

**Minutes of the Meeting of the
Board of University and School Lands
December 6, 2017**

The December 6, 2017 meeting of the Board of University and School Lands was called to order at 8:30 AM in the Governor's Conference of the State Capitol by Chairman Doug Burgum.

Members Present:

Doug Burgum	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 present:

Jodi Smith	Commissioner
Linda Fisher	Deputy Commissioner
Jeff Engleson	Chief Investment Officer
Drew Combs	Minerals Manager
Levi Erdmann	Investment Analyst
Lance D. Gaebe	Prior Commissioner
Peggy Gudvangen	Accounting Manager
Mike Humann	Surface Manager
Kristie McCusker	Legal Assistant
Catelin Newell	Office Manager
Gerard Schwan	Director of Grants and Claims

Guests in Attendance:

Leslie Bakken Oliver	Governor's Legal Counsel
David Garner	Office of the Attorney General
Hope Hogan	Office of the Attorney General
Charles Carvell	Office of the Attorney General
Kyle Wanner	ND Aeronautics Commission
Jared Wingo	ND Aeronautics Commission
Brady Pelton	North Dakota Petroleum Council
Marcia Beard	RVK
Amy Dalrymple	Bismarck Tribune
Tom Stromme	Bismarck Tribune
Brad Zenz	Quantitative Management Associates
Roy Henriksson	Quantitative Management Associates
Vlad Shutoy	Quantitative Management Associates

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

A motion to approve the minutes of the October 26, 2017, November 7, 2017 and November 22, 2017 meetings was made by Attorney General Wayne Stenehjem and seconded by Secretary of State Al Jaeger and the motion carried unanimously on a voice vote.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

2015-2017 Biennium Airport Grant

In House Bill 1176, the 2015 Legislative Assembly directed \$48,000,000 of grant funds reserved for airports within oil producing counties. Section 39 of Senate Bill 2015 then stated that \$3.2 million would be set aside for non-hub city airports:

HB 1176 SECTION 5.

1. \$48,000,000, or so much of the sum as may be necessary, for grants to airports impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the aeronautics commission, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection, which must include cost-share requirements. Cost-share requirements must consider the availability of local funds to support the project. Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding.

SB 2015

SECTION 39. LEGISLATIVE INTENT - OIL AND GAS IMPACT GRANTS TO AIRPORTS. It is the intent of the sixty-fourth legislative assembly that of the funding designated for grants to airports impacted by oil and gas development included in subsection 1 of section 5 of House Bill No. 1176, as approved by the sixty-fourth legislative assembly, a grant award of at least \$39,000,000 be awarded to the airport in the hub city as defined under section 57-51-01 that received the highest total allocation under subsection 1 of section 57-51-15 for the period beginning September 1, 2013, and ending August 31, 2014, and a grant award of at least \$5,800,000 be awarded to the airport in the hub city as defined under section 57-51-01 that received the second highest total allocation under subsection 1 of section 57-51-15 for the period beginning September 1, 2013, and ending August 31, 2014. It is also the intent of the sixty-fourth legislative assembly that the grant awards designated under this section must be awarded without a local matching requirement.

The airports, other than those serving Williston or Dickinson, were allocated \$3.2 million. In May and October 2015 the Board approved grants to airports for \$1,798,071 and reserved the remaining appropriation of \$1,401,929 for future consideration.

The 2017 Legislative Assembly adopted Senate Bill 2013 authorizing the Board to grant any 2015-2017 appropriations in the current biennium. In August 2017 the Board approved the announcement of a grant round for non-hub city airports of up to \$1.3 million from the Oil and Gas Impact Grant Fund.

This grant round closes out the 2015-2017 biennium funding.

The North Dakota Aeronautics Commission, which serves as the Land Board's advisory committee on airport grants, evaluated the applications for ten general aviation projects received during this grant round. The Aeronautics Commission and the EIO recommend six grant awards. The matrix the six grant recommendations are based upon is available at the Department upon request.

