

**Minutes of the Meeting of the
Board of University and School Lands
January 26, 2023**

The January 26, 2023, meeting of the Board of University and School Lands was called to order at 9:05 AM by Chairman Doug Burgum.

Members Present:

| | |
|-----------------|--------------------------------------|
| Doug Burgum | Governor |
| Michael Howe | Secretary of State |
| Drew Wrigley | Attorney General |
| Thomas Beadle | State Treasurer |
| Kirsten Baesler | Superintendent of Public Instruction |

Department of Trust Lands Personnel Present:

| | |
|-------------------|---|
| Joseph Heringer | Commissioner |
| Kate Schirado | Administrative Assistant |
| Catelin Newell | Administrative Staff Officer |
| Rick Owings | Administrative Staff Officer |
| James Wald | Legal Council |
| Frank Mihail | Chief Investment Officer |
| Chris Suelzle | Minerals Division Director |
| Adam Otteson | Revenue Compliance Division Director |
| Peggy Gudvangen | Finance Division Director |
| Emily Bosch | Unclaimed Property |
| Lynn Spencer | Minerals Title Specialist |
| Maria Garcia | Finance Division |
| Jacob Lardy | Land Management Specialist |
| Joseph Stegmiller | Surface Division Director |
| Susan Dollinger | Unclaimed Property |
| Kayla Spangelo | Surface Range Soils Management Specialist |
| Jessica Fretty | Unclaimed Property |

Guests in Attendance:

| | |
|-----------------|--------------------------------|
| Ryan Norrell | Office of the Governor |
| Zach Greenberg | Office of the Governor |
| John Reiten | Office of the Governor |
| Charles Carvell | Office of the Attorney General |
| Reice Haase | ND Industrial Commission |
| C. Rajala | |

APPROVAL OF MINUTES

A motion to approve the minutes of the December 19, 2022 and January 4, 2023 meetings were made by Treasurer Beadle and the motion was seconded by Attorney General Wrigley and the motion carried unanimously on a voice vote.

OPERATIONS

Commissioner's Report

- Two more gas royalties settlements achieved; continuing negotiations with now only **four** remaining
- In midst of new minerals system phased go-live; so far so good!
- Much time spent over past several weeks corresponding/meeting with legislators, monitoring bills, preparing/giving testimony, and collaborating with other affected agencies and constituents
- DTL had a booth at the January 10th North Dakota State Agencies Information Fair at Capitol; many stopped with good information provided and even a few that found unclaimed property!
- Attended December 16th State Investment Board meeting as voting member
- Attended January 13th SIB Investment Committee meeting as voting member

HR Update

- Chief Investment Officer – new CIO Frank Mihail started January 3rd
- Investment Analyst, Dennis Chua, took a position as a Retirement Investment Officer with the San Diego County Employees Retirement Association and his last day with DTL was January 13th. We thank Dennis for his 3 ½ years of good service and are happy for him that he will be closer to family and in a warmer climate as he desired! We will work to fill the position as soon as possible.

Legislative Update

HB 1013 – Department budget bill; Commissioner has testified at two hearings on this before House Appropriations Committee, Government Operations Division

HB 1400 – amends NDCC § 15-01-02 to replace “full control of the investments” to “investment authority over” and specifies Land Board may contract investment management to State Investment Board; amends NDCC § 21-10-06 to specify State Investment Board may manage funds of Common Schools Trust Fund under a written contract with the Land Board

RE: House Bill 1400

Motion: The Board formally oppose House Bill 1400, a bill for an act to amend and reenact subsection 2 of section 15-01-02 and subsection 3 of section 21-10-06 of the North Dakota Century Code, relating to investment of the common schools trust fund.

| Action Record | Motion | Second | Aye | Nay | Absent |
|--------------------------|--------|--------|-----|-----|--------|
| Secretary Howe | X | | X | | |
| Superintendent Baesler | | X | X | | |
| Treasurer Beadle | | | X | | |
| Attorney General Wrigley | | | X | | |
| Governor Burgum | | | X | | |

HB 1175 – would require all leased surface acres to be open to public access; Department prefers current statute that allows collaborative approach based on specific circumstances of each tract; Commissioner can close tracts at discretion or tenants can request CLOSED or NOTIFY signs from Department; historically only 1% - 3% of all acreage has been closed and even then, only for specific date ranges, usually when cattle are expected to be grazing; health and safety of the public is also a concern for tracts that have oil wells, pipelines, or other industrial operations on them

RE: House Bill 1175

Motion: The Board formally oppose House Bill 1175, a bill for an act to create and enact a new section to chapter 15-04 of the North Dakota Century Code, relating to the posting of leased grant lands.


| Action Record | Motion | Second | Aye | Nay | Absent |
|--------------------------|--------|--------|-----|-----|--------|
| Secretary Howe | | | X | | |
| Superintendent Baesler | | | X | | |
| Treasurer Beadle | | X | X | | |
| Attorney General Wrigley | X | | X | | |
| Governor Burgum | | | X | | |

HB 1360 – Department filed bill to amend Unclaimed Property statutes: 1) increase holder record retention period to 10 years from date notified of an exam; 2) increase statute of limitations to enforce holder duties from five years after holder files report to seven

SB 2049 – Department filed bill to clarify/clean-up surface management statutes regarding notifying county treasurers of surface auctions, timber harvesting on trust lands, granting authority for organized events on trust lands, and the permitting of beehives on trust lands; passed Senate by a vote of 45-1 on January 12th

