

**Minutes of the Meeting of the
Board of University and School Lands
July 25, 2018**

The July 25, 2018 meeting of the Board of University and School Lands was called to order at 9:01 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 (via telephone)
Kelly Schmidt	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

Department of Trust Lands Personnel present:

Jodi Smith	Commissioner
Kristie McCusker	Legal Assistant
Rick Owings	Administrative Officer

Guests in Attendance:

Leslie Bakken Oliver	Governor's Legal Counsel
Reice Haase	Governor's Policy Advisor
Jen Verleger	Attorney General's Office
Dave Garner	Attorney General's Office
Charles Carvell	Attorney General's Office
Mark Hanson	Nilles Law Firm
Amy Dalrymple	Bismarck Tribune

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

A motion to approve the minutes of the June 28, 2018 meeting was made by State Treasurer Kelly Schmidt and seconded by Superintendent of Public Instruction Kirsten Baesler and the motion carried unanimously on a voice vote.

O P E R A T I O N S

Operations- Administrative Rules

In House Bill 1300, the 65th Legislative Assembly directed the Board of University and School Lands (Board) no longer be exempt from the Administrative Agencies Practice Act. With passage of this legislation, the Department of Trust Lands (Department) began preparing rules to be considered by the Board, reviewed by the Office of Attorney General, and heard by the Legislative Rules Committee. The intent was to adopt these rules with an effective date of October 1, 2018.

The Department considered existing rules, together with policies and procedures, to incorporate necessary wording from those into rules which comply with the North Dakota Administrative Code. North Dakota Century Code § 28-32-07 states: "Any rule change, including a creation, amendment, or repeal, made to implement a statutory change must be adopted and filed with the legislative council within nine months of the effective date of the statutory change."

Rules concerning General Administration, Energy Infrastructure and Impact Grants, Unclaimed Property, Surface Land Management, and Loan Programs have been posted to the Department's website and the State Secretary's website, publications of a notice of intent have been completed in all 53 county seat newspapers, and copies of these rules have been sent to sponsoring legislators. A public hearing on those rules was conducted on April 18, 2018 with no one from the

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public attending the hearing, thus the hearing officer (Hope Hogan) opened and closed the hearing. A recording of the hearing has been posted on the Department's website. The Attorney General Office has reviewed the Administrative Rules and had no comments or suggestions on the content of the rules have been made.

However, due to the lack of publication on the Legislative Council's website, the Attorney General's office is requiring the Department conduct another public hearing. The Department will schedule the public hearing. This delay in the process will not allow the Department to adopt the rules by October 1, 2018.

Board of University and School Lands Major Case Summary as of July 25, 2018

The following is a summary of active litigation. Detailed case specific memorandums will be presented to the Board upon changes in case status or as new events requiring Board consideration occur.

UNCLAIMED PROPERTY

Case: State of Arkansas, et al. v. State of Delaware
Date Filed: June 9, 2016
Court: United States Supreme Court
Judge: Pierre N. Leval, *Special Master*
Attorney: David Garner
Opposing Counsel: Delaware Attorney General's Office

Issues: The United States Supreme Court assumed original jurisdiction over this lawsuit involving unclaimed property brought by 30 states, including the state of North Dakota, against the state of Delaware. The substantive issue involved is whether sums payable on unclaimed and abandoned checks sold by MoneyGram Payments Systems, Inc. should be remitted to the Plaintiff States, as the states of purchase, or to Defendant Delaware, as MoneyGram's state of incorporation. Texas and Arkansas are the lead states on behalf of the other Plaintiff states.

Current Status: A Complaint and Answer have been filed. A Special Master has been appointed to preside over the case. The Special Master has accepted the Case Management Order agreed to by the parties. The parties issued discovery requests and responses in November/December 2017. The parties have exchanged discovery and are in the process of resolving issues regarding depositions of certain states. The parties have agreed to stipulate as to the authenticity of the documents produced in discovery rather than undertake depositions.