Motion: **The Board approves six grants totaling \$1,300,000 to the four airports listed in the preceding chart, in accord with House Bill 1176 as adopted by the 2015 Legislative Assembly.**

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

Williston and Dickinson Airport Grants

Within Senate Bill 2013 as enacted by the 2017 Legislative Assembly, a new Energy Impact Grant Fund was created to supplement the Oil and Gas Impact Grant Fund for the 2017-2019 biennium. Sections 13 and 14 of SB 2013 authorize expenditure of grant funds for airports from the two separate grant funds:

SECTION 13. OIL AND GAS IMPACT GRANT FUND - AIRPORT GRANTS. The grants line item and the total special funds line item in section 1 of this Act include the sum of \$25,000,000 from the oil and gas impact grant fund for grants to airports, for the biennium beginning July 1, 2017, and ending June 30, 2019. Of the \$25,000,000, the board of university and school lands shall award a grant of \$20,000,000 to the Williston airport and a grant of \$5,000,000 to the Dickinson airport. A grant may be awarded to the Williston airport only when any related federal funding is committed and available to be spent on the new airport construction project. Grants awarded but not yet paid under this section are not subject to section 54-44.1-11.

SECTION 14. ENERGY IMPACT FUND - WILLISTON AIRPORT GRANT. The grants line item and the total special funds line item in section 1 of this Act include the sum of \$15,000,000 from the energy impact fund for a grant to the Williston airport, for the biennium beginning July 1, 2017, and ending June 30, 2019. A grant may be awarded to the Williston airport only when any related federal funding is S. B. NO. 2013 - PAGE 4 committed and available to be spent on the new airport construction project. Grants awarded but not yet paid under this section are not subject to section 54-44.1-11.

In October, the Board authorized possible grants to Williston and Dickinson airports of up to \$20 million during fiscal year 2018. The State Aeronautics Commission is the Board's advisory committee on this grant sector. The Commission recommends funding six grants to Dickinson and eleven grants to Williston airports, as detailed in the following chart:

Airport Energy Impact Award Recommendations - Fall 2017							
\$18,500,000.00 - Recommended Funding to Williston Basin International Airport (2017-2019)				Version: October 23rd, 2017			
\$1,402,065.00 - Recommended Funding to Dickinson - Theodore Roosevelt Regional Airport (2017-2019)				F - Federal Project	D - Deferred		
\$1,300,000.00 - Recommended Funding to General Aviation Airports (2015-2017 Biennium Funds)				" - Completed	FE - Federally Eligible		
All Grant Allocations will be approved on a <u>not to exceed the dollar amount approved.</u> The remaining grant allocation balance for each project will then return to the Energy Infrastructure and Impact Office to be used for future airport project allocations.							
COMMERCIAL AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	STATE \$ REQUESTED	GRANT \$ RECOMMEND	
DICKINSON	1. FAA 2017 AIP #38: Design Services for Parallel Taxiway D/Temp. Runway	F	56	\$711,111.00	\$71,111.00	\$71,111.00	
	2. FAA 2017 AIP #37: Taxiway B Rehab and Widening *	F	55	\$2,222,300.00	\$222,230.00	\$222,230.00	
	3. Runway 14-32 NAVAID Reimbursable Agreement	FE	47	\$296,915.00	\$267,224.00	\$267,224.00	
	4. Runway 14-32 NAVAID Design and Coordination	FE	47	\$535,000.00	\$481,500.00	\$481,500.00	
	5. Wetland Mitigation	FE	31	\$200,000.00	\$180,000.00	\$180,000.00	
	6. Land Acquisition Preliminary Services	FE	26	\$200,000.00	\$180,000.00	\$180,000.00	
	* 2017 Federal Grant Awards Totalled: \$ 2,640,070.00 Total Federal Grant Awards Total : \$ 11,703,207.00						
Sub Total				\$3,965,326.00	\$1,402,065.00	\$1,402,065.00	
WILLISTON	ENERGY IMPACT GRANT FUND						
	1. FAA 2015 AIP # 1: Construction New Airport - Phase I*	F	46	\$8,585,208.00	\$858,521.00	\$858,521.00	
	2. FAA 2016 AIP # 2: Construction New Airport - Phase II*	F	46	\$30,938,302.00	\$3,061,852.00	\$3,061,852.00	
	3. FAA 2017 AIP # 3: Construction New Airport - Phase III*	F	46	\$17,849,813.00	\$1,983,313.00	\$1,983,313.00	
	4. Enbridge Pipeline Relocation (Design and Construction)		46	\$9,469,000.00	\$4,734,500.00	\$4,734,500.00	
	5. OneOK Pipeline Relocation (Design and Construction)		46	\$4,437,280.00	\$2,218,640.00	\$2,218,640.00	
	Energy Impact Sub Total						\$12,856,826.00
	OIL & GAS IMPACT GRANT FUND						
	6. Chevron Pipeline Relocation (Design and Construction)		46	\$55,124.00	\$27,562.00	\$0.00	
	7. Runway 14/32 and Parallel Taxiway Strengthening (Change Order)		46	\$831,300.00	\$748,170.00	\$0.00	
	8. Design Parallel Taxiway	FE	45	\$329,985.00	\$296,986.00	\$0.00	
	9. Design Commercial Service Apron	FE	44	\$310,250.00	\$279,225.00	\$279,225.00	
	10. Design General Aviation Apron and Taxiways	FE	44	\$380,750.00	\$342,675.00	\$340,234.00	
	11. Design Crosswind Runway and Parallel Taxiway	FE	44	\$290,750.00	\$261,675.00	\$261,675.00	
	12. FAA Reimbursable Agreement #4 and #5	FE	36	\$550,000.00	\$495,000.00	\$495,000.00	
	13. Procure FAA NAVAIDS	FE	36	\$4,495,600.00	\$4,046,040.00	\$4,046,040.00	
14. Procure MALSR, ILS and DME Equipment	FE	36	\$1,267,579.00	\$1,140,821.00	\$0.00		
15. Design Airport Perimeter Security and Wildlife Fence	FE	31	\$247,104.00	\$222,394.00	\$221,000.00		
Oil & Gas Impact Sub Total						\$5,643,174.00	
* 2017 Federal Grant Awards Totalled: \$ 37,105,127.00 Total Federal Grant Awards Total: \$ 74,105,127.00							
Sub Total				\$80,038,045.00	\$20,717,374.00	\$18,500,000.00	
GENERAL AVIATION AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	STATE \$ REQUESTED	GRANT \$ RECOMMEND	

