the Purpose of: Legal Description:	1804 OPERATING LLC, DALLAS-TX Easement: Drop Line-Saltwater Pipeline MCK-150-95-36-LOTS 1,2
Granted to: For the Purpose of: Legal Description:	COBRA OIL & GAS CORPORATION, WICHITA FALLS-TX Permit: Access Road BIL-144-101-16-SW4
Granted to: For the Purpose of: Legal Description:	ABRAXAS OPERATING LLC, SAN ANTONIO-TX Easement: Salt Water Disposal Well - Extension BOW-131-104-16-SE4, SW4
Granted to: For the Purpose of: Legal Description:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND Easement: Drop Line-Electric Distribution Line MCK-149-98-16-NE4, NW4
Granted to: For the Purpose of: Legal Description:	ND STATE WATER COMMISSION, BISMARCK-ND Easement: Potable Water Pipeline MER-141-89-36-NW4 EAST OF COUNTY ROAD, NW4 WEST OF COUNTY ROAD

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.

Granted to: **SELECT ENERGY SERVICES, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Access to School Land to lay a flat temporary surface frac water pipeline
 Legal Description: MCK-150-95-16-NW4, SW4

Granted to: **MBI ENERGY SERVICES, KILLDEER-ND**
 For the Purpose of: Letter of Permission: Access to School Land to lay a flat temporary surface frac water pipeline
 Legal Description: MOU-154-93-16-NE4, SE4

Granted to: **MBI ENERGY SERVICES, KILLDEER-ND**
 For the Purpose of: Letter of Permission: Access to School Land to lay a flat temporary surface frac water pipeline
 Legal Description: MCK-153-97-16-NE4, NW4

Granted to: **MBI ENERGY SERVICES, KILLDEER-ND**
 For the Purpose of: Letter of Permission: Access to School Land to lay a flat temporary surface frac water pipeline
 Legal Description: MCK-153-96-36-SW4

November Oil and Gas Mineral Lease Auctions

The November 2015 oil and gas lease auction offering lists were provided to the Board and are on file at the Department.

A D J O U R N

There being no further business, the meeting was adjourned at 11:39 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 16, 2015**

The December 16, 2015 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
Wayne Stenehjem	Attorney General
Kelly Schmidt	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

Department of Trust Lands Personnel:

Lance D. Gaebe	Commissioner
Jeff Engleson	Director, Investment Division
Linda Fisher	Deputy Commissioner of Operations
Scott Griere	Auditor, Revenue Compliance
Peggy Gudvangen	Director, Accounting
Mike Humann	Director, Surface Division
Taylor Lee	Director, Revenue Compliance
Gerry Fisher	Director, Grants and Claims
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Bonnie Storbakken	Governor's Legal Counsel
Jerry Jurena	North Dakota Medical Association
Marcia Beard	RVK
Kristen Steffens	RVK
Jason Wahl	State Auditor's Office

APPROVAL OF MINUTES

A motion to approve the minutes of the October 29, 2015 meeting was made by Secretary of State Al Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried on a voice vote.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

2015-2017 Biennium Schedule

The drop in the price of oil since the start of the 2015-2017 biennium has resulted in a drop in oil tax collections and its distribution to the Oil and Gas Impact Grant Fund. In October 2015 the Board approved a revised schedule of energy impact awards to reduce the amount of awards in FY 2016 of the biennium and it increased the amount of awards to be made in FY 2017.

That revised schedule had not been modified to include an emergency \$500,000 award that was awarded to Missouri Ridge Township. An updated award schedule was considered:

ENERGY IMPACT GRANT SCHEDULE						
Updated: October 30, 2015						
2015-2017 Biennium						
2015-16 Fiscal Year (In Millions)				2016-17 Fiscal Year (In Millions)		
2015	May/July	Law Enforcement	\$7.8 Awarded	May/July	Law Enforcement	\$1.2 Allocated
		Human Trafficking	\$.75 Allocated			
		Sexual Assault Examiner Programs	\$.25 Allocated			
	May/July	Emergency Medical Services	\$3.7 Awarded	May/July	Emergency Medical Services	\$2.3 Allocated
	June/July	K-12 Schools	\$15 Awarded	June/July	K-12 Schools	\$15 Allocated
	July	Airports	\$1.3 Awarded	June/Sept	Airports	\$39.3 Allocated
	Oct	Airports	\$2.2 Awarded			
	Aug/Oct	Fire Protection Districts	\$3 Awarded			
	Oct	Local District Health	\$2 Awarded			
	Oct	Missouri Ridge Township	\$.50 Awarded			
	Oct/Dec	Critical Access Hospitals	\$5 Allocated	Oct/Dec	Critical Access Hospitals	\$5 Allocated
	Dec/Jan	Domestic violence	\$2 Allocated			
Dec	Developmentally Disabled	\$1 Allocated	Dec	Developmentally Disabled	\$1 Allocated	
			Feb/March	Bowman and Divide	\$8 Allocated	
			Feb/March	City of Stanley	\$1.7 Allocated	
			Feb/March	City of Kenmare	\$.50 Allocated	
			Feb/March	City of Berthold	\$.20 Allocated	
			Feb/March	City of Burlington	\$.10 Allocated	
2016	Jan/March	General (Eligible Political Subdivisions)	\$5 Allocated			
	March/April	Nursing Homes, Basic Care	\$1.6 Allocated	March/April	Nursing Homes, Basic Care	\$2.4 Allocated
	March/April	Airports	\$5.2 Allocated			
					Contingency	\$6.3
Total For Awards 2015/16 Fiscal Year			\$56.3	Total For Awards 2016/17 Fiscal Year		
			40.40%			
2015-16 FISCAL YEAR TOTAL PROJECTED AWARDS at 40% = \$55.72						
2016-17 FISCAL YEAR PROJECTED AWARDS at 60% = \$83.58						
TOTAL BIENNIAL APPROPRIATION = \$140						
TOTAL BIENNIAL APPROPRIATION FOR AWARDS = \$139.3						
<i>Biennial Total Remaining To Be Awarded = \$103.7</i>						
*(In Millions)						

