

**Minutes of the Meeting of the
Board of University and School Lands
June 7, 2016**

The June 7, 2016 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 3:00 PM by Chairman Jack Dalrymple.

Members Present:

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

Absent Member:

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

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

Guests in Attendance:

Dave Garner	Office of the Attorney General
Bonnie Storbakken	Governor's Legal Counsel
Jason Nisbet	Governor's Office
Josh Kevan	RVK
Marcia Beard	RVK

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 April 28, 2016 meeting was made by Secretary of State Al Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried unanimously on a voice vote.

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

Award Sponsors for Human Trafficking & Sexual Assault Nurse Examiner (SANE) Grants

House Bill 1176 as passed by the 2015 Legislature contained numerous allocations of oil and gas impact grant funds. One setaside was of \$10 million for law enforcement agencies. Senate Bill 2199 further allocated \$750,000 of the \$10 million for grants to prevention and treatment services related to human trafficking victims. Senate Bill 2284 allocated \$250,000 of the \$10 million allocated to law enforcement be provided for grant through the domestic violence and rape crisis programs for community-based sexual assault examiner programs.

While the Legislature provided a number of exemptions to the requirement that grants need to be awarded to political subdivisions, an exception was not provided in SB 2199 or SB 2284. In January and April of 2016, the Board approved grants directly to the agencies. To correct this, these agencies were each asked to submit their applications through a political subdivision to act as fiscal agent for the reimbursement process of these awards.

Applications were received from the following political subdivisions and signed by a local elected official.

Transfer of Grants from Agencies to Sponsoring Political Subdivisions

Name	City	County	Sponsoring Political Subdivision	Grant #	Project	Grant Amount
CENTRAL DAKOTA FORENSIC NURSE EXAMINERS	BISMARCK	BURLEIGH	City of Bismarck	G160235	TRAVEL, TRAINING, CONTRACTED SERVICES, EQUIPMENT, SUPPLIES	\$171,060
DAKOTA CHILDREN'S ADVOCACY CENTER	BISMARCK	BURLEIGH	City of Bismarck	G160237	CONTRACTED SERVICES, TRAINING & EQUIPMENT	\$27,419
DOMESTIC VIOLENCE CRISIS CENTER	MINOT	WARD	Ward County	G160245	STAFFING, TRAVEL, TRAINING, SUPPLIES, VARIOUS ITEMS	\$71,892
CAWS ND	BISMARCK	BURLEIGH	City of Bismarck	G160247	STATEWIDE TRAINING, CONSULTANT TRAINING & FORMATION OF A JOHN'S SCHOOL	\$94,576
YOUTHWORKS-BISMARCK	BISMARCK	BURLEIGH	City of Bismarck	G160242	STAFFING, TRAVEL, TRAINING, EQUIPMENT LEASE, SUPPLIES, CONSULTING, VARIOUS ITEMS	\$314,786

\$679,733

Motion: The Board approved the transfer of the five grants for human trafficking and sexual assault nurse examiner programs as identified in the preceding list from the agencies to the political subdivisions identified in the preceding list.

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 DIVISION

Permanent Funds Investment Performance Report – 1st Quarter 2016

Marcia Beard and Josh Kevan from RVK reviewed the performance of the permanent trust funds' pool of investment assets for the period ending March 31, 2016, prepared to enable the Board to monitor and evaluate the collective performance of the permanent trusts' investments and managers within the program.

The performance report for 1st Quarter 2016 is available at the Department.

Comprehensive Asset Class Review – Fixed Income

Each quarter, the Board undertakes a comprehensive review of a separate investment asset class in which the permanent trust funds participate.

RVK reviewed the permanent trusts' fixed income portfolio with the Board, which includes three different investment grade bond portfolios, a high yield bond portfolio, two international/global bond

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portfolios, a cash equivalents portfolio and the Board's farm loan and energy construction loan programs. The presentation evaluated the asset class as a whole, as well as the specific strategies and managers.

STRATEGIC INVESTMENT AND IMPROVEMENTS FUND

The Board reviewed the performance and transactions involving the Strategic Investment and Improvements Fund (SIIF) which 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 portion of State oil and gas production and extraction taxes. Because the entire balance of this fund can be appropriated each biennium, it is invested in a conservative, short-term fixed income portfolio.