There are sufficient balances available in both funds in order to approve the recommendations of the ND Aeronautics Commission as shown in the following diagram:

2017-2019 Biennium Breakdown					
Grant Round	# Applications	Amount of Projects	Amount Requested	# Awards	Amount Awarded
O&G Williston Airport - 2018	10	\$8,758,442	\$7,860,548	6	\$5,643,174
O&G Dickinson Airport - 2018	6	\$3,965,326	\$1,402,065	6	\$1,402,065
EI Williston Airport - 2018	5	\$71,279,603	\$12,856,826	5	\$12,856,826
Totals	21	\$84,003,371	\$22,119,439	17	\$19,902,065.00
				Minus Adjustments	\$0.00
				Net Awards	\$19,902,065.00

As of: November 21, 2017

Available O&G today for granting	\$21,328,978	}	Remaining Allocations	
Available EI today for granting	\$13,000,000		O&G Williston Airport	\$14,356,826
	\$34,328,978		O&G Dickinson Airport	\$3,597,935
			EI Williston Airport	\$2,143,174
				\$20,097,935
			Contingency Grant	\$2,000,000

Remaining O&G collections	\$3,671,022
Remaining EI collections	\$2,000,000

Motion: **The Board approves six grants to Dickinson Airport and 11 grants to Williston Airport as listed in the preceding charts. These awards total \$19,902,065 in airport expansion projects, as authorized by the 2017 Legislative Assembly.**

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

Contingency Grant Advisory Committee Nominations

At its June 2017 meeting, the Board approved the establishment of a contingency fund to utilize undistributed funds from the 2013-2015 and 2015-2017 biennia. Section 10 of Senate Bill 2013 as adopted by the 2017 Legislature approved the use of unexpended funds to provide for grants and administrative costs during the 2017-2019 biennium:

SECTION 10. EXEMPTION - OIL AND GAS IMPACT GRANT FUND. The amount appropriated from the oil and gas impact grant fund for the energy infrastructure and impact office line item in section 1 of chapter 13 of the 2015 Session Laws and for oil and gas impact grants in section 5 of chapter 463 of the 2015 Session Laws is not subject to section 54-44.1-11. Any money deposited in the fund for taxable events occurring through June 30, 2017, and any unexpended funds from the appropriation are available for grants and administrative costs associated with the fund during the biennium beginning July 1, 2017, and ending June 30, 2019. (Emphasis added).