Motion: The Board approved the revised grant schedule for the 2015-2017 biennium.

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		

Critical Access Hospital Grants

The 2015 Legislature assigned \$10 million of the Oil and Gas Impact Grants for critical access hospitals (CAH), with 50% to be awarded during each January of the biennium.

In June 2015 the Board appointed a CAH Grants Advisory Committee to assist in formulating grant recommendations. The committee includes:

Becky Hansen, Southwest Healthcare Services, Bowman
 Daniel Kelly, McKenzie County Healthcare, Watford City
 Darrold Bertsch, Sakakawea Medical Center, Hazen
 Matt Grimshaw, Mercy Medical Center, Williston
 Randall Pederson, Tioga Medical Center, Tioga
 Tom Nehring, ND Department of Health, Bismarck
 Jerry Jurena, President of the ND Hospital Association, Bismarck

Grant applications were accepted October 1, 2015 through November 10, 2015, with a total of seven applications received requesting \$5.4 million. Total loss from operations by these applicants was \$9.7 million. The Board reviewed a summary of applications.

The CAH Impact Grants Advisory Committee met November 18, 2015. The committee evaluated all applications based upon:

- Eligibility criteria.
- Financial supporting documents
- 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 awards was recommended by the CAH Impact Grants Advisory Committee and the Energy Infrastructure and Impact Office:

CRITICAL ACCESS HOSPITAL NAME	CITY	COUNTY	SHORT DESCRIPTION	LONG DESCRIPTION	Award Recommended
MCKENZIE COUNTY MEMORIAL HOSPITAL	WATFORD CITY	MCKENZIE	HB 1176 BAD DEBT RELIEF	UNCOMPENSATED CARE FINANCIAL ASSISTANCE	\$1,753,219.00
TIOGA MEDICAL CENTER	TIOGA	WILLIAMS	HB 1176 BAD DEBT RELIEF	UNCOMPENSATED CARE FINANCIAL ASSISTANCE	\$438,683.00
SOUTHWEST HEALTHCARE SERVICES	BOWMAN	BOWMAN	HB 1176 BAD DEBT RELIEF	UNCOMPENSATED CARE FINANCIAL ASSISTANCE	\$90,877.00
ST. LUKE'S HOSPITAL	CROSBY	DIVIDE	HB 1176 BAD DEBT RELIEF	UNCOMPENSATED CARE FINANCIAL ASSISTANCE	\$149,900.00
ST JOSEPHS HOSPITAL AND HEALTH CENTER	DICKINSON	STARK	HB 1176 BAD DEBT RELIEF	UNCOMPENSATED CARE FINANCIAL ASSISTANCE	\$2,137,491.00
MOUNTRAIL COUNTY HEALTH CENTER	STANLEY	MOUNTRAIL	HB 1176 BAD DEBT RELIEF	UNCOMPENSATED CARE FINANCIAL ASSISTANCE	\$241,236.00
ST. ANDREW'S HEALTH CARE	BOTTINEAU	BOTTINEAU	HB 1176 BAD DEBT RELIEF	UNCOMPENSATED CARE FINANCIAL ASSISTANCE	\$188,594.00
					\$5,000,000.00

These seven recommended awards total \$5 million for critical access hospitals as legislatively specified for the first fiscal year of the biennium. Distribution of these funds will be made in January 2016 as indicated in the legislation.

Motion: The Board awarded \$5,000,000 from the Oil and Gas Impact Grant Fund to the seven critical access hospitals as identified in the preceding recommendations. Distribution of these funds will occur in January 2016. With this action, the Board affirmed that \$5 million designated for critical access hospitals in FY 2016 by the Legislative Assembly is satisfied.

