

**Minutes of the Meeting of the
Board of University and School Lands
January 27, 2022**

The January 27, 2022 meeting of the Board of University and School Lands was called to order at 9:02 AM via Microsoft Teams by Chairman Doug Burgum.

Members Present:

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Thomas Beadle	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

Members Absent:

Wayne Stenehjem Attorney General

Department of Trust Lands Personnel present:

Jodi Smith	Commissioner
Kate Schirado	Administrative Assistant
Christopher Dingwall	Minerals Title Specialist
Dennis Chua	Investments
Rick Owings	Administrative Staff Officer
Kristie McCusker	Paralegal
Adam Otteson	Revenue Compliance Director
Michael Shackleford	Investments Director
Lynn Spencer	Minerals Title Specialist
James Wald	Legal Council
Catelin Newell	Administrative Staff Officer
Chris Suelzle	Minerals Division Director
Matthew Reile	ITD Data Management Intern
Kayla Spangelo	Surface Range Soils Management Specialist
Mike Humann	Surface Division Director
Peggy Gudvangen	Finance Division Director
Jessica Fretty	Unclaimed Property
Susan Dollinger	Unclaimed Property
Emily Bosch	Unclaimed Property

Guests in Attendance:

Dave Garner	Office of the Attorney General
Reice Haase	Office of the Governor
Leslie Bakken Oliver	Office of the Governor
Amy Sisk	Bismarck Tribune
Josh Kevan	RVK
Brady Pelton	NDPC
Ron Ness	NDPC
Craig Smith	
Gary Hagen	
Shawn Stearns	
Will Houser	
Adam Willis	
Karlene Fine	

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APPROVAL OF MINUTES

A motion to approve the minutes of the December 21, 2021 regular meeting was made by Treasurer Beadle and seconded by Secretary Jaeger and the motion carried unanimously on a voice vote.

REPORTS

Right of Way R-10008			
Granted To	East Valley Industrial Park LLC, Denver, Colorado		
For the Purpose Of	Easement Amendment - Railroad Right of Way		
Initial Payment		Permanent Rods	0.00
Date Issued	12/14/2021	Permanent Acres	0.00
Tracts/Trusts			
Legal Description		Trust	
Williams-154-100-16-NE4, NW4		A	
Right of Way Terms			
Financial Type		Payment Amt	
Application Fee		Set Amount	\$250.00

Right of Way R-8565			
Granted To	Bridger Pipeline LLC, Casper, Wyoming		
For the Purpose Of	Original Easement - Oil Transmission Pipeline		
Initial Payment	\$306,969.00	Permanent Rods	472.26
Date Issued	12/14/2021	Permanent Acres	5.90
Tracts/Trusts			
Legal Description		Trust	
McKenzie-149-98-16-NW4		A	
McKenzie-150-97-36-SE4, SW4		A	

Right of Way Terms			
Financial Type		Payment Amt	
Application Fee		Set Amount	\$200.00
Initial		Set Amount	\$306,969.00

Right of Way R-8613			
Granted To	Bridger Pipeline LLC, Casper, Wyoming		
For the Purpose Of	Original Easement - Oil Transmission Pipeline		
Initial Payment	\$253,493.50	Permanent Rods	389.99
Date Issued	12/14/2021	Permanent Acres	4.87
Tracts/Trusts			
Legal Description		Trust	
Golden Valley-144-105-16-NE4, NW4, SW4		A	
Right of Way Terms			
Financial Type		Payment Amt	
Application Fee		Set Amount	\$150.00
Initial		Set Amount	\$253,493.50