The Energy Infrastructure and Impact Office recommended the following members to serve on the Contingency Grant Advisory Committee:

Dan Kalil, Williston Township Supervisor – Williams County
 Jay Elkin, Stark County Commissioner – Stark County
 Gary Weisenberger, Mayor of Stanley – Mountrail County
 Justin Voll, Mayor of Watford City – McKenzie County
 Reinhard Hauck, Dunn County Commissioner – Dunn County
 Mark Spooner, Border Township Supervisor – Divide County
 John Bruce, Burke Central PSD Superintendent – Burke County
 Dave Mahon, Bowman PSD Superintendent – Bowman County
 Marcia Lamb, County Auditor – Billings County

EIIO Director Lance Gaebe recommends appointment of these community leaders to the Contingency Grant Advisory Committee, which would be asked to suggest grant criteria, timelines and potential grants for Board consideration.

Motion: The Board approves the Contingency Grant Advisory Committee members, listed above, to make recommendations to the Land Board on contingency Energy Infrastructure and Impact grants.

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

Pending Vacancy of EIIO Director

The Board has been notified they will need to appoint the next EIIO Director with Director Gaebe's departure.

I N V E S T M E N T S

Introduction of a Recommended International Small Cap Equity Manager - Quantitative Management Associates (QMA)

During its August 2017 meeting, the Board approved a revised asset allocation for the permanent trusts and authorized an asset class reviews of the trusts' international equity. The Board revised the asset allocation to increase the trusts' exposure to international equities by two percent, and decreased fixed income exposure similarly.

	Previous Target Allocation	Adopted Target Allocation
US Equities	17%	17%
International Equities	15%	17%
Fixed Income	23%	21%
Absolute Return Strategies	20%	20%
Diversified Inflation Strategies	10%	10%
Real Estate	15%	15%
	100%	100%

In September 2017, the Board adopted a new structure for the trusts' 17% allocation to international equities that includes a 10.7% passive allocation to large/mid cap developed equities, a 2.6% actively managed allocation to small cap developed market equities and a 3.7% actively managed allocation to core emerging market equities. The Board also authorized a search to identify a manager(s) to fill the new active small cap developed market equity allocation, and to provide the Board with a recommendation of one or more finalist candidates.

During October and November, the Department staff worked closely with RVK to conduct a manager search. The search started with 149 international small cap products listed in the eVestment Alliance database. Quantitative sorts and screens reduced the number of firms to ten. These managers, plus three firms that currently manage international assets for the State Investment Board, were invited through a Request for Information (RFI) to submit strategy information and additional background about their company and product offerings.

After reviewing and scoring the eleven firms that responded to the RFI, RVK and the Department staff invited four investment firms to interview. Interviews were held at the Department of Trust Lands' offices on November 20th and 21st. Interviewees included Commissioner Gaebe, Jeff Engleson and Levi Erdmann; Marcia Beard and Joe Ledgerwood from RVK, as well as State Treasurer Schmidt.

The recommendation received today represents a unanimous decision of those who participated in the manager interviews.

RVK's Marcia Beard introduced Quantitative Management Associates LLC (QMA), the firm that is being recommended to manage the new international small cap equity mandate for the trusts.

QMA is a wholly owned, independently operated subsidiary of Prudential Financial, Inc. QMA, which was formed in 1975, has over 200 employees. The firm employs investment professionals from 19 countries, including 20 PhDs. Portfolio managers average 18 years of industry experience and 13 years at QMA. The firm's two areas of investment focus are quantitative equity strategies and dynamic asset allocation (another name for absolute return strategies).

QMA's non-US equity team employs four portfolio managers as well as eight dedicated small cap equity analysts. The team also has access to a team of ten research generalists. The four portfolio managers rotate responsibilities for the various international small cap products offered by QMA in order to give them exposure to various markets. The firm's research driven quantitative investment process uses carefully selected value, growth and quality factors to build a portfolio that will outperform over time, in a consistent manner, in both up and down markets.

After proposing an initial discounted fee of approximately 70 basis points, QMA proposed a lower fee that reflects the relationship Prudential currently has with the North Dakota State Investment Board. The lower effective fee of approximately 68 basis points (including fund expenses which are capped at 3 basis points) is approximately 25% lower than the next closest fee schedule proposed by any of the four finalists.

Motion: The Board authorizes the Commissioner to enter into an investment management agreement with Quantitative Management Associates LLC to manage an international small cap equity portfolio for the permanent trusts, subject to final review and approval of the contract by the Office of the Attorney General.

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

Brad Zenz and Rodolfo Martell of QMA presented their International Small Cap Equity plan to the Board. This presentation and RVK's recommendation memo are available at the Department upon request.

Quarterly Investment Reports – 3rd Quarter 2017

Marcia Beard from RVK reviewed the performance of the permanent trust funds' pool of investment assets for the period ending September 30, 2017. The report is prepared to enable the Board to monitor and evaluate the collective performance of the permanent trusts' investments and the performance of individual managers within the program.