HB 1185 – creates grant program from the Coal Development Trust Fund for school construction projects affected by “unanticipated construction inflation” which “must have occurred for a voter-approved bond issue passed after July 2021 and before January 2023”; grants can be up to \$5 million per district; Department testified against at January 17th House Education Committee hearing due to its unconstitutionality; the Coal Development Trust Fund is established in Sec. 21, Art. X of the North Dakota Constitution which only provides for loans from the fund, not grants; allowing grants would also alter the “permanent” nature of the fund as provided in Art. X

Department of Trust Lands Workforce Handout



DEPARTMENT OF TRUST LANDS

The Department of Trust Lands (Department) is a special fund agency not reliant upon the general fund for its operations. Under the guidance of the Board of University & School Lands (Board) the Department oversees 13 permanent trusts: Common Schools, North Dakota State University, School for the Blind, School for the Deaf, State Hospital, Ellendale State College*, Valley City State University, Mayville State University, Youth Correctional Center, State College of Science, School of Mines (UND), Veterans Home, University of North Dakota.

* Dickinson State University, Minot State University, Dakota College at Bottineau, Veterans Home, School for the Blind, State Hospital, and the State College of Science are current beneficiaries of this trust.

In addition, Department oversees the management of the following funds: Indian Cultural Education Trust, Capitol Building Fund, Strategic Investment and Improvements Fund (SIIF), Coal Development Trust Fund, Theodore Roosevelt Presidential Library Fund.

DID YOU KNOW?

MINERALS
WE MANAGE 2.4 MILLION MINERAL ACRES WITH INTEREST IN MORE THAN 8,600 OF ND'S 17,400 PRODUCING WELLS WITH APPROX. 8300 LEASES.

SURFACE
WE MANAGE MORE THAN 700,000 SURFACE ACRES IN 50 OF NORTH DAKOTA'S 53 COUNTIES WITH APPROX. 4400 LEASES.

CURRENT AGENCY TEAM MEMBER STATS

30 FTE Count

6.4 average yrs of service

62% turnover since 2019

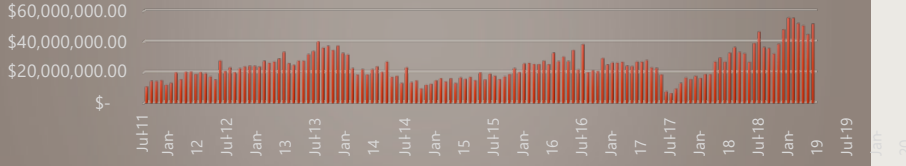
3 retirement eligible

HOW WE COMPARE TO OTHER PEER STATES TRUST LAND DEPARTMENTS

| | ND DTL | UTAH | MINNESOTA | TEXAS GLO |
|----------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|
| STAFFING | 30 FTE 1 FTE/\$236 Million | 68 FTE 1 FTE/\$46 Million | 82 FTE 1 FTE/\$23 Million | 744 FTE 1 FTE/\$75 Million |
| 2021 ASSET VALUE | \$ 7,101,953,058 | \$ 3,108,093,074 | \$ 1,900,000,000 | \$ 55,624,100,000 |
| 2021 ANNUAL REVENUE | \$ 695,000,000 | \$ 89,138,239 | \$ 54,500,000 | \$ 1,842,756,144 |

DEPARTMENT HIGHLIGHTS

OVER \$3 BILLION IN ROYALTY REVENUE DEPOSITED IN DTL TRUSTS & FUNDS



COMMON SCHOOLS TRUST FUND (CSTF) FUNDING OF K-12 EDUCATION

\$2,142
CSTF funding per K-12 student

The CSTF distributions to the State Tuition Fund have totaled more than \$1.8 billion over the last 10 years; helping to alleviate the financial responsibility of the General Fund and North Dakota property tax payers.

The 2023-2025 Biennium alone will see an 18.7% increase in distributions totaling nearly \$500 million translating to approximately \$2,142 in funding per K-12 student.



CSTF MAIN SOURCES OF REVENUE: 10% OF OIL EXTRACTION TAX, 8,600 BAKKEN WELL ROYALTIES, OIL & GAS LEASE BONUS PAYMENTS, SURFACE RIGHTS OF WAY, SURFACE RENTAL INCOME, AGGREGATE.



\$500 MILLION TO BE DISTRIBUTED IN 2023 -25 BIENNIUM



18.7% INCREASE IN DISTRIBUTION OVER LAST BIENNIUM



\$5.66 BILLION VALUE AS OF FISCAL END 2022

ADDITIONAL DEPARTMENTS MANAGED UNDER DTL

ENERGY INFRASTRUCTURE & IMPACT OFFICE (EIO)

- EIO did not have additional funding allocated in the last Legislative Session.
- The office has paid all grants in full and does not have an FTE solely for EIO

UNCLAIMED PROPERTY

- 3 FTEs dedicated out of the 30 allocated to the Department of Trust Lands.
- Unlimited FREE Unclaimed Property Searches at: <https://unclaimedproperty.nd.gov>



COMMON SCHOOLS TRUST FUND (CSTF)