REVENUE COMPLIANCE

Case: Continental Resources, Inc. v. North Dakota Board of University & School Lands and North Dakota Department of Trust Lands, Civ. No. 27-2017-CV-00661
Date Filed: December 20, 2017
Court: District Court/McKenzie County

Attorneys: David Garner
Opposing Counsel: Mark S. Barron/Baker & Hostetler LLP
Judge: Robin Schmidt

Issues: Continental is seeking a Declaratory Judgment that it is currently paying royalties properly under the Board's lease. Specifically, Continental is asking the Court to order that Continental is allowed to deduct certain costs from royalty payments and that it does not owe the Defendants any additional royalty payments based on previous deductions.

Current Status: A Complaint and Answer with Counterclaims have been filed. Continental filed an Answer to Counterclaims. Continental served discovery and responses are due July 30, 2018.

Case: **Newfield Exploration Company, Newfield Production Company, and Newfield RMI LLC v. State of North Dakota, ex rel. the North Dakota Board of University and School Lands and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands, Civ. No. 27-2018-CV-00143**

Date Filed: March 7, 2018
Court: District Court/McKenzie County
Attorneys: David Garner
Opposing Counsel: Lawrence Bender and Spencer Ptacek/Fredrikson & Byron, P.A.
Judge: Robin Schmidt

Issues: Plaintiff is seeking a Declaratory Judgment that it is currently paying gas royalties properly under the Board's lease. Specifically, Plaintiff is asking the Court to order that gas royalty payments made by the Plaintiff be based on the gross amount received by the Plaintiff from an unaffiliated third-party purchaser, not upon the gross amount paid to a third party by a downstream purchaser, and that Plaintiff does not owe the Defendants any additional gas royalty payments based on previous payments.

Current Status: A Complaint and Answer with Counterclaims have been filed. Newfield filed an Answer to Counterclaims. A Scheduling conference is set for July 27, 2018.

Minerals

Case: **EOG Resources, Inc. v. Soo Line Railroad Co., et. al., Civ. No. 31-10-CV-00010**

Date Filed: Jan. 20, 2010
Court: Mountrail County District Court
Judge: Todd Cresap
Attorney: Hope Hogan/Matthew Sagsveen
Opposing

Counsel: Multiple parties.

Issue: At issue is the ownership of mineral rights underlying the railroad in 8 sections of land in Mountrail County. The disputed property is land that the railroad acquired by condemnation and through right-of-way deeds. The railroad's lessee filed a crossclaim against the State and a number of other parties that claim an ownership interest adverse to the railroad.

Current Status: A settlement agreement has been signed by all parties and will be filed with the court once proceeds are distributed in accordance with the agreement.

Case: **Whiting Oil and Gas Corporation v. Arlen A. Dean, et. al., Civ. No. 27-2016-CV-00040**

Date Filed: January 25, 2016

Court: McKenzie County District Court

Judge: Robin Schmidt

Attorney: Hope Hogan/Jennifer Verleger

Opposing Counsel: Paul Forster, Shane Hanson (Whiting Oil and Gas Corp.), Kevin Chapman (multiple defendants)

Issues: Whiting Oil and Gas Corporation ("Whiting") operates the Kuykendall 34-31-1H well located in McKenzie County near the Montana border. The Yellowstone River flows through the Kuykendall well spacing unit. Over time, the river has shifted westward. There are also islands within the Kuykendall spacing unit. On January 25, 2016, Whiting filed this interpleader action to resolve alleged title questions that have arisen due to the movement of the Yellowstone River. Because of these title questions, Whiting is withholding royalty payments. In its lawsuit, Whiting essentially asks the court to require all those asserting title to the minerals in the spacing unit to set forth and prove their claims, and once the court rules on those claims, Whiting will know who to pay.

The Board claims a mineral interest under the Yellowstone River, including the islands, and the Board also claims a 5% mineral interest in some of the riparian tracts in this spacing unit.