	03/31/16 Asset Balances	Yield/Total Return for Qtr. Ended 3/31/16
Strategic Investment and Improvements Fund		
Loan Guarantee – Fuel Production	\$ 18,175,000	0.55% Yield
Investments/Cash	316,752,000	0.70% (see below)
Total	\$ 334,927,000	

During the quarter ended March 31, 2016, the SIIF earned about \$18.4 million. Approximately \$14.4 million came from oil royalties; \$1.7 million from mineral bonuses and \$2.2 million came from investment income and unrealized capital gains. The NTI Ultra-Short portfolio earned a total return of 0.70%, after fees, during the quarter ended March 31, 2016; it has earned a net return of +0.81% since its' August 1, 2015 inception date. Benchmark returns for the periods noted above were 0.52% and 0.72% respectively.

A portion of SIIF is set aside to guarantee a loan for the Dakota Spirit AgEnergy biomass fuel production facility earned an annualized yield of approximately 0.55% during the quarter.

APPROPRIATED TRANSFERS

The table below shows the transfers that came out of the SIIF during the first six 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
\$3.75 million	HB 1018 - (Commerce)	Partial transfers of funding to enhanced use lease grant program at GFAB
\$3.0 million	HB 1020 - (NDSU)	Partial transfer of funding for veterinary diagnostic laboratory project
\$50.0 million	HB 1443 - (BND)	Transfer to BND infrastructure revolving loan fund

The medical facilities infrastructure fund, which had been managed by the BND but owned by the SIIF, became a revolving fund to be managed by the BND in July 2015. The approximately \$50 million of loans and assets in this fund will no longer be paid back to the SIIF.

An additional \$51.8 million of appropriated transfers are scheduled to come out of the SIIF over the remainder of the 2015-17 biennium, as shown in the table below:

Amount	Bill (Agency)	Purpose
\$7.0 million	HB 1012 - (DOT)	One-time funding for DOT's short line railroad program
\$3.75 million	HB 1018 - (Commerce)	Balance of funding for enhanced use lease grant program at GFAB
\$15.0 million	HB 1020 - (Extension Service)	Balance of funding for veterinary diagnostic laboratory project
\$25.85 million	SB 2015 - (DOT) CONTINGENT	Enhance state highway investment

The \$25.85 million contingent appropriation to the state highway fund is not expected to occur, as budget projections for the General Fund revenues are not likely to exceed legislative estimates by \$126.0 million trigger for the fiscal year ended June 30, 2016.

The latest projections issued by the OMB indicate that SIIF will receive about \$30.7 million of gross production and oil extraction taxes during the biennium, all of which will come in during the last two months of the biennium. The SIIF is expected to have a balance of approximately \$377.8 million on June 30, 2017.

The assigned fund balance of the SIIF was \$147.07 million as of 3/31/16. This represents money that has been set aside to cover potential refunds related to lawsuits involving navigable rivers.

SCHOOL CONSTRUCTION ASSISTANCE LOAN FUND

The School Construction Assistance Loan Fund (SCALF) was created by SB 2039, effective July 1, 2015 with a transfer of \$150 million of outstanding school construction loans from the SIIF. The legislation gave control of the SCALF to the BND, contingent on voter approval of a constitutional measure in November 2016. Until it is determined by voters if it will be transferred to BND, the Board will manage the SCALF.

COAL DEVELOPMENT TRUST FUND

The Board Reviewed the performance and balances of the Coal Development Trust Fund (CDTF) which is a permanent fund from which money is lent to energy impacted counties, cities and school districts as provided in NDCC § 57-62-03 and to school districts pursuant to NDCC Chap. 15-60. The Board invests funds that have not been loaned. As directed in the Constitution, the income earned by the CDTF is transferred to the General Fund each year. The CDTF has historically been invested in a conservative short-term fixed income portfolio.

	3/31/16 Asset Balances	Yield/Total Return for Qtr. Ended 3/31/16
Coal Development Trust Fund		
School Construction Loans	\$ 49,740,000	1.67% Yield
Coal Impact Loans	13,477,000	3.37% Yield
Investments/Cash	<u>4,595,000</u>	0.70%
Total	\$ 67,812,000	

As of March 31, 2016, about \$260,000 of loan authority remained under the \$50.0 million cap for school construction loans from the CDTF. There is no cap to the amount that can be used for coal impact loans. Both school construction loan and coal impact loan balances remain at or near their 20 year highs. The investable balance of the CDTF was at approximately \$4.6 million at quarter's end, up slightly from the \$4.2 million investable balance on December 31, 2015.