The Permanent Trust Funds Performance Report and the Other Funds Managed by the Board Report are both available at the Department upon request.

Investment Updates

Asset Allocation

The status of the permanent trusts' asset allocation as of October 31, 2017.

Account/Asset Class	Long-Term Asset Allocation	10/31/17 Actual Allocation \$	10/31/17 Actual Allocation %
Large Cap US Equity	13.3%	\$ 578,013,672	13.4%
Mid/Small Cap US Equity	3.7%	\$ 161,202,275	3.7%
International Equity	12.0%	\$ 531,347,871	12.3%
Emerging Market Equity	3.0%	\$ 136,631,781	3.2%
Total Equities	32.0%	\$ 1,407,195,598	32.7%
Domestic Investment Grade	14.2%	\$ 604,410,252	14.0%
High Yield FI	3.0%	\$ 125,995,854	2.9%
International/Global FI	5.8%	\$ 237,052,202	5.5%
Total Fixed Income	23.0%	\$ 967,458,308	22.5%
Total Absolute Return	20.0%	\$ 852,123,962	19.8%
Commodities	3.0%	\$ 133,433,260	3.1%
MLPs	3.0%	\$ 125,061,072	2.9%
TIPS	2.0%	\$ 80,462,149	1.9%
Natural Resource Equities	2.0%	\$ 88,923,934	2.1%
Total Inflation Strategies	10.0%	\$ 427,880,415	9.9%
Core Real Estate	8.0%	\$ 354,830,504	8.2%
Core Plus Real Estate	7.0%	\$ 297,180,821	6.9%
Total Real Estate	15.0%	\$ 652,011,325	15.1%
Total Asset	100.0%	\$ 4,306,669,609	100.0%

State Street Global Advisors (Equity Index Products: \$1.18 billion, 27.4% of assets)

State Street Global Advisors (SSGA) manages three different equity index products for the permanent trust funds' investment pool, including a Russell 1000 product (\$578.0 million), a Russell Mid Cap product (\$71.7 million) and an MSCI World Ex-US product (\$531.3 million).

State Street Corporation (State Street) recently announced upcoming management changes at both SSGA, the money management firm, and at State Street, the parent company. Jay Hooley, current president of State Street will be retiring as president at the end of 2018, but will continue to serve as chairman through the end of 2019. Ron O'Hanley, current CEO at SSGA will move to State Street to serve as chief operating officer, until Mr. Hooley's retirement.

Replacing Mr. O'Hanley as president and CEO of SSGA will be Cyrus Taraporevala, who has 27 years of industry experience including the past 18 months at SSGA.

RVK believes this is a well thought out and long-term transition that likely was contemplated when Mr. Taraporevala joined SSGA in 2015. RVK does not anticipate any change in direction or strategy at SSGA as a result of this management change.

(12/6/17)

Harding Loevner (Emerging Market Equities: \$69.9 million, 1.6% of assets)

Harding Loevner recently announced a reverse share split, effective December 1, 2017, for the Institutional Emerging Markets Portfolio, Class II shares in which the permanent trusts invest, owners will receive 1 new share for each 1.758429 shares held at the time of the reverse split.

The total value of the trusts' investment will not change, only the number of shares and the value per share will adjust. The reverse split is being done to bring the net asset value of the fund in line with other institutional class shares.

Commissioner's Authority over Financial Assets – Board Resolution

Historically, when a new Commissioner is appointed, the Northern Trust Company and other investment advisors have asked for a Board resolution, or other formal documentation, acknowledging the appointment and identifying the person responsible for managing the Board's investment program.

The following resolution was proposed for adoption:

***BE IT RESOLVED**, that Jodi Smith was appointed as the Commissioner of University and School Lands on November 7, 2017. Her appointment was effective November 27, 2017. The Commissioner, and her designees, shall have the authority to represent the Board of University and School Lands in all activities involving the financial assets under its control, as provided for in state law and in accordance with Board policy.*

Copies of the resolution will be sent to the Board's custodial bank and investment advisors, along with a letter of direction authorizing specific individuals within the Department designated to perform certain duties or functions under the various agreements.

The individuals that will be authorized to give direction to advisors and custodian include Commissioner Jodi Smith, Jeff Engleson, who has had this authority since 1993, and Levi Erdmann, who has had this authority since 2010. Multiple people are authorized to ensure that someone is available to act on investment related issues if necessary.