The Board and the State Engineer filed a joint response to the Complaint and several cross claims that have been made against the State.

Current Status: The court trial (no jury) scheduled for August 6-10, 2018 was postponed to April 22 - 26, 2019. The initial scheduling order was amended for the State to conduct field work that could not be completed in the winter. Due to property flooding from high flows on the Yellowstone River, the State has been unable to conduct field work. Therefore, a telephonic scheduling conference was scheduled for August 16, 2018 to discuss the Court's wishes for resetting deadlines. The parties agreed to extend the pending deadlines by two months, until after the scheduling conference.

Case: Fisketjon v. State of North Dakota, Civ. No. 08-2017-CV-03208
Date Filed: November 7, 2017
Court: Burleigh County District Court
Judge: David Reich
Attorney: Jennifer Verleger/Hope Hogan
Opposing Counsel: Malcolm Brown/Christopher LeCates

Issues: The Plaintiffs filed this quiet title action to clear title to property located adjacent to the Missouri River near Bismarck, North Dakota. An OHWM study was previously prepared on the tract by the State Engineer's Office. The State claims less property than Plaintiffs believe State to claim.

Current Status: Parties discussed settlement. The Settlement was signed and the Board and State Engineer were dismissed from case.

Case: ND Office of State Engineer, Board of University and School Lands v. BLM - Case No. IBLA 2016-170
Tribunal: US Dept. of Interior Office of Hearings and Appeals – Board of Land Appeals
Attorney: Charles Carvell, Hope Hogan, and Jennifer Verleger
Opposing Counsel: Karan Dunnigan

Issues: In 2014, the Bureau of Land Management (BLM) resurveyed land along the Missouri River to locate the boundary, OHWM, between the public domain land owned by the United States and the riverbed owned by the state of North Dakota. In identifying the OHWM, the BLM applied federal law rather than state law. Specifically, the BLM adopted the survey conducted by the Corps of Engineers as part of the Garrison Dam project. In certain areas, the survey overlaps with the state's claim to sovereign lands.

After the survey work was complete, the BLM published a "Notice of Filing Plats of Survey; North Dakota" in which BLM intends to formally file the survey plats as Official Plats. After the Federal Register Notice appeared, the State Engineer and the Board jointly filed a protest challenging the filing of the survey plats. The BLM rejected the State's protest and the State appealed the BLM's decision to the Interior Board of Land Appeals.

Current Status: The State is waiting for a decision from the Interior Board of Land Appeals.

Case: Continental Resources, Inc. v. North Dakota Board of University and School Lands, et al., Case No. 1:17-cv-00014
Date Filed: December 23, 2016
Court: Federal District Court, 8th Circuit
Judge: Honorable David Hovland
Attorney: Charles Carvell, David Garner, Hope Hogan, and Jen Verleger
Opposing Counsel: Lawrence Bender, David Ogden, Paul Wolfson, Shaun Pettigrew

Issues: 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.

Current Status:

The Board filed a response on December 20, 2017 opposing the motion to dismiss. Continental filed a response and the United States filed its reply. The United States filed a Motion to Dismiss on March 16, 2018. The Board filed a Surreply to the Motion to Dismiss on April, 16, 2018. Awaiting decision from the Court on the United States’ Motion to Dismiss.

Case: **William S. Wilkinson, et. al. v. Board of University & School Lands, Brigham Oil & Gas, LLP; EOG Resources, Inc.**
Date Filed: January, 2012
Court: Williams County District Court
Judge: Paul Jacobson
Attorney: Hope Hogan/Jennifer Verleger/Matthew Sagsveen
Opposing Counsel: Josh Swanson/Rob Stock, Lawrence Bender, Lyle Kirmis

Issues: The Wilkinson lawsuit was filed on January 10, 2012. The Plaintiffs assert that they own minerals in a 200 acre tract west of Williston. This suit was initially filed in state court as a quiet title action. The Attorney General’s Office filed an Answer and Counterclaim on February 27, 2012.