The NTI Ultra-Short portfolio earned a total return of 0.70%, after fees, during the quarter ended March 31, 2016; it has earned a net return of +0.81% since its' August 1, 2015 inception date. Benchmark returns for the periods were 0.52% and 0.72% respectively.

CAPITOL BUILDING FUND

The Board reviewed the balances and performance of the Capitol Building Fund which is a fund that was created at statehood for the construction and maintenance of “public buildings at the capital.” It generates revenues from the 10,000 surface and 27,700 mineral acres it owns.

The Capitol Grounds Planning Commission (CGPC) is the entity that has official control over the Capitol Building Fund; the Land Board is responsible for investing the assets on behalf of the CGPC. The balance of this fund can be appropriated each biennium, thus it is invested in conservative, short-term fixed income portfolio.

	3/31/16 Asset Balance	Total Return Qtr. Ended 12/31/15
Capitol Building Fund		
Investments/Cash	\$ 6,861,000	0.70%

The NTI Ultra-Short portfolio earned a total return of 0.70%, after fees, during the quarter ended March 31, 2016; it has earned a net return of +0.81% since its' August 1, 2015 inception date. Benchmark returns for the periods noted above were 0.52% and 0.72% respectively.

The 64th Legislative Session appropriated \$5.7 million from the Capitol Building Fund including: \$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). Additionally, NDCC 48-10-02 provides the CGPC with continuing appropriation authority of \$175,000 from this Fund and SB 2015 contains a \$25,000 operating appropriation for the CGPC.

During the quarter, the Capitol Building Fund collected approximately \$192,000 of oil and gas royalties. The next biggest contributor to fund growth during the quarter was unrealized capital gains (\$30,000) and investment income (\$18,000).

Investment Updates Asset Allocation

The table below shows the status of the asset allocation of the permanent trusts as of April 30, 2016.

Account/Asset Class	Long-Term Asset Allocation	Interim Target Allocation	Interim % +/- Weight	4/30 Actual Allocation \$	4/30 Actual Allocation %
Large Cap US Equity	13.5%	14.0%	3.7%	\$ 489,493,940	13.5%
Small Cap US Equity	3.5%	3.6%	2.9%	\$ 133,231,681	3.7%
International Equity	12.0%	12.4%	3.3%	\$ 447,712,896	12.3%
Emerging Market Equity	3.0%	3.1%	3.3%	\$ 114,587,703	3.2%
Total Equities	32.0%	33.1%	3.4%	\$ 1,185,026,219	32.6%
Domestic Investment Grade	14.2%	14.7%	3.5%	\$ 519,466,234	14.3%
High Yield FI	3.0%	3.1%	3.3%	\$ 113,404,280	3.1%
International/Global FI	5.8%	6.0%	3.4%	\$ 219,235,510	6.0%
Total Fixed Income	23.0%	23.8%	3.5%	\$ 852,106,023	23.4%
Total Absolute Return	20.0%	20.7%	3.5%	\$ 744,837,794	20.5%
Commodities	3.0%	3.1%	3.3%	\$ 111,142,851	3.1%
MLPs	3.0%	3.1%	3.3%	\$ 112,789,775	3.1%
TIPS	2.0%	2.1%	5.0%	\$ 72,930,202	2.0%
Natural Resource Equities	2.0%	2.1%	5.0%	\$ 84,588,367	2.3%
Total Inflation Strategies	10.0%	10.4%	4.0%	\$ 381,451,195	10.5%
Core Real Estate	8.0%	8.0%	0.0%	\$ 319,539,770	8.8%
Core Plus Real Estate	7.0%	2.0%	-71.4%	\$ 151,722,719	4.2%
Total Real Estate	15.0%	10.0%	-33.3%	\$ 471,262,489	13.0%
Total Asset	100.0%	98.0%		\$ 3,634,683,720	100.0%

As money has been called to fund the real estate mandates, the permanent trusts' equity, fixed income, absolute return and diversified inflation strategies target allocations have been adjusted towards long-term target allocations.

Changes at J.P. Morgan – Columbus

It was reported that Doug Swanson, who led the J.P. Morgan Columbus fixed income group for over 20 years is retiring. Barb Miller, will to lead the team.