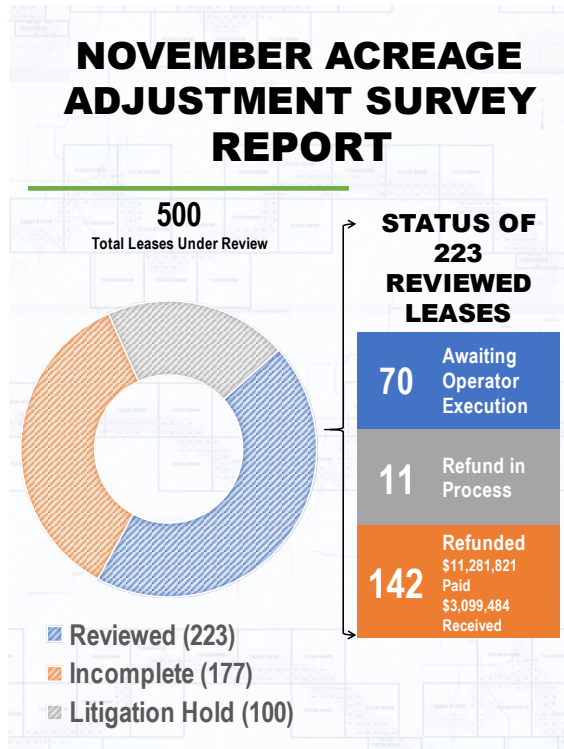
Right of Way R-8628			
Granted To	Grayson Mill Williston LLC, Houston, Texas		
For the Purpose Of	Original On-Lease Surface Damage Agreement - Horizontal Oil Well Site		
Initial Payment	\$44,310.00	Permanent Rods	95.54
Date Issued	12/2/2021	Permanent Acres	14.57
Tracts/Trusts			
Legal Description		Trust	
McKenzie-151-100-16-SW4		A	

Right of Way Terms			
Financial Type		Payment Amt	
Application Fee	Set Amount	\$250.00	
Initial	Set Amount	\$44,310.00	
Annually	Set Amount	\$2,000.00	
Right of Way R-8870			
Granted To	Whiting Oil And Gas Corporation, Denver, Colorado		
For the Purpose Of	Easement Extension/Renewal - Tower Site		
Initial Payment		Permanent Rods	0.00
Date Issued	12/15/2021	Permanent Acres	0.00
Tracts/Trusts			
Legal Description		Trust	
Billings-140-100-16-NW4		A	
Right of Way Terms			
Financial Type		Payment Amt	
Application Fee	Set Amount	\$250.00	
Annually	Set Amount	\$2,000.00	
Right of Way R-8918			
Granted To	Oneok Rockies Midstream LLC, Sidney, Montana		
For the Purpose Of	Original Easement - Gas Gathering Pipeline		
Initial Payment	\$100,495.00	Permanent Rods	215.09
Date Issued	12/29/2021	Permanent Acres	2.69
Tracts/Trusts			
Legal Description		Trust	
Dunn-146-93-16-NE4		A	

Right of Way Terms			
Financial Type		Payment Amt	
Application Fee		Set Amount	\$250.00
Initial		Set Amount	\$100,495.00
Right of Way R-8961			
Granted To	Oneok Rockies Midstream LLC, Sidney, Montana		
For the Purpose Of	Original Easement - Gas Gathering Pipeline		
Initial Payment	\$21,672.50	Permanent Rods	44.12
Date Issued	12/29/2021	Permanent Acres	0.55
Tracts/Trusts			
Legal Description		Trust	
Dunn-146-93-16-NE4		A	
Right of Way R-8975			
Granted To	Glacier Peak Midstream LLC, Houston, Texas		
For the Purpose Of	Original Easement - Multiple Pipelines		
Initial Payment	\$33,524.00	Permanent Rods	83.81
Date Issued	12/2/2021	Permanent Acres	1.05
Tracts/Trusts			
Legal Description		Trust	
McKenzie-151-100-16-SW4		A	
Right of Way Terms			
Financial Type		Payment Amt	
Application Fee		Set Amount	\$250.00
Initial		Set Amount	\$33,524.00

Total Initial Payment Amount \$760,464.00

Acreage Adjustment Report



NDDTL River Tracts map and outstanding requests for acreage adjustment stipulation and lease correction were presented to the Board and are available upon request.

December Unclaimed Property Report

Unclaimed property is all property held, issued, or owing in the ordinary course of a holder's business that has remained unclaimed by the owner for more than the established time frame for the type of property. It can include checks, unpaid wages, stocks, amounts payable under the terms of insurance policies, contents of safe deposit boxes, etc.

An owner is a person or entity having a legal or equitable interest in property subject to the unclaimed property law. A holder can include a bank, insurance company, hospital, utility company, retailer, local government, etc.

Since 1975, the Unclaimed Property Division (Division) of the Department of Trust Lands (Department) has been responsible for reuniting individuals with property presumed abandoned. The Division acts as custodian of the unclaimed property received from holders. The property is held in trust in perpetuity by the State and funds are deposited in the Common Schools Trust Fund. The 1981 Uniform Unclaimed Property Act created by the national Uniform Law Commission was adopted by the State in 1985.

For the month of December 2021, the Division received 84 holder reports with a property value of \$494,289 and paid 292 claims with a total value of \$827,934.