On July 1, 2014, the Plaintiffs filed an amended complaint in the case and added claims of unconstitutional takings, conversion, constructive trust and unjust enrichment, civil conspiracy and deprivation of rights under 42 U.S.C. § 1983. Plaintiffs assert in their amended complaint that the Board should be issuing leases on the west side of the Highway 85 bridge pursuant to the Phase II Investigation – the estimated location of the ordinary high watermark (OHWM) prior to inundation of Lake Sakakawea – rather than the Phase I Delineation – current location of the OHWM. Plaintiffs argue that the subject property is located under Lake Sakakawea, which did not exist at statehood, and thus the state did not acquire title to it as sovereign lands. Therefore, the State’s title to the Missouri River is limited to the channel as it existed prior to inundation of Lake Sakakawea as determined by the Phase II investigation.

In January of 2016, the State Engineer sought and was granted intervention. A joint motion for summary judgment was filed by the Board and the State Engineer on March 1, 2016. On May 18, 2016, the district court granted the motion for summary judgment finding that: (1) the subject property is located along the Missouri River, which is no doubt navigable; (2) The Phase I Delineation should be used to determine the OHWM for the subject property rather than the Phase II Investigation, and therefore the property is determined to be sovereign land of the state of North Dakota; (3) to the extent Plaintiffs are aggrieved by the Phase I Delineation, they must exhaust their administrative remedies through the State Engineer before making a claim in district court; and (4) there are no grounds to support Counts II through VII. Plaintiffs filed a notice of appeal on June 1, 2016. Both EOG Resources, Inc. and Statoil Oil and Gas LP filed cross-appeals.

On September 28, 2017, the North Dakota Supreme Court reversed the district court's decision and remanded the case back to the district court. The Supreme Court held that:

1. Surface ownership could not be determined without the United States as a party to the action;
2. N.D.C.C. ch. 61-33.1 has a retroactive clause and the district court did not have an opportunity to determine if it applies and governs ownership of the minerals at issue;
3. A "takings" analysis must be conducted if the district court determines the State owns the disputed minerals; and
4. The district court erroneously made findings of disputed fact.

Current Status:

Due to the passage of S.B. 2134, the Court ordered the case stayed and all deadlines be held in abeyance until the final review findings under S.B. 2134 are issued by the Industrial Commission. When the review findings are issued, the parties must request a status conference with the Court to set a new trial date and other deadlines.

Case: **Whitetail Wave LLC v. XTO Energy, Inc.; the Board of University and School Lands; and the State of North Dakota – 27-2015-CV-00164**

Date Filed: June 4, 2015

Court: McKenzie County District Court

Judge: Robin Schmidt

Attorney: Hope Hogan/Jennifer Verleger

Opposing

Counsel: Whitetail Wave – Christopher Sweeney; XTO Energy – Lawrence Bender, Michael D. Schoepf

Issues: On August 1, 2015, the Attorney General's Office was served with a complaint in the above referenced case. This case is challenging the State's determination of the OHWM east of the Highway 85 Bridge, near the northern border of the Fort Berthold Indian Reservation. The Board has currently leased minerals pursuant to the Phase II Investigation for this tract. The Plaintiff is requesting that title to the minerals be quieted and has alleged claims of Unconstitutional takings, trespass, slander of title, and constructive trust/unjust enrichment against the State. The complaint also makes a number of claims specific to XTO Energy Inc., the operator of the wells on the tracts in dispute. Specifically, the Plaintiff is requesting that the State's claim to sovereign

lands' mineral interest be restricted to those minerals located below the OHWM of the Missouri River prior to inundation of the Lake Sakakawea.

An answer was filed on behalf of the Board on July 21, 2015. In January 2016, the State Engineer intervened in the case.

**Current
Status:**

Due to the passage of S.B. 2134, the Court ordered the case stayed and all deadlines be held in abeyance until the final review findings under S.B. 2134 are issued by the Industrial Commission. When the review findings are issued, the parties must request a status conference with the Court to set a new trial date and other deadlines.