In addition to Mr. Swanson's retirement, J.P. Morgan also recently announced the departure of two fixed income managers that had no involvement with the intermediate bond product in which the trusts' invest; as well as the retirement of a portfolio manager who was more directly involved in the intermediate bond product.

After reviewing these changes to J.P. Morgan's fixed income team, RVK reported that it has placed the J.P. Morgan Columbus fixed income group on its watch list. The Department and RVK will continue to monitor the situation and report to the Board if warranted.

Changes at GMO

The Commissioner was recently informed of personnel changes at GMO, one of the Board's absolute return strategy managers. The co-head of the asset allocation, Sam Wilderman will be leaving GMO at the end of the year, at which time Ben Inker, who currently shares responsibilities with Mr. Wilderman, will take over as the sole head of the asset allocation team. RVK will report back after its due diligence on these changes is complete

Small and Mid-Cap Domestic equities

In February 2016 RVK suggested that the Board consider searches for active managers in both the small and mid-cap domestic equity spaces. RVK and the Department have begun discussions of how a revised domestic equity portfolio might be structured to determine how to proceed with possible searches. A specific recommendation will be presented at a future meeting.

M I N E R A L S M A N A G E M E N T

Reduction of Interest on Late Payment of Royalties

Since January, 2015, the Department has worked with Oasis Petroleum to collect payment or establish escrow of royalties on the production of sovereign minerals in accordance with the Board's lease and rules.

Oasis is the operator of 17 wells that produce State sovereign minerals. The Department notified this operator on January 23, 2015, that royalties were expected to be paid or escrowed. A March 31, 2015 deadline was given to bring the wells into compliance. As of April 30, 2015, approximately \$3.67 million in royalties were not paid or escrowed.

The Department calculated assessed penalties and interests of \$682,805.09 beginning from the March 31, 2015 deadline until payment was made on December 3 and 31, 2015, and this amount was formally assessed in a February 4, 2016 letter to Oasis.

Subsequent to the assessment, a review of N.D.C.C. 47-16-39.1, found that interest may not be applied on royalties that were escrowed since this statute permits the suspension of interest payments in cases in which a dispute of title exists. The initial assessment was \$682,805.09 assessed both penalty and interest on both escrowed funds and paid to the Department. By eliminating the interest assessed on royalty that is escrowed because of a title dispute, the total assessment should be reduced to \$363,631.42.

Under the Board's rules, once penalties and interest over \$2,500 are assessed upon late payment of royalties, only the Board can modify or reduce the amount.

Motion: The Board authorized the reduction of the Department's February 4, 2016 assessment from \$682,805.09 to \$363,631.42 to include only penalties on late royalties escrowed at the Bank of North Dakota and penalty and interest assessed on the royalties paid to the Department.

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		

Recommended Amendment of the Oil and Gas Rule 85-06-06-10 Regarding Delinquent Royalties

On behalf of the Board, the Department collects royalties on oil and gas produced from Trust and sovereign mineral assets.

Regarding the application of penalties, the Board's Oil and Gas Leasing Rule 85-06-06-10 establishes the same payment timeframe for natural gas and oil production. Typically, the time needed for operators to account for gas is longer than is needed for oil. The rule accounts for this in the payment of initial production as penalties accrue after 90 days for initial oil production and 120 days for initial gas production. However, for later production, the rule requires payments for both oil and gas to be paid within 30 days for all existing production. This provision does not consider the varied times for appropriate accounting.

The Department's current royalty system does not automatically generate penalty notices, so requests must be manually prepared.

The Department recommended a change to the Board's oil and gas rules to extend the payment deadline for payment of gas royalties from 30 days to 60 days. In addition to this rule change, the Department will take a more rigid approach to assessing penalties on royalties paid beyond the proposed timeframes. Automatic calculations of penalty and interest will be built into a future royalty system.

Proposed Change to Rule

85-06-06-10. REPORTS OF LESSEE - DELINQUENCY PENALTY. Lessee shall immediately notify the commissioner in writing when a permit to drill a well on the leased premises has been issued and shall indicate the location of the proposed well. Immediately upon obtaining production of oil and/or gas in commercial quantities, the producing lessee shall notify the commissioner in writing, giving the date production was commenced. Within ninety (90) days following initial production of oil and within one hundred twenty (120) days following initial production of gas, lessee shall file with the commissioner a production and royalty statement showing total production and indicating the royalty due together with payment of such royalty. Thereafter, such statement and payment of royalty shall be due each month on or before the last day of the month succeeding each month of production. These time limits may be extended by the commissioner for good cause. The commissioner reserves the right to request other information and to require that such reports be made on forms furnished by the commissioner. Any sum, other than annual delay rentals, not paid when due shall become delinquent and will be subject to a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or fraction thereof for oil and for each sixty (60) day period of delinquency or fraction thereof for gas and natural gas liquids. A five day penalty grace period will be allowed. Royalty reports must be received within the specified timeframes.