The Financial Report (Unaudited) for period ending October 31, 2021 was presented to the Board for review and is available at the Department upon request.

Investment Updates

Portfolio Rebalancing Updates

Since the last Board meeting, all agreements that were being reviewed have now been executed. We are currently waiting for the documents from the new evergreen funds of Apollo and Angelo Gordon that were approved during the last Board meeting.

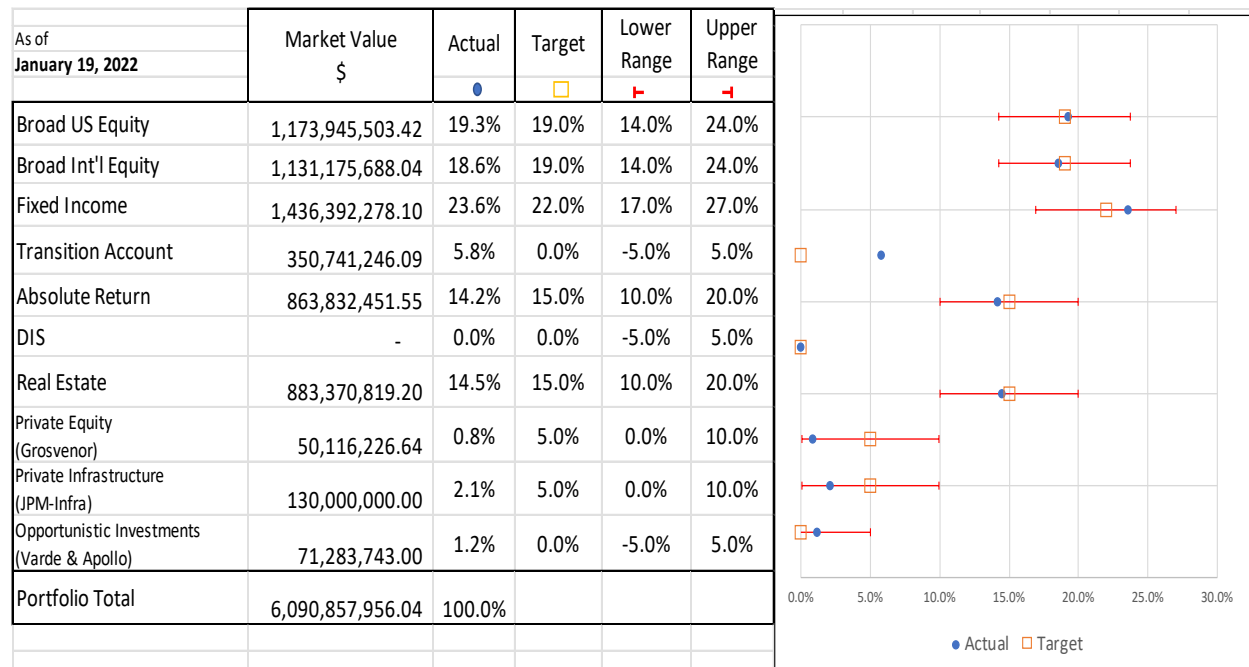
All capital calls reported during the last Board meeting has now been funded. This has brought the Transition Account down to \$350.7M or 5.8%.

Unfunded commitments are at \$735.65M. These are:

1. Apollo Accord Fund, \$96.75M
2. Varde Dislocation Fund, \$42.5M
3. GCM Private Equity, \$110M
4. ARES Pathfinder Fund, \$64.5M
5. Angelo Gordon DL IV, \$25M
6. Owl Rock Diversified Lending, \$56.5M
7. GCM Secondary Opportunities Fund, \$121M
8. Harrison Street Core Property Fund LP, \$69.4M
9. FSI GDIF (Infrastructure), \$150M