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		

Providers Serving Individuals with Developmental Disabilities Grants

The 2015 Legislature apportioned \$2 million of oil and gas impact funds for grants to providers that serve individuals with developmental disabilities located in oil producing counties. The Board previously allocated \$1 million to be awarded during each fiscal year of the biennium.

The Legislature directed that distributions are to be made each January during the biennium, and for the EIIO to work with the North Dakota Department of Human Services regarding the procedures for these grants. In HB 1176, the 2015 Legislature directed that grants are to be based on the number of full-time equivalent (FTE) positions of each provider as determined by the DHS. When setting rates for the grants, the DHS excluded grant income received as an offset to costs as specified in HB 1176.

The following list is a recommendation for awards each based on the number of FTEs of service providers which assist developmentally disabled individuals located in the oil producing counties.

Developmental Disabilities Approved FTEs in Oil Producing Counties

Provider	Total FTEs	% of Total	Recommended Award
ABLE, Inc.	110.91	15.68%	\$156,795
CORES, Inc.	41.48	5.86%	\$58,638
Easter Seals Goodwill	47.49	6.71%	\$67,134
Knife River Group Home	7.86	1.11%	\$11,112
Minot Vocational Adjustment Workshop d.b.a. Kalix	219.07	30.97%	\$309,700
Opportunity Foundation	81.67	11.55%	\$115,453
Pride, Inc.	0.38	0.05%	\$530
Rehab Services, Inc.	15.20	2.15%	\$21,485
REM	131.79	18.63%	\$186,309
Support Systems, Inc.	17.20	2.43%	\$24,313
Tri-City Cares, Inc.	34.33	4.85%	\$48,531
Total FTEs	707.37	100.00%	\$1,000,000

Motion: The Board awarded \$1,000,000 from the Oil and Gas Impact Grant Fund to the 11 providers of services to individuals with developmental disabilities as identified in the preceding list. Distribution of these funds will be done in January 2016. With this action, the Board affirms that \$1 million designated for providers that serve individuals with developmental disabilities by the 2015 Legislative Assembly is satisfied.

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		

Authorization to Approve Grant Scope Changes

The Director requested Board permission for the EIO to evaluate, consider and approve substitutions or changes of grant that result in no change to the overall project goal for which energy impact funds were granted.

The EIO will continue to seek Board approval of requests which seek to change the use of an award to a different project purpose than originally approved by the Board.

Motion: The Board authorized the EIO to be able to approve grant scope changes within projects that do not change overall project goal as originally awarded.

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		

City of Minot Request to Extend Flood Impact Grant

In August 2015, the Board approved a deadline of December 31, 2015 for reimbursement processing of Flood-Impacted Political Subdivision Infrastructure Development Grants (FIPSIDG). Notices were provided to political subdivisions with remaining balances.

On November 18, 2015, a request for an extension of Grant F120805 was received from the City of Minot. This grant was for \$2,150,000 for a landfill expansion. The remaining grant balance is \$1,325,425.19. Minot has made attempts to purchase land adjoining its current landfill, but has been unsuccessful. The city is evaluating options to reclaim an existing cell that would provide for 40 to 60 years of additional landfill space.

Since several flood grant projects remained active into the 2015-2017 biennium, the EIO sought and obtained carryover authority from the State Carryover Committee until June 30, 2017.

Motion: The Board approved extending the Flood-Impacted Political Subdivision Infrastructure Development Grant Number F120805 for the City of Minot beyond the December 31, 2015 deadline set in August 2015.

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		

SURFACE MANAGEMENT

Dakota Access Pipeline Route

Dakota Access LLC, has proposed to construct a crude oil transmission pipeline beginning near Stanley, ND and ending near Patoka, IL. The proposed project was presented to the Board.

This pipeline would transport Bakken crude oil to major refining markets. The proposed route will involve approximately 4.5 miles of school trust land in Mountrail, Williams, and McKenzie Counties. The entire proposed route lies within an established pipeline right-of-way corridor, containing the Enbridge Sandpiper and other pipelines. An environmental review addressing wetlands and steep areas, cultural and fossil resources and endangered species has been completed.

The proposed general route was recommended for approval by the Commissioner. The easement consideration has not been negotiated and final approval of the easement will be brought for the Board's consideration at a future meeting.

Motion: The Board approved the inclusion of trust lands within the proposed Dakota Access LLC route through Mountrail, Williams, and McKenzie Counties as depicted on the referenced survey plats provided by Dakota Access and dated October 12, 2015. The Board authorizes the Commissioner to implement site specific route right-of-way evaluations, to minimize environmental and productivity impacts; and to initiate easement consideration for the Board's review.

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 referenced survey plats provided to the Board are on file at the Department.