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

General Authority
NDCC 15-05-09

Law Implemented
NDCC 15-05-09

History: Effective July 26, 1979

Amended October 27, 1988; January 26, 1989; April 29, 1993, June 7, 2016

Motion: The Board approved the amendment of its Oil and Gas Rule 85-06-06-10 to allow up to 60 days after production for the payment of royalties on produced gas. The Board amends and reenacts 85-06-06-10 as presented herein.

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		

OPERATIONS

Performance Audit Implementation Tracking

In response to the recommendations in the recent performance audit of the Department within the State Auditor's Report No. 3036 Section (a): Energy Infrastructure and Impact Office (publicly released February 25, 2016) Section (b): Unclaimed Property (publicly released February 25, 2016) Section (c): Trust Assets and Department Resources (publicly released April 19, 2016); the Department has built a recommendation tracking data set and monitoring tool to record and gauge progress on each of the audit recommendations.

The Department has implemented 35 of the recommendations, 34 improvements are underway and 34 are still pending action.

Correction of Mineral Tracts Recorded Within the Wrong Trust

One of the audit findings involved the mistaken assignment of multiple mineral tracts to the wrong trust. When documents were transcribed in the 1940s, numerous mineral acre properties and files were incorrectly assigned to the Youth Correctional Center Trust (YCC Trust) that instead should have been identified as being owned by the Ellendale Trust. Subsequently, all mineral revenues generated by those mineral tracts were incorrectly attributed to the wrong trust.

As a result of the error, the Department has commenced a detailed review of the historical records of all mineral tracts currently identified as being owned by the YCC Trust. Initial efforts have focused on tracts which were recently or are currently leased for oil and gas production. Of the 121 active

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tracts that have been critically examined thus far, 37 tracts were incorrectly assigned to the YCC trust. All of the estimated 450 tracts that are identified in the database as being owned by the YCC, will be reviewed.

The Department was able to reconstruct and evaluate 26 years of revenue records for each of the 37 mistakenly assigned mineral tracts. It has determined that the collective bonus, rent and royalty revenue mistakenly attributed to the YCC Trust since 1989 is approximately \$6.1 million.

The Department has reassigned the tracts to the proper trust within its database and adjusted the paper records to document the correction. In addition, accounting adjustments have been made transferring \$6.1 million from the YCC Trust to the Ellendale Trust.

The Department continues to review historical records to determine the investment income and operating expenses associated with the misapplied financial assets and plans to reimburse the Ellendale Trust for the net income it did not receive before the close of the 2016 fiscal year. It was estimated that forgone income of approximately \$1.1 million will be transferred in June.

The Department is working with legal counsel to ensure that the mechanism of correcting net assets and past distributions when trusts were incorrectly assigned to tracts is being done consistently and appropriately.

The collective impact of this error on distributions over 20 years is that the YCC received approximately \$610,000 more in distributions than it would have if mineral revenues had been deposited into the correct trust, and the seven beneficiaries of the Ellendale Trust received that much less.

In July of 2009, the Board adopted its distribution formula consistent with the 2006 changes to the Constitution and the 2009 Congressional amendment of the Enabling Act. Prior to that, distributions were based on the projected "interest and income" earned by each fund, however, starting July 1, 2009, article IX of the North Dakota State Constitution states: "*...biennial distributions from the perpetual trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. The average value of trust assets is determined by using the assets' ending value for the fiscal year that ends one year before the beginning of the biennium and the assets' ending value for the four preceding fiscal years. Equal amounts must be distributed during each year of the biennium.*"

The calculation of distributions policy adopted in 2009 uses the fund balance based upon audited financial statements.

The Commissioner requested a one-time exception to the Board's distribution calculation policy to allow the Commissioner to use corrected fund balances for the YCC and Ellendale trusts for the past four years, as determined by staff, to determine distributions for the 2017-2019 biennium.