Case: Mary K. Starin, as Personal Representative of the Estate of Bruno Herman Weyrauch v. Kelly Schmidt, et. al., Civ. No. 53-2015-CV-00986
Date Filed: August 17, 2015
Court: Williams County District Court
Judge: David Nelson
Attorney: Hope Hogan/Jennifer Verleger
**Opposing
Counsel:** Dennis Johnson

Issues: Plaintiff initiated this quiet title action to determine title to property located under Lake Sakakawea. In 1939, the State acquired the disputed property through a foreclosure of a Bank of North Dakota loan. In 1945, the State re-sold the property through a contract for deed to the Plaintiff's predecessors in interest. Pursuant to state law, the state reserved 50% of the minerals. The Special Warranty Deed issued after satisfaction of the contract for deed was not recorded and no one has a copy of the fully executed deed. The surface estate was later condemned as part of the Garrison Dam reservoir project. Plaintiffs have brought this action to clear title to the 50% of the minerals that they claim. The Board has leased the 50% mineral interest it reserved in this conveyance.

In January 2016, the State Engineer intervened in this case.

**Current
Status:**

Due to the passage of S.B. 2134, the Court ordered the case stayed and all deadlines be held in abeyance until the final review findings under S.B. 2134 are issued by the Industrial Commission. When the review findings are issued, the parties must request a status conference with the Court to set a new trial date and other deadlines.

Case: Paul Sorum, et. al. v. State of North Dakota, et. al. – Civ. No. 09-2018-CV 00089
Tribunal: Cass County District Court
Judge: John C. Irby
Attorney: Mark Hanson & Peter Hvidston, Nilles Law Firm
Opposing Counsel: Terrance W. Moore, Fintan L. Dooley

Issues: The Board was named as a defendant in the above reference case which was served on January 10, 2018. Plaintiffs have filed this action to challenge the Constitutionality of S.B. 2134 passed during the last legislative session and codified as N.D.C.C. ch. 61-33.1. Under the new legislation, “[t]he state sovereign land mineral ownership of the riverbed segments inundated by Pick-Sloan Missouri basin project dams extends only to the historical Missouri riverbed channel up to the ordinary high water mark.” N.D.C.C. § 61-33.1-02. S.B. 2134 established a process by which the Department of Mineral Resources is directed to procure a “qualified engineering and surveying firm” to “review the delineation of the ordinary high water mark of the corps survey segments” for the portion of the Missouri River designated as the “historical Missouri riverbed channel.” N.D.C.C. § 61-33.1-03(2), (3). Following a review process, which includes a public hearing and public comments, the North Dakota Industrial Commission must adopt final review findings which “will determine the delineation of the ordinary high water mark for the segment of the river addressed by the findings.” N.D.C.C. § 61-33.1-03(7). Plaintiffs’ complaint requests from the court a declaratory judgment finding that N.D.C.C. ch. 61-33.1 violates the Public Trust Doctrine and the Anti-Gift, Privileges and Immunities, and Local and Special Law Clauses of the North Dakota Constitution. Plaintiffs are also requesting the Court issue an injunction to prevent all state officials from further implementing and enforcing N.D.C.C. ch. 61-33.1.

Current Status:

An Answer was filed. Defendants filed a Motion to Dismiss, which was denied in April 2018. Petition for Supervisory Writ and Exercise of Original Jurisdiction was filed by Defendants and denied in May 2018. A Motion for Preliminary Injunction was brought by Plaintiffs and a hearing was held on May 21, 2018. An Order for Preliminary Injunction was filed June 26, 2018. The Court set a July 23, 2018 deadline for the parties to confer and file a statement of undisputed material facts and other facts for which all parties cannot agree. The Court also set August 1, 2018 as its anticipated deadline for review of the undisputed facts and any submitted Claimed Supplemental Undisputed Facts to determine if cross motions for summary judgment are appropriate – if appropriate, briefing schedule will be issued. A Scheduling Conference is set for September 6, 2018.