MINERALS MANAGEMENT

North American Request to Renegotiate Leases within the Falkirk Mine

The Falkirk Mining Company, a subsidiary of the North American Coal Corporation, has requested that the Board adjust ten existing coal leases within the permitted boundary of the Falkirk Mine, in McLean County. The removal of coal for those leases is projected in the mine plan to occur between 2015 and 2068.

Falkirk indicates that there is a disparity between state trust and the private sector royalty rates. Currently, there are 22 leases with Falkirk. Of these, no changes were proposed for 12 leases which are in various stages of the mining.

In 2014 the Board reviewed several such requests from mining companies due to legislative changes to the Century Code (N.D.C.C. §15-05-01) that removed the statutory minimum royalty. This permitted the Board to negotiate royalty rates and allows the Board to renegotiate existing leases, if in the best interest of the trust. The fiduciary responsibility of the Board in managing coal leases was reviewed in a June 4, 2014 Attorney General Stenehjem memo. The memo explained that the Board can adjust existing leases if it is done on a case-by-case examination, based upon whether the adjustment is likely to increase development of coal or enhance the amount of revenue to permanent trust funds.

Motion: **The Board authorized the Commissioner to evaluate Falkirk Mining Company's request to amend ten coal leases and to investigate whether individual lease changes would be in the best interest of the trusts. If adjustments are to be recommended, the Commissioner will also investigate the fair market rate and negotiate possible replacement lease terms for the Board's consideration.**

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		

BNI Coal Lease Request and Associated Correction of Minutes (T142-R84-Sec. 29: S2)

BNI Coal wishes to complete the process to lease the Trust's coal minerals within Township 142N Range 84W Sec. 29: S½, in Oliver County. The Board manages 50% of the minerals within two tracts equaling 160 net mineral acres.

On July 30th, 2015, the Board directed the Commissioner to begin the due diligence on terms and to commence lease negotiations. In this process, an error was discovered in the July 30 minutes, with a typo in the legal description.

BNI has offered 20 cents per ton of coal mined. The Commissioner finds that this royalty is fair and equivalent to what is offered in the local area.

The Commissioner recommended offering the tracts at auction with a \$.20 per ton of mined coal royalty and \$5 per acre per year term in a 15-year renewable lease; with an opening bonus bid of \$100 per net mineral acre.

Motion: **The Board corrected its July 30, 2015 minutes which read:**

"The Board approved the application received from BNI Coal for coal leases of the south ½ of Section 29 ~~T146N-R84W~~ and directed the Commissioner to begin term discovery and lease negotiations on its behalf."

To instead reference "T142N-R84W"

The Board also authorized the Commissioner to offer these two tracts with a \$.20 per ton of mined coal royalty and \$5 per acre per year term in a 15-year renewable lease; and to auction the leases with an opening bid \$100 per net mineral acre bonus.

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		

I N V E S T M E N T S M A N A G E M E N T

RVK Investment Performance Report – 3rd Quarter 2015

RVK's Kristen Steffens and Marcia Beard reviewed the performance of the permanent trust funds' pool of investment assets for the period ending September 30, 2015.

The RVK performance report covers the permanent trust funds' investment portfolio.

The performance report provided by RVK is on file at the Department.

Asset Class Review: Absolute Return Strategies

At the Board's direction, a schedule has been established for a comprehensive review of each investment asset class in which the permanent trust funds participate.

Absolute Return Strategies' investments were reviewed with the assistance of RVK's Kristen Steffens and Marcia Beard. The presentation and discussion evaluated the asset class as a whole, the specific strategies, and managers to emphasize the strategy's role in the overall portfolio.

The Board uses liquid global tactical asset allocation (GTAA) funds to get absolute return exposure. The goal of the three GTAA funds used in the permanent trusts' absolute return portfolio is to earn consistent positive returns with low correlations to both stocks and bonds. This asset class was added to the permanent trusts' portfolio in June, 2014, during which time the investments have underperformed expectations.

The Absolute Return Strategies presentation by RVK is on file at the Department.

Investment Updates

Asset Allocation

The table below shows the status of the asset allocation of the permanent trusts as of October 31, 2015. It includes:

- The long-term asset allocation approved by the Board in September of 2013
- Interim allocations to asset classes while awaiting to fully fund all real estate mandates
- Actual value and percentage of each asset class as of October 31, 2015