\$500 MILLION TO BE DISTRIBUTED IN 2023-25 BIENNIUM

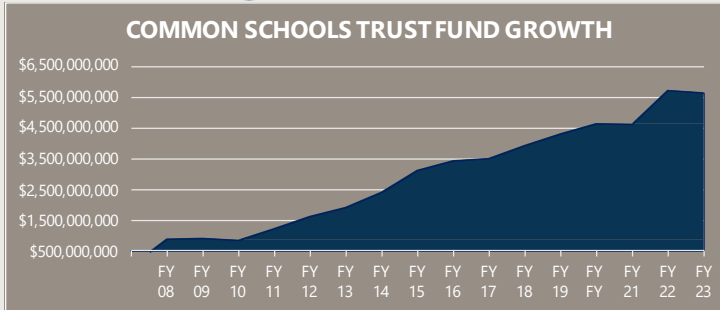


18.7% INCREASE IN DISTRIBUTION OVER LAST BIENNIUM



\$5.66 BILLION VALUE AS OF FISCAL END 2022

COMMON SCHOOLS TRUST FUND GROWTH



\$1.8 BILLION IN K-12 DISTRIBUTIONS OVER LAST 10 YEARS REDUCING FUNDING REQUIRED FROM GENERAL FUND AND PROPERTY TAXES FOR THE STATE TUITION FUND.

THE CSTF HAS GROWN 362% SINCE 2010!

DEPARTMENT OF TRUST LANDS REVENUE STREAMS CONTRIBUTING TO CSTF

MINERALS

- 10% OF OIL EXTRACTION TAX
- 8,600 BAKKEN WELL ROYALTIES
- OIL & GAS LEASE BONUS PAYMENTS



SURFACE

- RIGHTS OF WAY INCOME
- SURFACE RENTAL INCOME
- AGGREGATE LEASING



COMMON SCHOOLS TRUST FUND DISTRIBUTION CALCULATION

10% OF FIVE-YEAR AVERAGE VALUE OF TRUST INVESTMENTS (N.D. CONST ART. 9, SEC. 2)

2.88% NET AVERAGE ANNUAL DISTRIBUTION OVER PAST 10 YEARS

PERCENTAGE OF ROLLING AVERAGE VALUE FORMULA SMOOTH DISTRIBUTIONS FOR LONG-TERM GROWTH

* LOWER FUND VALUES IN THE EARLY YEARS OF THE FORMULA PERIOD RESULTS IN A NET ANNUAL DISTRIBUTION OF LESS THAN 5%

DIVISION REPORTS

SURFACE

SURFACE DIVISION



Encumbrances issued by Commissioner during December 2022:

11 Right of Way Agreements generating \$104,084 in income for the Trusts.



Photo Credit: Kayla Spangelo
Dunn County 146-97-36

MINERALS

MINERALS DIVISION



The Minerals Division approved 1 shut-in request in December 2022.

The Division is preparing for the Department's next online Oil & Gas Lease Auction. The auction will open on **March 7, 2023**, and close on **March 14, 2023**. The auction will be hosted by EnergyNet.

102 mineral tracts, comprising a total of 9,560.37 net mineral acres, have been nominated to date.

The **nomination deadline** is **January 20, 2023**.

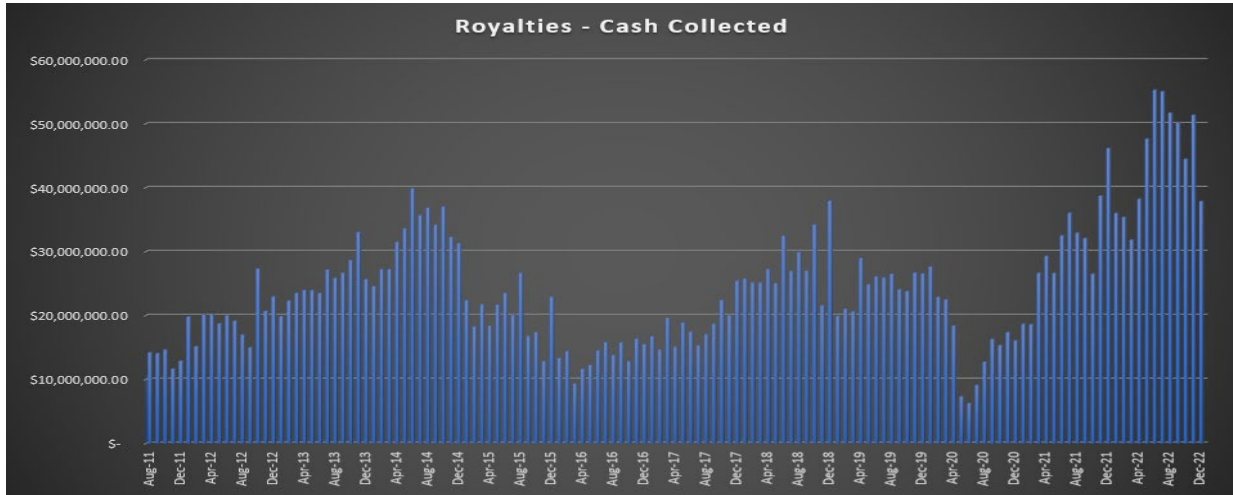
Mineral Tracts nominated for the
March 7-14, 2023
Online Oil & Gas Lease Auction

| County | Tracts | Net Acres |
|---------------|-------------------------------------|---|
| Billings | 6 | 800 |
| Bowman | 4 | 320 |
| Burke | 11 | 1045.22 |
| Divide | 27 | 2,640.14 |
| Golden Valley | 4 | 289.17 |
| McKenzie | 5 | 720 |
| Renville | 8 | 628.50 |
| Stark | 18 | 1,442.84 |
| Ward | 19 | 1,674.50 |
| Totals | 102 <small>tracts</small> | 9,560.37 <small>net acres</small> |

MINERALS DIVISION



As of December 2022, for fiscal year 2022-23 the Department has received **\$290,597,599** in royalties as compared to **\$212,468,331** last fiscal year at this time.