Information Technology Project Status Update

The Department of Trust Land’s (Department) 2017-2019 biennial budget appropriation includes \$3.6 million to replace legacy information technology systems as authorized by Senate Bill 2013.

Severe limitations in the current IT system, including redundant manual processes, have hampered efficiencies. Many of the Department’s core data management systems were developed in the 1980s and 1990s, using designs and tools no longer supported by vendors. Some supplemental system improvements and purchases have been implemented; however, the outdated database structure restricts many potential improvements.

The Department has signed a contract with Kelmar, a software company providing specialized services and solutions to assist governments with the management and administration of

unclaimed property programs. With substantial knowledge of state governments, system tools, and process workflows, Kelmar has been helping unclaimed property departments across the United States since 2001. By dedicating their organization exclusively to matters of unclaimed property, they maintain the necessary subject matter expertise and reliability to serve as a partner in unclaimed property resources, and offer the next step in unclaimed property management. Not only will the Department partner with them on software, we will draw on their unclaimed property experience to; increase the amount of unclaimed property returned and reunited with rightful owners; reduce risk associated with administering unclaimed property program operations; implement efficiencies and best practices to manage unclaimed property in safekeeping, and; achieve program goals using dedicated and cost effective unclaimed property resources. The go-live date for Kelmar has not been set but is anticipated in the first quarter of 2019.

For the Land Management and Accounting software, the Department is currently working with Major Oak Consulting (Verint) to:

1. Create a fully integrated process map with both Land Management and Accounting functions.
2. Refine, clarify and prioritize core system requirements.
3. Complete a refresh of peer and vendor research.
4. Define an RFP go-forward process.

A final report from Major Oak will be available end of August 2018. The Information Technology System Replacement Steering Committee will base the new RFP off of the final report. It is anticipated the new RFP will be released in October 2018.

MINERALS

The Commissioner recommends the Board consider entering executive session for consultation with legal counsel regarding pending and potential litigation.

EXECUTIVE SESSION

Motion: Under the authority of North Dakota Century Code Sections §§44-04-19.1 and 44-04-19.2, the Board close the meeting to the public and go into executive session for purposes to discuss Paul Sorum et al. v. The State of North Dakota, et al.

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

At 9:34 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 (via telephone)

Kelly Schmidt
Kirsten Baesler

State Treasurer
Superintendent of Public Instruction

Department of Trust Lands Personnel present:

Jodi Smith
Kristie McCusker
Rick Owings

Commissioner
Legal Assistant
Administrative Officer

Guests in Attendance:

Leslie Bakken Oliver
Reice Haase
Mark Hanson

Governor's Legal Counsel
Governor's Policy Advisor
Nilles Law Firm

The executive session adjourned at 10:02 AM and the Board returned to open session and the public was invited to return to the meeting. During the executive session, the Board was provided information regarding the Paul Sorum et al. v. The State of North Dakota, et al.

R E P O R T S

The Financial Statement (Unaudited) for Period Ended April 30, 2018 was provided to the Board

Report of Easements Issued by Land Commissioner from 6/19/18 to 7/3/2018

Granted to:	WILLIAMS COUNTY HWY DEPT, WILLISTON-ND
For the Purpose of:	Easement: Road Right-of-Way
Right-of-Way Number:	RW0008252
Date Issued:	6/19/2018
Application Fee:	\$100.00
Right-of-way Income:	\$1,334.50
Damage Payment to Lessee:	N/A
Trust:	A
Length (Rods):	0.0
Area (Acres):	1.57
Legal Description:	WIL-155-96-16-RW0008252

Granted to:	XTO ENERGY INC, SPRING-TX
For the Purpose of:	On-lease Act. Amend: Horizontal Oil Well
Right-of-Way Number:	RW0008300
Date Issued:	6/26/2018
Application Fee:	N/A
Right-of-way Income:	N/A
Damage Payment to Lessee:	N/A
Trust:	A
Length (Rods):	0.0
Area (Acres):	0.0
Legal Description:	MCK-149-96-36-RW0008300

