

**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