Asset Allocation

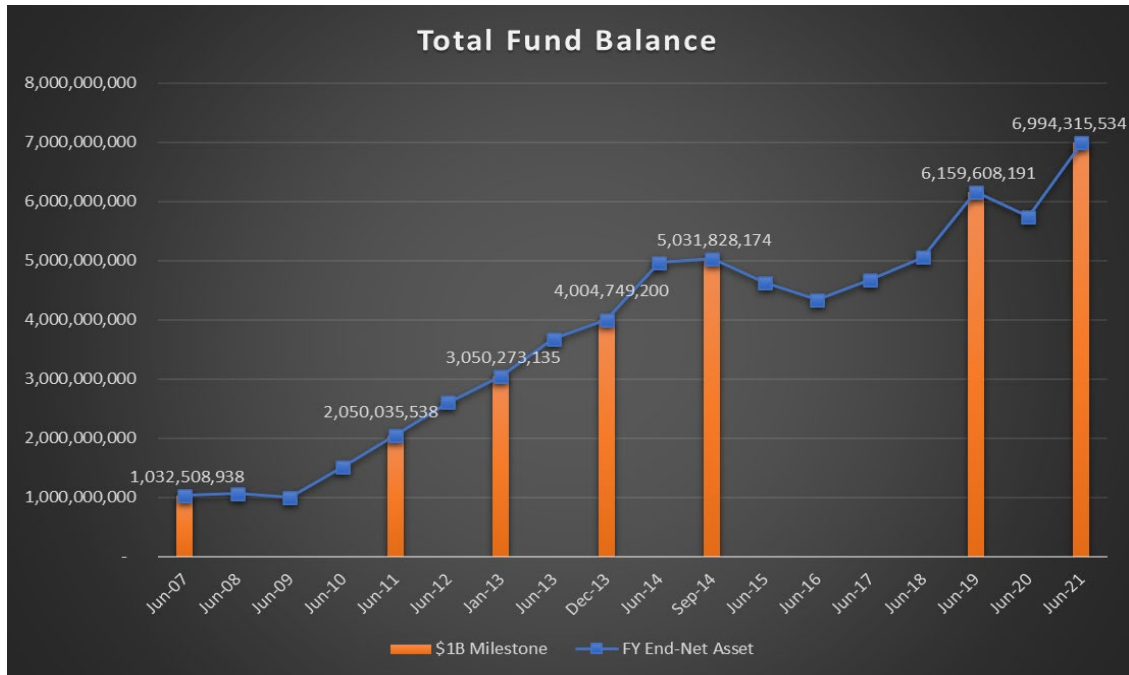
The table below shows the status of the permanent trusts' asset allocation as of January 19, 2022. The figures provided are unaudited.



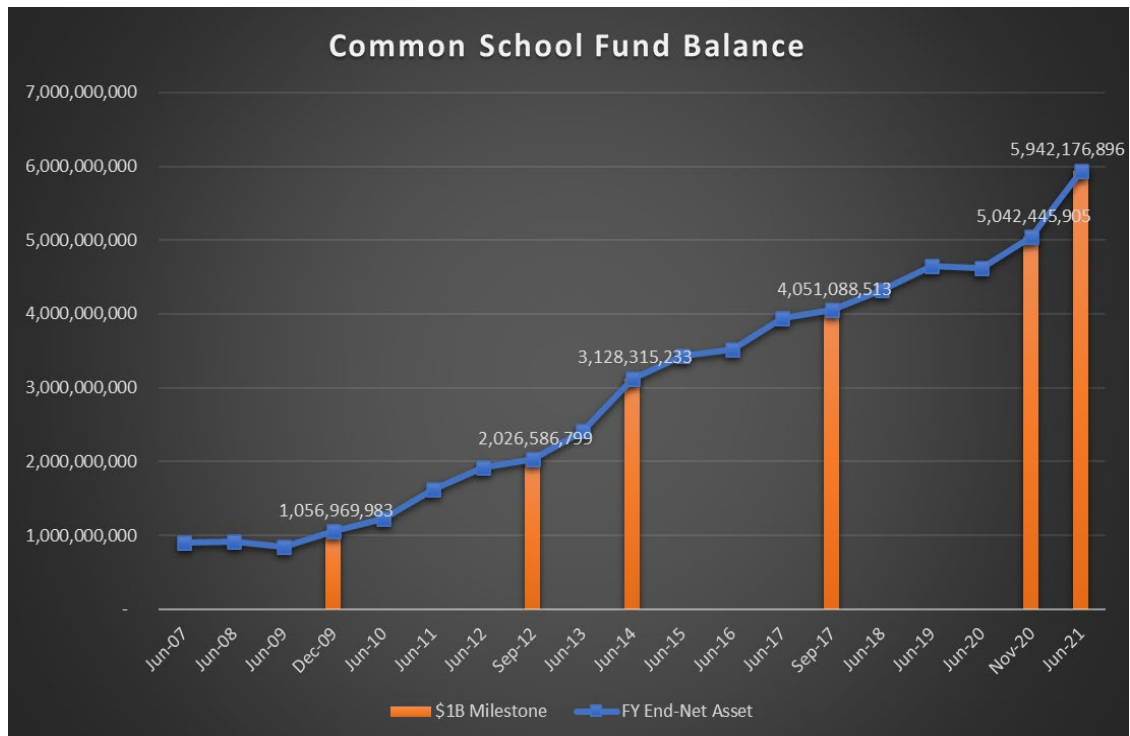
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Graphs of when the Funds First Hit \$1B and each \$1B increase thereafter:

A. Total Fund Balance represents all the Permanent Trusts and the SIIF Funds:



B. Common Schools Trust Fund Only:



Carbon Capture Pilot Project - Research agreement to assess soil organic carbon (SOC) storage on Trust Lands for potential certification under new carbon credit standard

North Dakota Department of Trust Lands' (Department) staff have been actively involved in working groups established by Rice University's Baker Institute of Public Policy in Houston, Texas, regarding the development of BCarbon, an innovative, scalable soil carbon certification standard designed to enhance economic resilience for agricultural and industrial stakeholders. The standard allows grassland owners to monetize the removal of carbon dioxide from the atmosphere by storing it in soil as organic carbon. This standard differs from existing certification standards by targeting grassland soils instead of cropland soils. Increasing soil carbon on grasslands has been shown to improve ecosystem drought resilience and reduce flood severity by increasing soil water holding capacity in vulnerable watersheds.

BCarbon, the eponymous nonprofit entity administering the standard, and an energy sector partner will be announcing a three-year agreement to study nature-based carbon sequestration potential in association with the Department, the New Mexico State Land Office (in Santa Fe, New Mexico), the National Indian Carbon Coalition (in St Paul, Minnesota), the Dixon Water Foundation (in Decatur, Texas), and several high-profile private ranches in Texas (e.g., King Ranch).

Department staff are drafting a proposed research agreement between Department and BCarbon. The energy sector partner is paying all administrative, research, and reporting costs associated with the project. Department staff will review project activities and findings and will coordinate with BCarbon contractors to ensure adequate communication with surface lessees. Soil samples will be taken and analyzed by BCarbon contractors each year of the three-year project term.

This project will assist Department in determining the potential rate of soil organic carbon (SOC) accrual on four distinct Department surface acre parcels and assess the feasibility of certifying soil carbon credits for sale under the BCarbon standard. These sites were selected as representative of different soil conditions and grassland management methods present on trust lands. The four research sites are:

- Williams County - T156 R95 SEC16
- McLean County - T146 R83 SEC36
- Burleigh County - T140 R79 SEC36
- Emmons County - T136 R77 SEC17

The certification and sale of soil carbon credits from trust lands is a potential revenue stream. This market-based mechanism may also assist the State in meeting carbon neutrality by 2030. However, this requires more information on soil organic carbon amounts in North Dakota soils and the cost to accurately verify those amounts. This research partnership will allow Department to pursue these efforts with little to no financial or administrative cost.

North Dakota Trust Lands Completion Act

On November 26, 2019, the Board of University and School Lands (Board) approved the Commissioner to identify potential tracts for coal acreage exchange with the Federal Government.

The Department of Trust Lands (Department) worked to draft a federal bill that would allow the Board to relinquish land and minerals and select, in lieu thereof, equal value Federal land and minerals within North Dakota.

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in 2021, the 67th Legislative Assembly unanimously passed Senate Concurrent Resolution 4013, a concurrent resolution urging Congress to pass the North Dakota Trust Lands Completion Act.

On November 4, 2021, the North Dakota Trust Lands Completion Act (S.3200) “[t]o authorize the relinquishment and in lieu selection of land and minerals in the State of North Dakota, to restore land and minerals to Indian Tribes within the State of North Dakota, to conserve the Little Missouri National Grasslands, and for other purposes” was introduced in the U.S. Senate and U.S. House of Representatives and referred to the U.S. Senate Energy and Natural Resources Committee and the House Natural Resources Committee.

In 1889, Congress passed the Enabling Act “to provide for the division of Dakota [Territory] into two states, and to enable the people of North Dakota, South Dakota, Montana, and Washington to form constitutions and state governments, and to be admitted into the union on an equal footing with the original states, and to make donations of public lands to such states.” Act of February 22, 1889, Ch. 180, 25 Statutes at Large 676.

Section 10 of the Enabling Act granted sections 16 and 36 in every township to the new states “for the support of common schools.” In cases where portions of sections 16 and 36 had been sold prior to statehood, indemnity or “in lieu” selections were allowed. In North Dakota, this grant of land totaled more than 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the State of North Dakota for the support of colleges, universities, the state capitol, and other public institutions. These additional grants totaled approximately 668,000 acres; thus, the total of Enabling Act land grants was nearly 3.2 million acres.