Granted to:	EQUINOR PIPELINES LLC, AUSTIN-TX
For the Purpose of:	Easement: Salt Water Pipeline
Right-of-Way Number:	RW0008259

Date Issued: 6/27/2018
 Application Fee: \$100.00
 Right-of-way Income: \$6,000.00
 Damage Payment to Lessee: \$26.55
 Trust: A
 Length (Rods): 29.5
 Area (Acres): 0.37
 Legal Description: WIL-154-100-16-RW0008259

Granted to: BNN NORTH DAKOTA LLC, LAKEWOOD-CO
 For the Purpose of: Easement: Drop Line-Pipeline & Communication Cable
 Right-of-Way Number: RW0008238
 Date Issued: 6/28/2018
 Application Fee: \$150.00
 Right-of-way Income: \$19,440.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 64.80
 Area (Acres): 0.74
 Legal Description: MCK-150-98-36-RW0008238

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement-Amend: Gas Gathering Pipeline
 Right-of-Way Number: RW0008232
 Date Issued: 7/3/2018
 Application Fee: \$100.00
 Right-of-way Income: \$3,000.00
 Damage Payment to Lessee: \$9.90
 Trust: A
 Length (Rods): 9.90
 Area (Acres): 0.01
 Legal Description: MCK-153-98-36-RW0008232

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
 For the Purpose of: Easement: Easement Release
 Right-of-Way Number: RW0008240
 Date Issued: 7/3/2018
 Application Fee: N/A
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): N/A
 Area (Acres): N/A
 Legal Description: MCK-153-98-36-RW0008240

Granted to: WHITING OIL AND GAS CORPORATION, DENVER-CO
 For the Purpose of: Easement: Easement Release
 Right-of-Way Number: RW0008312
 Date Issued: 6/29/2018
 Application Fee: N/A
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A

Trust: A
 Length (Rods): N/A
 Area (Acres): N/A
 Legal Description: BIL-140-100-16-RW0008312

Granted to: BOE MIDSTREAM, DENVER-CO
 For the Purpose of: Easement: Easement Release
 Right-of-Way Number: RW0008314
 Date Issued: 6/20/2018
 Application Fee: N/A
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): N/A
 Area (Acres): N/A
 Legal Description: DUN-148-96-16-RW0008314

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: SELECT ENERGY SERVICES LLC, WILLISTON-ND
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008310
 Date Issued: 6/21/2018
 Application Fee: \$100.00
 Right-of-way Income: \$4,390.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 266.05
 Area (Acres): 0.0
 Legal Description: WIL-153-100-36-RW0008310

Granted to: USDA-NRCS, DICKINSON-ND
 For the Purpose of: Letter of Permission: Access to School Land
 Right-of-Way Number: RW0008315
 Date Issued: 7/2/2018
 Application Fee: N/A
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): N/A
 Area (Acres): N/A
 Legal Description: BIL-138-102-16-RW0008315

Investment Updates

ASSET ALLOCATION

The status of the permanent trusts' asset allocation as of May 31, 2018:

Account/Asset Class	Long-Term Asset Allocation	5/31/18 Actual Allocation \$	5/31/18 Actual Allocation %
Large Cap US Equity	13.2%	\$ 610,831,889	13.5%
Mid/Small Cap US Equity	3.8%	\$ 175,553,532	3.9%
International Equity	13.3%	\$ 578,703,596	12.8%
Emerging Market Equity	3.7%	\$ 162,209,856	3.6%
Total Equities	34.0%	\$ 1,527,298,873	33.8%
Domestic Investment Grade	13.0%	\$ 579,937,360	12.8%
High Yield FI	2.7%	\$ 112,835,726	2.5%
International/Global FI	5.3%	\$ 254,788,499	5.6%
Total Fixed Income	21.0%	\$ 947,561,585	21.0%
Total Absolute Return	20.0%	\$ 903,731,014	20.0%
Commodities	3.0%	\$ 139,033,777	3.1%
MLPs	3.0%	\$ 149,403,099	3.3%
TIPS	2.0%	\$ 89,046,182	2.0%
Natural Resource Equities	2.0%	\$ 94,082,282	2.1%
Total Inflation Strategies	10.0%	\$ 471,565,340	10.4%
Core Real Estate	8.0%	\$ 369,028,361	8.2%
Core Plus Real Estate	7.0%	\$ 298,685,375	6.6%
Total Real Estate	15.0%	\$ 667,713,736	14.8%
Total Asset	100.0%	\$ 4,517,870,548	100.0%