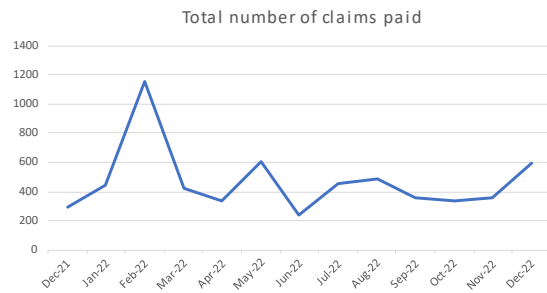
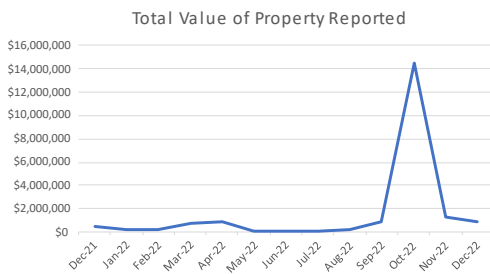


UNCLAIMED PROPERTY

UNCLAIMED PROPERTY DIVISION



For the month of December 2022, the Division paid 595 claims with \$1,489,289.39 returned to rightful owners/heirs. It received 79 holder reports with a dollar value of \$871,855.19.



FINANCIALS

Financial Statements Position Report (Unaudited) for period ended October 31, 2022

The following statements represent the unaudited financial position for the various trusts and funds managed by the Department of Trust Lands. The unaudited financial positions are two months delayed as a significant portion of the revenue for Commons Schools Trust, Strategic Investment and Improvements Fund, and Coal Development Trust includes gross production tax, oil extraction tax and coal severance tax distributions which are received two months after production date.

The Financial Report (Unaudited) for period ending October 31, 2022, was presented to the Board for review and is available at the Department upon request.

INVESTMENTS

Investment Updates

Pipeline

Balyasny Asset Management Atlas Enhanced Fund (multi-strat hedge fund) has been approved for \$300M, pending legal review.

Two Sigma Absolute Return Enhanced Fund (quant equity market neutral hedge fund) has been approved \$150M, pending legal review.

Portfolio Rebalancing Updates

Capital calls since the last Board meeting include: \$2.81M for GCM Private Equity, \$16.8M GCM Secondary Opportunities Fund, \$1.25M MS Ashbridge TS Fund, \$3.7M Hamilton Lane Infrastructure Opp. Fund, \$5M AGDL IV, and \$7.3M Owl Rock Diversified Lending.

Unfunded commitments remaining total \$558.9M as follows:

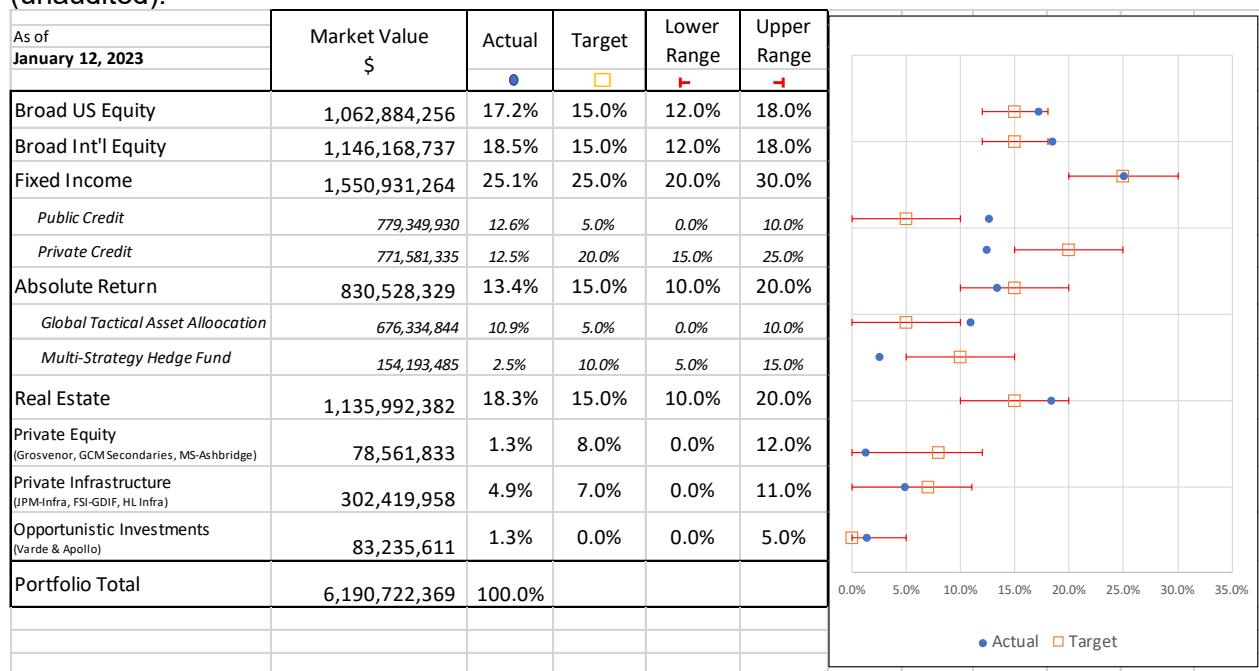
1. Private Credit, \$151.5M
 - i. ARES Pathfinder Fund, \$39M
 - ii. Owl Rock Diversified Lending, \$52.5M
 - iii. Angelo Gordon Direct Lending (AGDL) IV, \$10M
 - iv. AGDL-BUSL Fund, \$50M
2. Private Equity, \$226.8M
 - i. Grosvenor Capital Management (GCM) Private Equity, \$100.9M
 - ii. GCM Secondary Opportunities Fund, \$114.4M
 - iii. Morgan Stanley Ashbridge TS Fund II, \$11.5M
3. Private Infrastructure, \$10.1M
 - i. Hamilton Lane Infrastructure Opportunities Fund, \$10.1M
4. Opportunistic Investments, 20.5M
 - i. Varde Dislocation Fund, \$20.5M
5. Absolute Return, \$150M