Since the 2015 Legislature made the appropriations from each trust according to the distribution formula outlined in the constitution and according to the best financial statement information available at the time, it was decided in discussions with OMB and Legislative Council staff that distributions will continue as appropriated during the current biennium.

The Commissioner requested authority to seek a legislative adjustment to correct the mistaken historical appropriations from these trusts during the upcoming session.

Motion: The Board directed the Commissioner to use corrected fund balance figures for the Youth Correctional Center Trust and Ellendale trusts, as determined by staff, to determine distributions to these trusts for the 2017-2019 biennium, as an exception to the Board's distribution calculation policy; and it directed the Commissioner to request legislative action during the 2017 session to correct any material distribution errors that occurred in the past as a result of the misapplied revenues.

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		

O P E R A T I O N S

The Board reviewed an unaudited Quarterly Financial Report for Period Ended March 2016.

The Board reviewed the spring 2016 surface leasing auction results.

The Board reviewed the May 2016 oil and gas lease auction results.

Report of Easements Issued by Land Commissioner (04-14-16 through 05-25-16)

Granted to:	MINOT PARK DISTRICT, MINOT-ND
For the Purpose of:	Land Sale: Park
Legal Description:	WAR-155-83-16-N2SW4, NW4
Granted to:	BURKE-DIVIDE ELECTRIC COOP, KENMARE-ND
For the Purpose of:	Easement-Amend: Electric Distribution Line - Above Ground
Legal Description:	DIV-161-98-36-NE4, NW4
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement: Drop Line-Buried Electric Distribution Line
Legal Description:	MOU-155-90-16-SE4
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement-Amend: Electric Distribution Line - Above Ground
Legal Description:	MOU-153-90-36-NW4
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement: Drop Line-Electric Distribution Line
Legal Description:	WIL-154-100-16-SE4, SW4
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement: Drop Line-Electric Distribution Line
Legal Description:	MOU-153-90-6-E2SW4, LOTS 6,7
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement-Amend: Electric Distribution Line - Above Ground
Legal Description:	MOU-153-92-16-NE4, NW4
Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement: Drop Line-Electric Distribution Line
Legal Description:	MOU-155-93-16-SE4, SW4

Granted to: For the Purpose of: Legal Description:	HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND Easement-Amend: Oil Gathering Pipeline MOU-156-92-36-SW4
Granted to: For the Purpose of: Legal Description:	HILAND CRUDE LLC, HOUSTON-TX Easement: Drop Line-Oil Gathering Pipeline WIL-157-95-16-NE4, NW4
Granted to: For the Purpose of: Legal Description:	HETTINGER COUNTY, MOTT-ND Easement: Road Right-of-Way HET-135-97-24-SE4
Granted to: For the Purpose of: Legal Description:	BRIDGER PIPELINE LLC, CASPER-WY Easement: Drop Line-Oil Gathering Pipeline MCK-151-96-36-SE4
Granted to: For the Purpose of: Legal Description:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND Easement: Potable Water Pipeline MOU-155-92-16-NE4, SE4, MOU-156-92-36-SW4
Granted to: For the Purpose of: Legal Description:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT Easement-Amend: Drop Line-Pipeline WIL-154-100-16-SE4, SW4
Granted to: For the Purpose of: Legal Description: Legal Description: Legal Description:	NEON INC, BOULDER-CO Easement-Amend: Tower Site STU-142-66-16-NE4, NW4, SE4, SW4 STU-143-66-28-SW4 STU-143-67-16-NE4, NW4, SE4
Granted to: For the Purpose of: Legal Description:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND Easement: Potable Water Pipeline MOU-154-94-16-SW4
Granted to: For the Purpose of: Legal Description:	NORTHERN STATES POWER COMPANY, MINNEAPOLIS-MN Easement-Amend: Electric Transmission Line STU-141-63-9-SE4 LESS 24 ACRES
Granted to: For the Purpose of: Legal Description:	WHITING OIL AND GAS CORPORATION, DENVER-CO On-lease Act. Amend: Horizontal Oil Well WIL-156-101-36-SE4
Granted to: For the Purpose of: Legal Description:	ROCKWATER ENERGY SOLUTIONS, DICKINSON-ND Letter of Permission: Access to School Land MCK-153-96-16-NE4, SE4
Granted to: For the Purpose of: Legal Description:	DIVIDE COUNTY HWY DEPT, CROSBY-ND Permit: Temporary Construction DIV-163-99-36-SW4
Granted to: For the Purpose of: Legal Description:	BILLINGS COUNTY, MEDORA-ND Permit-Amend: Temporary Construction BIL-144-100-16-SE4