Checks and balances are in place to ensure that no individual, including the Commissioner, can initiate a transfer of funds out of the "investment system," without the transfer being verified by another.

Motion: The Board adopts the accompanying resolution validating Jodi Smith's appointment and authorizing her to manage transfers and transactions within the Board's investment program.

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

The signed resolution is available at the Department upon request.

SURFACE MANAGEMENT

Fall 2017 Surface Leasing Auction Results

Fall surface lease auctions were completed in November of 2017. The Commissioner, as authorized by the Board, has approved all surface leases.

Bid Approval of the Agricultural Lease of T152N, R51W, Section 16: N2 in Grand Forks County

On July 8, 2011 then-surface lessee Mike McEnroe, was notified by certified mail, that his lease on the NW4 of Section 16, Township 152 North, Range 51 West, Grand Forks County, was cancelled and that he would not be eligible to lease or use school trust lands for a “period of seven (7) years beginning August 1, 2011”. This suspension was initiated due to repeated lease violations and was done in accordance with the Board’s surface lease cancellation policy.

On October 5, 2017 the Department of Trust Lands conducted a Grand Forks County surface lease auction in the county seat of Grand Forks, as required by law. Mr. McEnroe attempted to register as a bidder; however, the auction software produced a message which indicated his ineligibility to participate. This exclusion prompted a telephone call to the Department for an explanation immediately prior to the auction. Information retrieved from an office database of “banned” bidders indicated the suspension expired in August 2017 and as such, verbal approval was given for Mike McEnroe to obtain a bidder number and the auction commenced.

The minimum bid of \$2,605 for the referenced tract was received from David Meagher. The lease was bid up between David Meagher and Mike McEnroe to Mike McEnroe’s high bid amount of \$5,100. No other bidders participated in competition for this tract.

Subsequent to the auction, a file copy of the certified letter was located and it revealed that the ban was effective through August 1, 2018, not 2017 as indicated in the database. Accordingly, Mike McEnroe’s check in the amount of \$5,100 was returned.

On October 26, 2017 a check in the amount of \$2,605 was received from David Meagher for the lease of the referenced tract. This amount reflects the Department established minimum opening bid.

According to NDCC § 15-04-10 all bids are subject to Board approval. As the auction was conducted in accordance with statute and a bid was received for the minimum opening rent, the Board could reject the bids that should not have been offered. It is unknown if another party besides the two active participants may have bid. Knowing the circumstances related to Mike McEnroe being allowed to bid in error, the Board has authority to reject his bids.

If the McEnroe bids are rejected, the opening bid offered by David Meagher, which is the required minimum bid would stand and a lease can be issued to David Meagher for \$2,605.00 subject to Board approval.

Motion: With respect to the agricultural lease of Township 152 North, Range 51 West, Section 16: N2 in Grand Forks County, the Board rejects Mike McEnroe’s bids and all bids subsequent to David Meagher’s initial bid and accepts David Meagher’s bid for the advertised annual rent minimum of \$2,605.00 and authorizes the issue of the lease to David Meagher.

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

(12/6/17)

Report of Easements Issued by Land Commissioner (10/16/17 to 11/27/17)

Granted to:	MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE, WILLISTON-ND
For the Purpose of:	Easement: Electric Distribution Line - Above Ground
Right-of-Way Number:	RW0007403
Trust:	A – Common Schools
Legal Description:	MOU-158-89-36-NE4, SE4
Granted to:	ELKAN INC, WATFORD CITY-ND
For the Purpose of:	Easement: Raw Water Pipeline
Right-of-Way Number:	RW0008089
Trust:	A – Common Schools
Legal Description:	MCK-150-98-36-NW4, SW4
Granted to:	ABRAXAS PETROLEUM CORPORATION, SAN ANTONIO-TX
For the Purpose of:	Easement: Salt Water Pipeline
Right-of-Way Number:	RW0008101
Trust:	A – Common Schools
Legal Description:	MCK-150-97-36-SE4, SW4
Granted to:	MCKENZIE COUNTY, WATFORD CITY-ND
For the Purpose of:	Easement: Road Right-of-Way
Right-of-Way Number:	RW0008106
Trust:	A – Common Schools
Legal Description:	MCK-152-99-36-NE4
Granted to:	TARGA BADLANDS LLC, HOUSTON-TX
For the Purpose of:	Easement-Amend: Gas Gathering Pipeline
Right-of-Way Number:	RW0008109
Trust:	A – Common Schools
Legal Description:	MCK-150-95-16-NE4, NW4, SW4
Granted to:	WEST DAKOTA WATER LLC, WILLISTON-ND
For the Purpose of:	Easement: Raw Water Pipeline
Right-of-Way Number:	RW0008126
Trust:	A – Common Schools
Legal Description:	WIL-154-97-16-NW4
Granted to:	GOODNIGHT MIDSTREAM BAKKEN LLC, DALLAS-TX
For the Purpose of:	Easement: Salt Water Pipeline
Right-of-Way Number:	RW0008128
Trust:	A – Common Schools
Legal Description:	MCK-151-96-36-NE4, SE4, SW4
Granted to:	TARGA BADLANDS LLC, HOUSTON-TX
For the Purpose of:	Easement: Drop Line-Oil Gathering Pipeline
Right-of-Way Number:	RW0008141
Trust:	A – Common Schools
Legal Description:	MCK-150-97-36-SE4