Account/Asset Class	Long-Term Asset Allocation	Interim Target Allocation	Interim % +/- Weight	10/31 Actual Allocation \$	10/31 Actual Allocation %
Large Cap US Equity	13.5%	14.2%	5.2%	\$ 505,744,823	14.3%
Small Cap US Equity	3.5%	3.7%	5.7%	\$ 125,219,736	3.5%
International Equity	12.0%	12.7%	5.8%	\$ 458,043,952	12.9%
Emerging Market Equity	3.0%	3.2%	6.7%	\$ 113,271,830	3.2%
Total Equities	32.0%	33.8%	5.6%	\$ 1,202,280,341	34.0%
Domestic Investment Grade	14.2%	16.0%	12.7%	\$ 555,561,184	15.7%
High Yield FI	3.0%	3.2%	6.7%	\$ 111,725,056	3.2%
International/Global FI	5.8%	6.3%	8.6%	\$ 218,696,287	6.2%
Total Fixed Income	23.0%	25.5%	10.9%	\$ 885,982,527	25.0%
Total Absolute Return	20.0%	21.1%	5.5%	\$ 742,694,561	21.0%
Commodities	3.0%	3.2%	6.7%	\$ 109,602,832	3.1%
MLPs	3.0%	3.2%	6.7%	\$ 111,550,360	3.2%
TIPS	2.0%	2.1%	5.0%	\$ 77,099,199	2.2%
Natural Resource Equities	2.0%	2.1%	5.0%	\$ 74,567,715	2.1%
Total Inflation Strategies	10.0%	10.6%	6.0%	\$ 372,820,107	10.5%
Core Real Estate	8.0%	8.0%	0.0%	\$ 301,167,828	8.5%
Core Plus Real Estate	7.0%	1.0%		\$ 35,004,104	1.0%
Total Real Estate	15.0%	9.0%	-40.0%	\$ 336,171,932	9.5%
Total Asset	100.0%	100.0%		\$ 3,539,949,468	100.0%

An additional \$12.0 million was added to the Payden & Rygel Low Duration Fund during October in preparation to fund an expected \$40.0 million of real estate calls at the end of December.

As money is called to fund the real estate mandates, the permanent trusts' equity, fixed income, absolute return and diversified inflation strategies target allocations will be adjusted toward their long-term target allocations

Funding Status of Real Estate

Nine percent of the permanent trusts' 15% allocation to fixed income has been funded. Based upon communications with managers, the remaining real estate funding call timeframes are anticipated at:

- | | | |
|-------------|-----------------|--|
| • Jamestown | \$40.0 million | beginning 1 st qtr. 2016 |
| • Prologis | \$75.0 million | beginning 2 nd qtr. 2016 (100%) |
| • JP Morgan | \$113.0 million | 2nd qtr. 2017 |

Funding of New Ultra-Short Portfolio

In September, the assets of the Coal Development Trust Fund and the Capitol Building Fund were commingled with those of the Strategic Investment and Improvements Fund.

Changes at SSGA

(\$962.4 million – 27.3% of permanent trust assets, passive S&P and ACWI Ex US)

In late-August State Street Global Advisors announced that Chief Risk Officer, David Saulnier departed the firm.

On December 3, SSGA announced that president, Greg Ehret will be leaving the firm. CEO Ron O'Hanley will be reassuming the role of president. Mr. Ehret role was more involved with operations and marketing than investing.

RVK's manager research group believes this should have minimal impact on SSGA investment strategies which have their own leadership teams in place.

Personnel Changes at Wells Fargo (First International's parent company)

(\$128.95 million – 3.7% of permanent trust assets, active international fixed income)

On December 1st, Wells Fargo announced the CEO Mike Niedermeyer will retire effective March 18, 2016. Mr. Neidermeyer has led the business since 1994.

First International Advisors is essentially run as a separate entity from Wells Fargo, limiting any concerns. RVK will report its finding after it has had a chance to visit with Wells Fargo about the change.

New Minimum Balance for Payden & Rygel Cash Account

Starting in October, the minimum month-end balance in the P&R Cash account was been increased from \$3.0 million to \$10.0 million. Although Board policy does not contain a specific allocation to cash, a minimum is maintained to meet the trusts' monthly cash distribution needs.

Strategic Investment and Improvements Fund – Status Report

The Strategic Investment and Improvements Fund (SIIF) holds the assets and collects the revenues earned from 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. Because the entire balance of this Fund can be appropriated by the legislature each biennium, it is invested in conservative, short-term fixed income portfolio.

	9/30/15 Asset Balances	Current Yield
Strategic Investment and Improvements Fund		
Loan Guarantee – Fuel Production	\$ 18,125,000	0.61%
Investments/Cash	327,717,000	0.35%
Total	\$ 345,842,000	