Millennium USA LP (Hedge Fund), \$150M

(01/26/23)

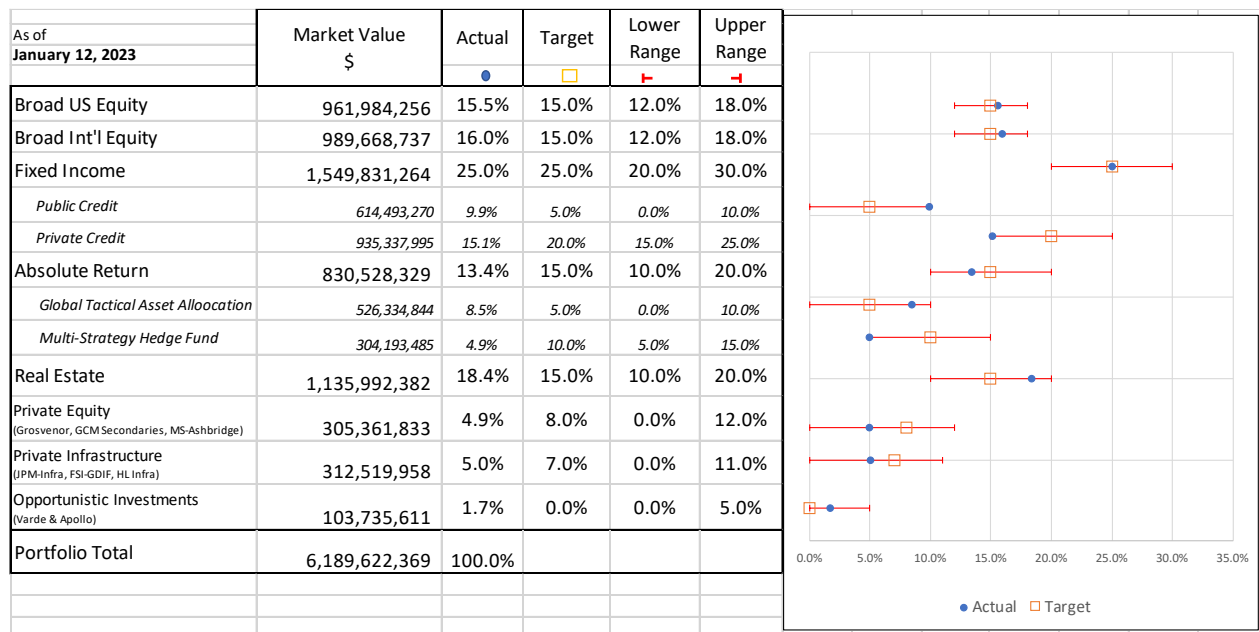
Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of January 12, 2023 (unaudited).



Hypothetical Funding of All Unfunded Commitments:

Asset Allocation After Funding:



Assumptions:

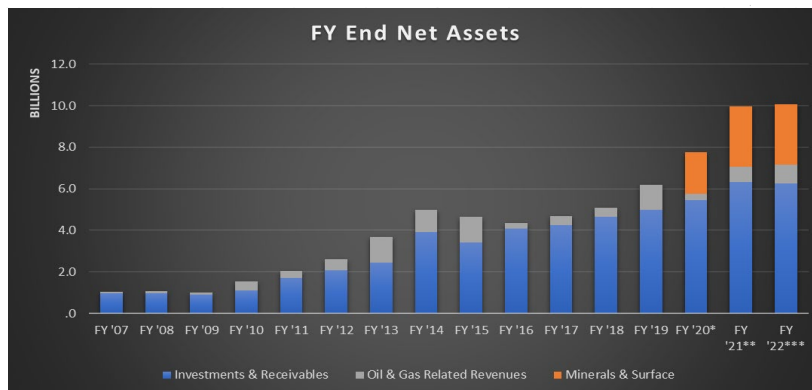
- i. **No other new cash is expected to fund calls.**
- ii. **No redemption proceeds or distributions were received.**
- iii. **All capital calls came in at the same time.**
- iv. **\$1.1M annual distribution to Permanent Funds**