Granted to:	ANDEAVOR FIELD SERVICES LLC, SAN ANTONIO-TX
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Right-of-Way Number:	RW0008142
Trust:	A – Common Schools
Legal Description:	MOU-154-93-36-SE4
Granted to:	QEP ENERGY COMPANY, DENVER-CO
For the Purpose of:	Permit-Amend: Access Road
Right-of-Way Number:	RW0008148
Date Issued:	10/25/2017
Trust:	A – Common Schools
Legal Description:	MOU-150-92-15-W2SW4
Granted to:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND
For the Purpose of:	Easement: Potable Water Pipeline
Right-of-Way Number:	RW0008149
Trust:	A – Common Schools
Legal Description:	MOU-154-89-16-SW4
Granted to:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND
For the Purpose of:	Easement: Potable Water Pipeline
Right-of-Way Number:	RW0008150
Trust:	A – Common Schools
Legal Description:	WIL-154-95-16-NE4
Granted to:	XTO ENERGY INC, FORT WORTH-TX
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Right-of-Way Number:	RW0008152
Trust:	A – Common Schools
Legal Description:	DUN-148-96-36-SW4
Granted to:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND
For the Purpose of:	Easement: Potable Water Pipeline
Trust:	A – Common Schools
Legal Description:	MCK-148-103-16-NE4, NW4
Granted to:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND
For the Purpose of:	Easement: Easement Release
Right-of-Way Number:	RW0008157
Trust:	A – Common Schools
Legal Description:	MCK-148-103-16-NE4, NW4
Granted to:	WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND
For the Purpose of:	Letter of Permission: Access to School Land to lay a temporary above ground water pipeline
Right-of-Way Number:	RW0008170
Trust:	A – Common Schools
Legal Description:	WIL-156-100-16-NE4, NW4
Granted to:	MBI ENERGY SERVICES, KILLDEER-ND
For the Purpose of:	Letter of Permission: Access to School Land to maintain one relay pump and one temporary surface lay flat frac water pipeline
Right-of-Way Number:	RW0008173
Trust:	A – Common Schools
Legal Description:	DUN-146-94-16-NE4, NW4

Granted to: KINDER MORGAN, WILLISTON-ND
For the Purpose of: Permit: Temporary Construction
Right-of-Way Number: RW0008174
Trust: A – Common Schools
Legal Description: MCK-151-100-16-SE4

MINERALS MANAGEMENT

**Continental Resources, Inc. v. North Dakota Board of University and School Lands, et al., 8th Circuit District Court
 Case No. 1:17-cv-00014
 Honorable Daniel Hovland/Magistrate Charles Miller**

In December 2016, Continental Resources, Inc. (Continental) brought an interpleader action against the Board of University and School Lands and the United States regarding certain lands underlying Continental operated wells located in McKenzie, Mountrail, and Williams Counties. This case addresses overlapping ownership claims by the State and the United States of minerals underlying the Missouri River. Continental is requesting the Court determine the property interests for the disputed lands so that Continental can correctly distribute the proceeds from the affected wells. Continental has claimed that there is “great doubt as to which Defendant is entitled to be paid royalties related to the Disputed Lands.” Currently, Continental is paying the United States its full royalty based on the acreage it claims. The remaining royalty, over and above what is due the United States, is being escrowed with the Bank of North Dakota pursuant to the Board’s rules.