- ◆ On July 1, 2015, \$150 million of school construction loans that were made from the SIIF during the 2013-15 biennium were transferred to the newly created school construction assistance loan fund (SCALF). The Board will manage this Fund until it is determined by voter approval of a constitutional measure in November 2016, if it will be transferred to BND.
- ◆ On July 1, 2015, the medical facilities infrastructure fund became a revolving fund to be managed by the BND. The approximately \$50 million of loans and assets in this Fund will no longer be paid back to the SIIF
- ◆ The funds set aside to guarantee a loan for the Dakota Spirit AgEnergy biomass fuel production facility earned an annualized return of approximately 0.61% during the quarter. This program is invested in short-term bonds.
- ◆ During the quarter the SIIF earned about \$8.0 million, with the majority (\$7.7 million) from mineral royalties. The SIIF is not projected to receive gross production or oil extraction tax allocations until later in the biennium.
- ◆ The Northern Trust Investments (NTI) Ultra-Short account was funded in mid-July 2015 with \$250 million of SIIF cash. This new account should add about 50 basis points or slightly more to expected returns, with minimal additional risk, when compared to the US Treasury strategy.
- ◆ The NTI Ultra Short account earned a return of 0.35% during the two month period ended September 30, 2015, as compared to 0.13% for the account's custom benchmark. Performance measurement for this account began effective August 1st.
- ◆ The assets of the Coal Development Trust Fund and the Capitol Building Fund were commingled with SIIF's assets in the Ultra-Short account in September 2015.

Appropriated Transfers 7/1/2015 – 9/30/2015

The following table shows the breakdown of the \$255,275,322 of transfers that came out of the SIIF during the first 3 months of fiscal year 2016:

Amount	Bill (Agency)	Purpose
\$237 million	SB 2103 - SURGE (DOT)	Balance of distributions to counties for road and bridge infrastructure needs.
\$13,125,322	HB 1014 - (NDIC)	Balance of funding for new core library
\$650,000	HB 1285 - (Commerce)	Grants to domestic violence organizations
\$1.5 million	HB 1018 - (Commerce)	Partial transfer of funding to enhanced use lease grant program at GFAB
\$3.0 million	HB 1020 - (Extension Ser.)	Partial transfer of funding for veterinary diagnostic laboratory project

An additional \$103.85 million of appropriated transfers are expected to come out of the SIIF over the remainder of the 2015-17 biennium:

Amount	Bill (Agency)	Purpose
\$7.0 million	HB 1012 - (DOT)	One-time funding for DOT's short line railroad program
\$6.0 million	HB 1018 - (Commerce)	Balance of funding for enhanced use lease grant program at GFAB
\$15.0 million	HB 1020 - (Extension Ser.)	Balance of funding for veterinary diagnostic laboratory project
\$50.0 million	HB 1443 - (BND)	Transfer to BND infrastructure revolving loan fund
\$25.85 million	SB 2015 - (DOT) CONTINGENT	Enhance state highway investment

Coal Development Trust Fund – Status Report

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 lends 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. As directed in the Constitution, the income earned by this fund is transferred to the General Fund each year. Historically this Fund invested in a conservative short-term fixed income portfolio.

	9/30/15 Asset Balances	Current Yield Total Return
Coal Development Trust Fund		
School Construction Loans	\$ 43,773,000	1.76%
Coal Warrants	13,795,000	3.37%
Investments/Cash	9,828,000	0.33%
Total	\$ 67,396,000	

- ◆ During the quarter, two school construction loans, totaling \$2.21 million were funded from the Coal Development Trust Fund: Max PSD #50 at \$1.3 million and Kulm PSD #7 at \$910,000.
- ◆ A coal impact loan for \$7.0 million to Mercer County was issued during the quarter.
- ◆ With the balance of school construction and coal impact loans at an all-time high, the amount of investable funds held by the Coal Development Trusts Fund has declined to less than \$10 million.
- ◆ The Board approved changes to the investment guidelines in August 2015 and the Coal Development Trust Fund will be managed in anticipation that the Fund could be fully loaned out.
- ◆ In September 2015, most of the assets in the Payden & Rygel Coal account were transferred to the new NTI Ultra-Short portfolio, where it is commingled with the assets of the SIIF and the Capitol Building Fund.
- ◆ The NTI Ultra-Short portfolio earned a return of 0.33% during September 2015 compared to 0.15% for the custom index that was adopted for this account.

Capitol Building Fund – Status Report

The Capitol Building Fund is a Constitutional fund that was created for the construction and maintenance of “public buildings at the capital.” It generates revenues from 10,000 surface and 27,700 mineral acres which it owns. The fund is invested in conservative, short-term fixed income portfolio.

The Capitol Grounds Planning Commission (CGPC) has official control over the Capitol Building Fund; while the Land Board is responsible for investing the assets on behalf of the CGPC.

	9/30/15 Asset Balances	09/15 Return
Capitol Building Fund		
Investments/Cash	\$ 6,171,000	0.33%

- ◆ The 64th Legislative Session, appropriated approximately \$5.7 million from the Capitol Building Fund:
 - \$4.0 million for a new Governor’s residence (SB 2304)
 - \$1.4 million for capitol building entrance and signage projects (SB 2015)
 - \$310,000 for legislative wing electrical and ceiling repairs (SB 2015)
- ◆ In addition to the specific appropriations, NDCC 48-10-02 provides the CGPC with continuing appropriation authority of \$175,000 out of this Fund, and SB 2015 contains a \$25,000 operating appropriation for the CGPC.
- ◆ During the quarter, the Capitol Building Fund collected just over \$250,000 of oil and gas royalty and mineral bonuses. No transfers to Facilities Management were made during the quarter.