Harding Loevner (\$76.0 million, 1.7% of PTF assets)**Emerging Market Equities**

Harding Loevner recently announced that portfolio manager Rusty Johnson will be stepping down from his current co-lead PM role in the EM equity strategy due to a pressing health issue. Mr. Johnson is expected to return to his co-lead PM role in the future, though it is uncertain when this will occur.

The strategy's other co-lead PM, Craig Shaw, will continue to serve in this role. Additionally, Scott Crawshaw, one of the strategy's three Paper Portfolio Managers will be replacing Mr. Johnson as co-lead PM. Under Harding Loevner's team structure, strategies are managed by co-lead PMs which are responsible for all buy and sell decisions. Each co-lead PM manages their own sub-portfolios selecting stocks from the analyst-rated stock pool. The sub-portfolios are then merged to create one portfolio which is the portfolio clients are invested in.

All Strategies also have Paper Portfolio Managers ("Paper PMs") which independently build their own portfolios. Client assets are not invested in these portfolios, however they are treated just like actual portfolios, for risk and performance purposes. Mr. Johnson will continue to perform research and manage a paper port while he steps away from his co-lead PM duties.

Both RVK and the Commissioner recommend that no action be taken at this time due to the strength of the team, firm, and process at Harding Loevner. The firm's Paper PM program makes succession planning much easier and less risky, as the co-CIOs see how candidates would run a portfolio prior to implementation. This is not a symptom of deeper issues. The firm and team

have been very stable over the years. RVK and staff will continue to monitor the situation and will report back to the Board if any concerns arise.

Westwood Holdings Group, Inc. (\$305.1 million, 6.7% of PTF pool)
Westwood Income Opportunities Fund (Absolute Return)

Westwood recently informed the Commissioner and RVK that Mark Freeman, CIO and co-PM of Westwood Income Opportunities strategy, will be retiring on March 8, 2019. Todd Williams remains co-PM of the strategy. Additionally, Dan Barnes, PM of another multi-asset strategy, Westwood Worldwide Opportunities, was recently named co-PM of the Income Opportunities portfolio. Although the co-PMs are supported by a team of 20 individuals, including a strong team of research analysts, Mr. Freeman is a key individual for the strategy.

It is important to note that Mr. Freeman will continue to manage the strategy for the rest of his time at the firm, which is approximately nine months. Although this development is significant, the Commissioner and RVK recommend not making any changes at this time, as there is sufficient time to make an informed decision and evaluate the firm, strategy, and remaining team that will be in place after Mr. Freeman retires.

Both staff and RVK's manager research team will be reevaluating this investment firm and strategy in more detail over the coming months. We will report back to the Board with more information and a recommendation once the reevaluation is completed.

Upcoming Investment Manager Meetings

The following meetings with investment managers are planned to discuss strategy, compliance, and performance. They will be held in the Department's conference room.

August 16, 2018, 2:30 PM **GMO – Benchmark Free Allocation Fund**
 Absolute Return (\$303.2 million, 6.7% of PTF pool)
Lydia Cottrell and Peter Chiappinelli

A D J O U R N

There being no further business, the meeting was adjourned at 10:06 AM.

Doug Burgum, Chairman
 Board of University and School Lands

Jodi Smith, Secretary
 Board of University and School Lands