Executive Estimate of Board Assets

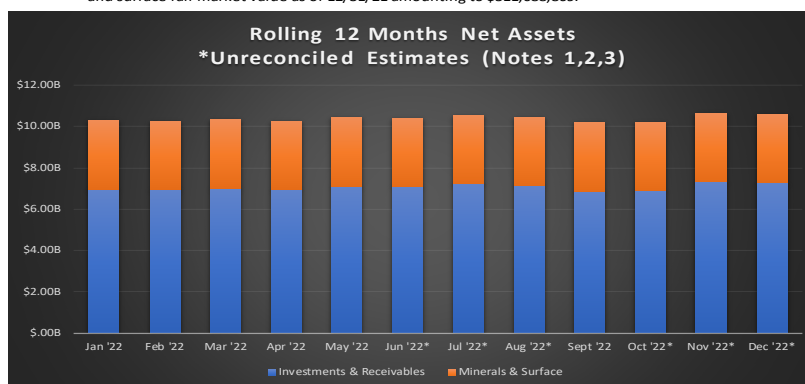
EXECUTIVE ESTIMATE OF ASSETS NORTH DAKOTA DEPARTMENT OF TRUST LANDS As of December 31, 2022

| | 12/31/2022 Value | MOM\$ 11/30/2022 Value | MOM% Change | YOY\$ 12/31/2021 Value | YOY% Change |
|--------------------------------|-------------------------|------------------------------|----------------|------------------------------|----------------|
| Cash | 284,810,916 | 256,082,684 | 11.22% | 411,232,346 | -30.74% |
| Investments ⁽¹⁾ | 6,951,337,829 | 7,024,993,912 | -1.05% | 6,582,535,580 | 5.60% |
| Tax Receivables ⁽²⁾ | - | - | 0.00% | 17,333,018 | -100.00% |
| Loans ⁽³⁾ | 39,696,314 | 40,251,666 | -1.38% | 43,784,715 | -9.34% |
| Receivables ⁽⁴⁾ | 7,168,417 | 6,857,816 | 4.53% | 35,165,945 | -79.62% |
| Sub-Total Net Assets | \$7,283,013,475 | \$7,328,186,079 | -0.62% | \$7,090,051,604 | 2.72% |
| Mineral Rights ⁽⁵⁾ | 2,813,480,347 | 2,813,480,347 | 0.00% | 2,813,480,347 | 0.00% |
| Surface Rights ⁽⁶⁾ | 511,088,869 | 511,088,869 | 0.00% | 511,088,869 | 0.00% |
| Building Value ⁽⁷⁾ | 1,015,196 | 1,015,196 | N/A | | N/A |
| Total Net Assets | \$10,608,597,887 | \$10,653,770,491 | -0.42% | \$10,414,620,820 | 1.86% |

- [1] Approximately 60% of the portfolio is publicly traded for which values are current to the as of date. The remaining 40% is private assets, the values of which are updated as the managers provide them, typically 30-60 days after the end of each quarter.
- [2] Estimated value of production, extraction, and severance tax payments not yet received by the Department because they are not distributed until two months after production date.
- [3] Various loan programs funded with trust assets.
- [4] Loans and investments interest accrued, but not yet paid.
- [5] Valued annually via contract with Mineral Tracker. The last valuation is as of December 31, 2021.
- [6] Valued annually via the Department's fair market value policy/formulas. The last valuation is as of March 2022.
- [7] Updated annually via broker price opinion. The last was completed as of Sept. 15, 2022.



- * FY End 2020 - included initial Mineral valuations as of 12/31/19 amounting to \$1,449,002,408 and surface fair market value as of 12/31/19 amounting to \$538,179,773.
- ** FY End 2021 - included new Mineral valuations as of 12/31/20 amounting to \$2,391,439,503 and surface fair market value as of 12/31/20 amounting to \$523,938,730.
- *** FY End 2022 - included most recent Mineral valuations as of 12/31/21 amounting to \$2,813,480,347 and surface fair market value as of 12/31/21 amounting to \$511,088,869.