In May of 2015, the CGPC adopted investment guidelines for the Capitol Building Fund that matched those adopted for the SIIF; the Board accepted those guidelines on May 28, 2015. In September 2015, most of the assets of this Fund were transferred to the new NTI Ultra-Short portfolio, where they were commingled with the assets of the SIIF and the Coal Development Trust Fund.

The NTI Ultra-Short portfolio earned a return of 0.33% during September 2015 compared to 0.15% for the custom index that was adopted for this account.

STATE PERFORMANCE AUDIT

Performance Audit Update

In January 2015 the State Auditor initiated a performance audit of the Department as directed by the Legislative Audit and Fiscal Review Committee.

In May, the Department was informed that the audit time period would be July 1, 2011 through June 30, 2015 and that the objectives would include:

- the effectiveness of Unclaimed Property administration,
- the effectiveness of Energy Infrastructure and Impact Office grants administration, and
- the effectiveness and efficiency of the Department of Trust Lands in obtaining, accounting for, and use of resources.

Nearly all processes and personnel have been involved and hundreds of documents have been provided, as has access to the central agency databases and network files.

The initial timeline suggested the fieldwork would conclude in August; however that work is now anticipated to be completed by the end of December.

Jason Wahl from the State Auditor's Office Performance Audit Division met with the Board to discuss draft finding and review process and timeline.

The Board requested that it be provided with the opportunity to review of draft audit recommendations and the Department responses to findings before they are submitted. The draft audit report prepared by the State Auditor's Office is confidential according to N.D.C.C. § 54-10-26. To review and consider the confidential draft report, the Board may need enter executive session as permitted under N.D.C.C. § 44-04-19.2.

R E P O R T S

The 2015 Audited Financial Statements for the year ended June 30, 2015 was presented to the Board and is available at the Department.

The Quarterly Financial Report for period ended September 30, 2015 was presented to the Board and is available at the Department.

The 2013-2015 Board and Department Biennial Report was presented to the Board and is available at the Department.

Report of Easements Issued by Land Commissioner

Granted to:	ND STATE WATER COMMISSION, BISMARCK-ND
For the Purpose of:	Easement: Potable Water Pipeline
Legal Description:	OLI-141-81-16-NE4, NW4, SE4 LESS SCHOOL SITE, OLI-141-82-16-NE4 WEST OF HWY, SE4 WEST OF HWY AND NORTH OF CNTY ROAD, SE4 WEST OF HWY AND SOUTH OF CNTY ROAD, OLI-142-87-16-SE4
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Legal Description:	MCK-153-94-16-NW4, SW4
Granted to:	WILTON WIND IV LLC, JUNO BEACH-FL
For the Purpose of:	Easement: Electric Transmission Line
Legal Description:	BRL-142-78-16-NE4, NW4, SW4
Granted to:	1804 OPERATING LLC, DALLAS-TX
For the Purpose of:	Easement: Salt Water Pipeline
Legal Description:	MCK-153-97-36-SE4
Granted to:	1804 OPERATING LLC, DALLAS-TX
For the Purpose of:	Easement: Drop Line-Saltwater Pipeline
Legal Description:	MCK-153-97-16-NE4, NW4
Granted to:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
For the Purpose of:	Easement: Drop Line-Buried Electric Distribution Line
Legal Description:	DUN-146-92-16-S2SW4
Granted to:	XTO ENERGY INC, FORT WORTH-TX
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Legal Description:	WIL-154-96-16-NE4

Granted to:	STATOIL OIL AND GAS LP, AUSTIN-TX
For the Purpose of:	Easement: Directional Wellsite Location
Legal Description:	MCK-153-98-36-SW4
Granted to:	EOG RESOURCES INC, DENVER-CO
For the Purpose of:	Easement-Amend: Salt Water Pipeline
Legal Description:	MOU-155-90-16-SE4
Granted to:	FREDERICK TOWNSHIP, ALAMO-ND
For the Purpose of:	Easement: Road Right-of-Way
Legal Description:	DIV-160-98-16-SE4, SW4
Granted to:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
For the Purpose of:	Easement: Electric Transmission Line
Legal Description:	MCK-151-100-16-NW4, SW4
Granted to:	CENTRAL POWER ELECTRIC COOP INC, MINOT-ND
For the Purpose of:	Easement: Electric Transmission Line
Legal Description:	PIE-158-69-23-NW4
Granted to:	MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND
For the Purpose of:	Easement: Drop Line-Electric Distribution Line
Legal Description:	MCK-151-95-36-LOTS 1, 2
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Legal Description:	WIL-154-100-16-NW4, SE4, SW4
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Legal Description:	WIL-154-99-36-NE4, SE4
Granted to:	ENABLE BAKKEN CRUDE SERVICES LLC, TULSA-OK
For the Purpose of:	Easement: Drop Line-Multiple Pipelines
Legal Description:	WIL-154-96-16-NE4
Granted to:	MIDSTATE TELEPHONE COMPANY, STANLEY-ND
For the Purpose of:	Easement: Communication Cable - Buried
Legal Description:	GOL-139-103-36-SE4 SE OF RD
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Legal Description:	MCK-153-97-16-NW4
Granted to:	BEK COMMUNICATIONS COOPERATIVE, STEELE-ND
For the Purpose of:	Easement: Communication Cable - Buried
Legal Description:	KID-144-71-35-NE4, NW4
Granted to:	EMERALD OIL INC, DENVER-CO
For the Purpose of:	Permit: Access Road
Legal Description:	MCK-148-102-16-NE4, NW4, SE4
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement-Amend: Gas Gathering Pipeline
Legal Description:	MCK-153-96-36- NE4, NW4, SE4