Granted to:	HILAND CRUDE LLC, HOUSTON-TX
For the Purpose of:	Easement-Amend: Drop Line-Pipeline
Legal Description:	WIL-154-99-16-NE4, NW4
Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement-Amend: Gas Gathering Pipeline
Legal Description:	MCK-148-98-16-NE4
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-SE4
Granted to:	MELGAARD CONSTRUCTION INC, GILLETTE-WY
For the Purpose of:	Permit: Aggregate Prospecting
Legal Description:	MCK-150-95-16-NE4, NW4, SW4
Granted to:	DEEP CREEK ADVENTURES, WATFORD CITY-ND
For the Purpose of:	Letter of Permission: Access to School Land for the purpose of laying a temporary surface frac water pipeline
Legal Description:	MCK-149-96-36-NE4, NW4, SE4, SW4
Granted to:	SELECT ENERGY SERVICES LLC, WILLISTON-ND
For the Purpose of:	Letter of Permission: Access to School Land for the purpose of laying a temporary surface frac water pipeline
Legal Description:	MCK-150-96-36-NE4, SE4
Granted to:	MBI ENERGY SERVICES, KILLDEER-ND
For the Purpose of:	Letter of Permission: Access to School Land for the purpose of laying a temporary surface frac water pipeline
Legal Description:	DUN-145-97-16-SE4
Granted to:	STREAMLINE WATER SERVICES LLC, WATFORD CITY-ND
For the Purpose of:	Letter of Permission: Access to School Land for the purpose of laying a temporary surface frac water pipeline
Legal Description:	DUN-148-96-36-SW4

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:	NDSU DEPT 7650, FARGO-ND
For the Purpose of:	Letter of Permission: Access to School Land for the land and water resource survey
Legal Description:	BRK-161-92-36-SE4, KID-142-70-36-NW4, SE4
Granted to:	NDSU SCHOOL OF NAT RES SCIENCE, FARGO-ND
For the Purpose of:	Letter of Permission: Access to School Land
Legal Description:	WEL-150-69-36-N2SW4, NE4, NW4

Granted to: **NORTH DAKOTA GEOLOGICAL SURVEY, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land to conduct a surface geology study
 Legal Description: SHE-145-77-16-SW4, W2NW4, LOTS 1,2
 Legal Description: SHE-145-78-16-NW4, SW4
 Legal Description: SHE-146-77-18-SE4
 Legal Description: SHE-146-77-20-NW4
 Legal Description: SHE-146-77-28-NW4
 Legal Description: SHE-146-77-32-NE4, NW4, SE4, SW4
 Legal Description: SHE-146-78-14-NE4, SE4, SW4
 Legal Description: SHE-146-78-16-NE4
 Legal Description: SHE-146-78-2-SE4, SW4
 Legal Description: SHE-146-78-34-NW4, SW4
 Legal Description: SHE-146-78-36-NW4, SW4
 Legal Description: SHE-146-78-9-NE4, NW4
 Legal Description: SHE-147-77-20-NE4, NW4
 Legal Description: SHE-147-77-30-E2SW4, LOTS 3,4
 Legal Description: SHE-147-78-16-NE4, NW4, SE4, SW4
 Legal Description: SHE-147-78-36-SE4
 Legal Description: SHE-148-78-36-NE4, NW4, SE4, SW4

Granted to: **NDSU DEPT 2715, FARGO-ND**
 For the Purpose of: Letter of Permission: Access to School Land
 Legal Description: BRK-164-93-36-ALL

Granted to: **USDA-NRCS, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land
 Legal Description: BEN-151-70-16-NE4
 Legal Description: BOW-130-106-36-NW4
 Legal Description: DUN-144-96-36-SE4
 Legal Description: EDD-149-65-29-SW4
 Legal Description: PIE-157-70-16-NW4
 Legal Description: SIO-130-90-36-NE4
 Legal Description: STU-143-67-16-NW4

A D J O U R N

There being no further business, the meeting was adjourned at 4:35 PM.

Jack Dalrymple, Chairman
 Board of University and School Lands

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