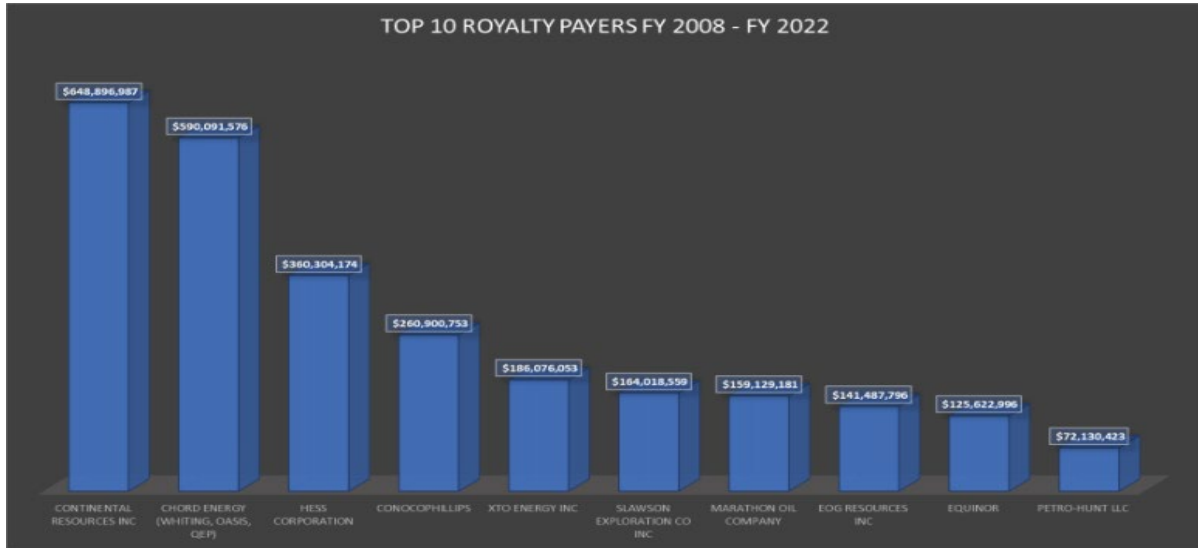


- Notes:
- 1. Oct. 2021 to Nov. 2021 - included most recent Mineral valuations amounting to \$2,391,439,503 and surface fair market value of \$523,938,730.
 - 2. Dec. 2021 to Jul. 2022 - included Mineral valuations amounting to \$2,813,480,347, surface fair market value of \$511,088,869.
 - 3. Sept. 2022 - included \$1,015,149 building value appraised as of 9/15/22.