Granted to: **ATKINS NORTH AMERICA, INC., TYLER-TX**
 For the Purpose of: Permit: General Land Surveys
 Legal Description: WAR-155-84-1-SW4NW4 LYING N & E OF RIVER CENTERLINE

Granted to: **NEON INC, BOULDER-CO**
 For the Purpose of: Easement-Amend: Tower Site
 Legal Description: STU-143-67-36-NE4, NW4, SE4, SW4

Granted to: **EMERALD OIL INC, DENVER-CO**
 For the Purpose of: Permit: Access Road
 Legal Description: MCK-145-102-8-NE4, NW4, SE4

Granted to: **EMERALD OIL INC, DENVER-CO**
 For the Purpose of: Permit: Access Road
 Legal Description: MCK-145-102-16-NE4, NW4

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.

Granted to: **SELECT ENERGY SERVICES, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Access to School Land for the purpose of temporary surface frac water pipeline
 Legal Description: MCK-152-95-16-NE4

Granted to: **EOG RESOURCES INC, DENVER-CO**
 For the Purpose of: Letter of Permission: Access to School Land for the purpose of laying temporary surface frac water pipeline and access to the lake for frac water
 Legal Description: MOU-157-92-16-SE4SE4, LOTS 3, 6

Granted to: **EARTHWORM EXCAVATING, TOLNA-ND**
 For the Purpose of: Letter of Permission: Access to School Land in order to reclaim abandoned underground coal mine sink holes that recently developed
 Legal Description: ADA-129-94-16-NE4, NW4

November Oil and Gas Mineral Lease Auctions Results

	<i>Mineral Acres</i>	<i>Total Bonus</i>	<i>Bonus/Acre</i>
BOTTINEAU	240.00	\$480.00	\$2.00
BOWMAN	1085.48	\$3,442.96	\$3.17
BURKE	1279.02	\$109,951.00	\$85.97
DIVIDE	960.00	\$224,800.00	\$234.17
DIVIDE (EnergyNet)	80.00	\$24,160.00	\$302.00
DUNN	243.30	\$2,287,020.00	\$9,400.00
G.VALLEY	2160.00	\$27,920.00	\$12.93
MCKENZIE	1516.80	\$2,143,981.00	\$1,413.49
MOUNTRAIL	340.00	\$3,654,000.00	\$10,747.06
SIOUX	2717.04	\$3,114.84	\$1.15
GRAND TOTALS	10541.64	\$8,454,709.80	\$802.03

Fall 2015 Surface Leasing Auction Results

The 2015 fall lease auctions were completed in October. Following are “the numbers” for this fall as compared to fall 2014.

	2014	2015
Number of counties	34	34
Total leases offered	1136	1044
Number of leases bid	1044 (92%)	1002 (96%)
Number of leases bid-up	160 (15%)	122 (12%)
Total amount of minimum advertised bids (leased tracts)	\$1,819,600	\$1,603,223
Total amount received	\$2,193,064	\$1,869,952
Competition factor (% of total income)	\$373,464 (17%)	\$266,729 (14%)

On behalf of the Board, the Commissioner has approved all fall surface leases.

Letters Regarding Three Affiliated Tribes’ Claims to State Minerals

The Department sent royalty demand letters to companies which operate wells access State sovereign minerals within the boundaries of the Fort Berthold Reservation, which include Missouri River minerals.

In response, the Department has received letters of concern from the United States Department of the Interior (US DOI) and an attorney with Fredericks Peebles and Morgan LLP, who represents the Three Affiliated Tribe.

The Department and its attorneys are in discussions with operators, the US DOI and tribal representatives in an effort identify a resolution.

A 2016 meeting schedule was provided and is published on the Secretary of State’s public meeting notices website.

ADJOURN

There being no further business, the meeting was adjourned at 11:30 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

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