The United States removed this action to federal district court on January 11, 2017. The Board filed its answer to the complaint on February 13, 2017. The United States filed its answer to the complaint on May 12, 2017. An Amended Complaint was filed by Continental Resources on September 14, 2017. The United States filed a Motion to Dismiss for Lack of Subject Matter Jurisdiction on October 18, 2017. In support of its motion, the United States alleges that it has not waived its sovereign immunity under the Quiet Title Act and the United States alleges that the interpleader action is moot under S.B. 2134. The Board has until December 20, 2017 to file a response to the Motion to Dismiss.

It is recommended that the Board enter into an executive session to receive its attorneys’ advice and guidance on the legal risks, strengths, and weaknesses of its response to the Motion to Dismiss.

EXECUTIVE SESSION

Motion: Under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, the Board closed the meeting to the public and entered into executive session for purposes of attorney consultation to consult with the Board’s attorneys on litigation related to sovereign lands’ minerals, including:

- **Continental Resources, Inc. v. Board of University and School Lands, and the United States of America.**

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

At 10:05 AM the Board entered executive session for the purposes outlined in its adopted motion.

EXECUTIVE SESSION

Members Present:

Doug Burgum	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 present:

Jodi Smith	Commissioner
Linda Fisher	Deputy Commissioner
Allie Bement	Mineral Title Specialist
Drew Combs	Minerals Division Manager
Lance D. Gaebe	Prior Commissioner
Kristie McCusker	Legal Assistant
Catelin Newell	Office Manager

Authorized Guests in Attendance:

Hope Hogan	Office of the Attorney General
Jen Verleger	Office of the Attorney General
David Garner	Office of the Attorney General
Charles Carvell	Office of the Attorney General
Leslie Bakken Oliver	Governor's Legal Counsel

The executive session adjourned at 10:25 AM and the Board returned to open session and the public was invited to return to the meeting. During the executive session, the Board provided its attorneys with guidance on *Continental Resources, Inc. v. Board of University and School Lands, and the United States of America*.

Results of Online November Oil and Gas Mineral Lease Auction

On behalf of the Board, the Department conducted an oil and gas mineral lease auction which concluded on November 7, 2017 on <https://www.energynet.com/>.

There were 67 tracts offered and all received competitive bids. The highest bid per acre was \$826.00 for 60 net mineral acres in Dunn County.

There were 34 bidders registered, 19 of which submitted bids in the seven-day auction. Bidders were from 7 states (CO, IN, MT, ND, TX, WA and WY plus BC, Canada).

A total \$217,657.99 of bonus was collected from the auction.

O P E R A T I O N S

Information Technology Project Status Update

The Department's 2017-2019 biennial budget appropriation includes \$3.6 million to replace legacy information technology systems.

Department staff, with assistance of Office of Management and Budget procurement staff and Information Technology Department project management staff prepared two Requests for Proposals (RFP) with the objective of procuring design and implementation services for two programs; one for Land Management and Accounting and one for Unclaimed Property.

Upon review and approval by the Executive Steering Committee, organized under NDCC § 54-59-32, the RFPs for both projects were released on September 25, 2017.

Proposals for both projects have been received and are currently under review. Demonstrations will be scheduled and subsequent "sandbox" sessions will allow Department staff to test drive prospective systems to ensure required system features perform as expected.

R E P O R T S

The Quarterly Financial Report (Unaudited) for period ended September 30, 2017 was presented to the Board and is available at the Department upon request.

Chairman Burgum moved that the minutes reflect the Land Board's appreciation and gratitude for Commissioner Gaebe's service. Treasurer Schmidt seconded that motion and the motion carried unanimously on a voice vote.

A D J O U R N

There being no further business, the meeting was adjourned at 10:34 AM.

Doug Burgum, Chairman
Board of University and School Lands

Jodi Smith, Secretary
Board of University and School Lands

The Energy Infrastructure and Impact Office recommended the following members to serve on the
Contingency Grant Advisory Committee:

Dan Kalil, Williston Township Supervisor – Williams County
Jay Elkin, Stark County Commissioner – Stark County
Gary Weisenberger, Mayor of Stanley – Mountrail County
Justin Voll, Mayor of Watford City – McKenzie County
Reinhard Hauck, Dunn County Commissioner – Dunn County
Mark Spooner, Border Township Supervisor – Divide County
John Bruce, Burke Central PSD Superintendent – Burke County
Dave Mahon, Bowman PSD Superintendent – Bowman County
Marcia Lamb, County Auditor – Billings County