SPECIAL PROJECTS

Top 10 Royalty Producers

TOP 10 ROYALTY PAYERS

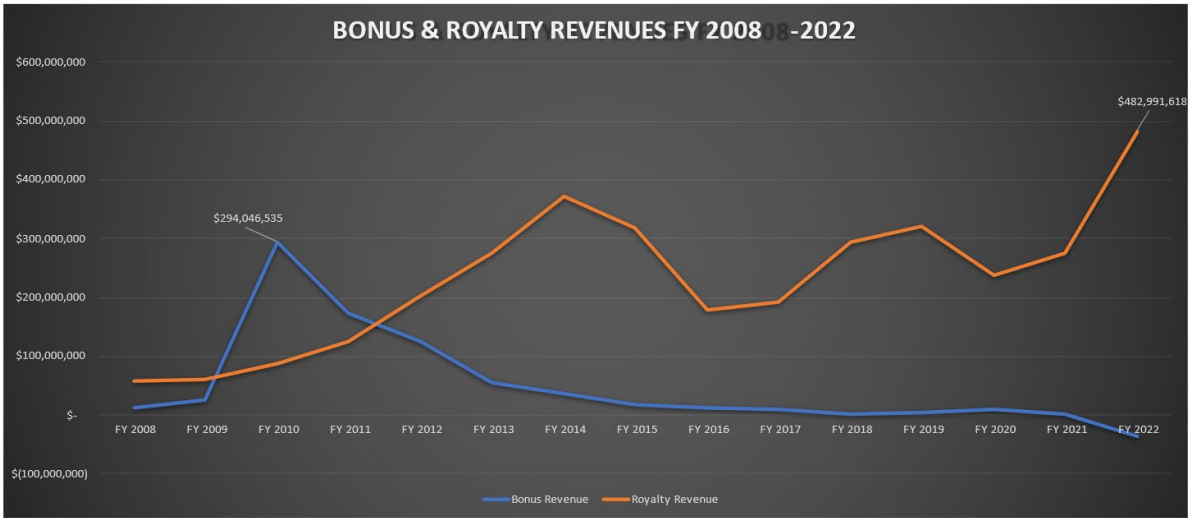


History of Royalties by Trust/Fund

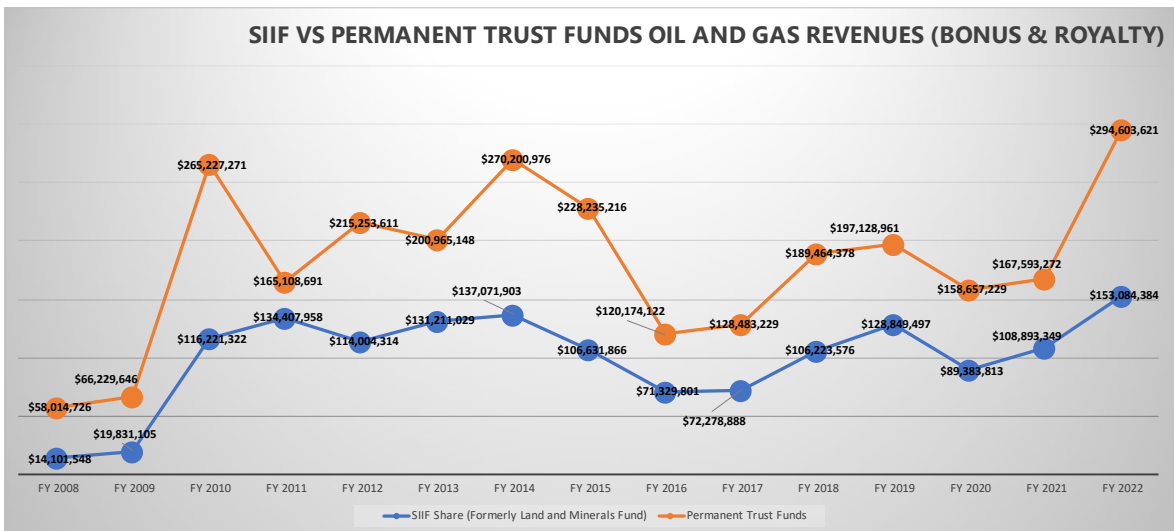
BONUS & ROYALTY REVENUES



BONUS & ROYALTY REVENUES

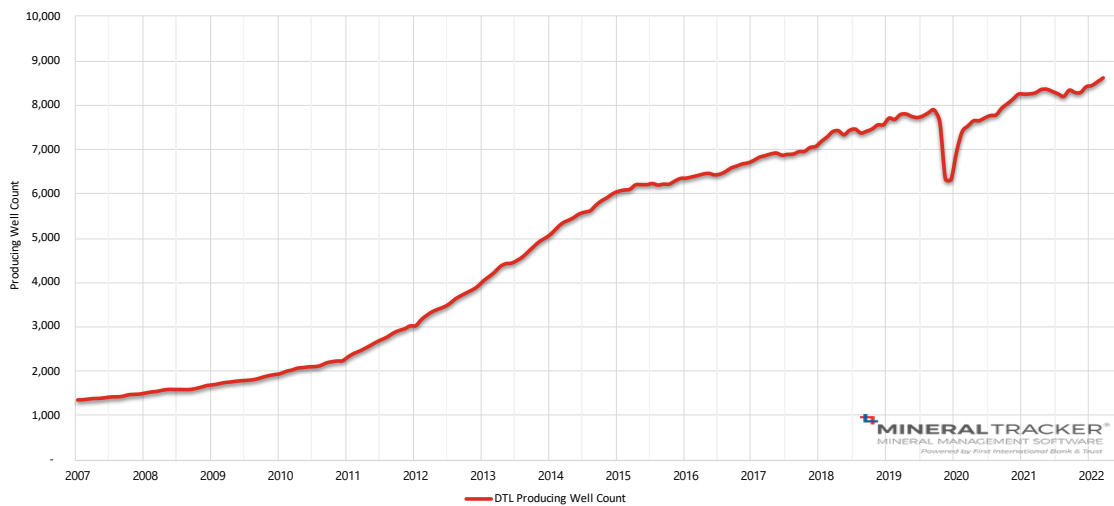


BONUS & ROYALTY REVENUES



DTL PRODUCING WELL COUNT

NORTH
Dakota | Trust Lands
Be Legendary.™



LITIGATION

Litigation Update

- Newfield (royalty deductions) – ND Supreme Court reversed and remanded in our favor for a second time in September 2022; remand briefs were filed by both parties in December and we now await what we hope is a final order from the trial court
- MHA (Missouri riverbed ownership) – Appealed D.C. Federal District Court denial of our motion to intervene; D.C. Circuit Court of Appeals briefing is complete and oral arguments are scheduled for February 1st
- EEE (OHWM title dispute / takings claim) – ND Federal District Court issued order May 31, 2022 granting Board's motion to dismiss on all counts: federal preemption, sovereign immunity, takings; Plaintiffs appealed to 8th Circuit; briefing complete, awaiting scheduling of oral arguments
- Leland/Whiting (OHWM river island ownership) – Watford City trial September 12-16, 2022; awaiting completion of transcripts and briefing
- Continental Interpleader (OHWM fed/state dispute) – briefing complete for "Acquired Federal Lands" issue; awaiting ND Federal District Court decision
- Whitetail Wave (OHWM title dispute / takings claim) – ND Supreme Court issued opinion on September 29th dismissing the appeal and sending back to trial court for further quiet title actions on the at issue parcels

EXECUTIVE SESSION

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 of attorney consultations regarding:

- **Mandan, Hidatsa, and Arikara Nation v. United States Department of Interior – Case No. 20-1928**

| Action Record | Motion | Second | Aye | Nay | Absent |
|--------------------------|--------|--------|-----|-----|--------|
| Secretary Howe | | X | X | | |
| Superintendent Baesler | | | X | | |
| Treasurer Beadle | | | X | | |
| Attorney General Wrigley | X | | X | | |
| Governor Burgum | | | X | | |

The Board entered into executive session at 10:37 AM.

EXECUTIVE SESSION

Members Present:

| | |
|-----------------|--------------------------------------|
| Doug Burgum | Governor |
| Michael Howe | Secretary of State |
| Drew Wrigley | Attorney General |
| Kirstin Baesler | Superintendent of Public Instruction |
| Thomas Beadle | Treasurer |

Department of Trust Lands Personnel present:

| | |
|-----------------|--------------------------------------|
| Joseph Heringer | Commissioner |
| Kate Schirado | Administrative Assistant |
| Catelin Newell | Administrative Staff Officer |
| Adam Otteson | Revenue Compliance Division Director |
| James Wald | Legal Council |
| Chris Suelzle | Minerals Division Director |

Guests in Attendance:

| | |
|-----------------|--------------------------------|
| Ryan Norrell | Office of the Governor |
| Zach Greenberg | Office of the Governor |
| Charles Carvell | Office of the Attorney General |

The executive session adjourned at 11:01 AM and the Board returned to the open session and Teams meeting to rejoin the public. During the executive session, the Board discussed the Mandan, Hidatsa, and Arikara Nation v. United States Department of Interior Case and litigation with its attorneys. No formal action was taken.

A D J O U R N

There being no further business, the meeting was adjourned at 11:03 AM.

Doug Burgum, Chairman
Board of University and School Lands

Joseph Heringer, Secretary
Board of University and School Lands