Prior to the enactment of the North Dakota Enabling Act, the United States, through treaties and Executive orders, including the Treaty between the United States of America and the Sisseton and Wahpeton Bands of Dakota or Sioux Indians, made and concluded at Fort Laramie April 29, 1868, and the Executive order of April 12, 1870, established several reservations of land for multiple Indian Tribes located within the State of North Dakota. Title to various mineral interests underlying the reservations were granted to the State of North Dakota at statehood; it is estimated that the state currently owns 31,583 surface acres and 192,610 gross (129,566 net) mineral acres within the boundaries of the reservations.

Established in 1960, the Little Missouri National Grasslands occupy more than 1,033,271 acres of land in western North Dakota and encompass approximately 108,840 surface acres and 149,073 mineral acres of State Land grant parcels fragmented within its boundaries.

S.3200 will authorize the State of North Dakota to relinquish land grant parcels located within the reservations and the Little Missouri National Grasslands and to select, in lieu thereof, other Federal land or minerals of substantially equivalent value. Further, S.3200 will accomplish the following:

- Provide to the Indian Tribes greater control of land and minerals within the reservations;
- Land or minerals relinquished within a reservation would be held in trust by the Secretary of the Interior on behalf of the Tribe within each reservation; and
- Provide for greater conservation and preservation of the Little Missouri National Grasslands.

Congress, through the enactment of this bill, would authorize the State of North Dakota to:

- Relinquish the land and minerals located within the reservations and the Little Missouri National Grasslands; and
- Select, in lieu of the relinquished land, other Federal lands and minerals in the State of North Dakota of substantially equivalent value.

The land conveyed under S.3200 would be subject to all applicable Federal, State, and Tribal law. The legislation requires consultation with North Dakota's Tribes and all transactions are subject to valid existing rights and are intended to only impact state trust lands and minerals and unappropriated federal land and minerals. It is not the intent for these transactions to impact any treaty lands or any possible unceded territory lands.

S.3200 will essentially allow for the Board to address land management issues as they relate to difficult-to-manage tracts, reduce the number of tracts that are difficult for the public to access, maximize the opportunity for trust land minerals to be mined, and potentially consolidate tracts to allow for more efficient management of the surface. The land within the boundaries of the reservations and the Little Missouri National Grasslands may have been granted to North Dakota through the Enabling Act, acquired from the Board's farm loan pool pursuant to N.D.C.C. § 15-03-04.1 through foreclosure or deed in lieu of foreclosure, or is property defined as "nongrant" and "other than original grant lands" in N.D.C.C. § 15-07-01.

After receiving feedback from interested parties, the Department has agreed to consider the proposal of amended language to S.3200 that would:

- Expressly exclude from selection by the state any federal lands acquired under the authority of the Bankhead–Jones Farm Tenant Act of 1937 (P.L. 75-210) July 22, 1937;
- Require consultation with applicable stakeholders; and
- Ensure preservation of state statutory section line rights through protection or any and all valid existing rights.

Recently, the Department partnered with Mineral Tracker and North American Coal to perform an analysis to identify mineral interests owned or managed by the Board that may be impacted by proximity to Federal minerals.

In order for Mineral Tracker to perform the analysis, three categories of Board-owned or managed minerals were identified. In total, it is the result of the Mineral Tracker study that **115,725 net mineral acres (NMA)** owned by the Board may be impacted by proximity to Federal acreage. The estimated value of the minerals identified, according to the last iteration of our Mineral Estate Valuation Report, is **\$263,390,732**.

Please find a brief description of the analysis below:

1. Producing minerals pooled together with Federal minerals

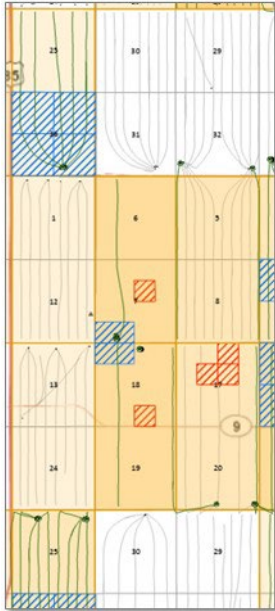
Description: any State-owned minerals pooled into a drill spacing unit that also includes Federal minerals. The minerals are under production, but Federal permitting requirements may impact the operators' ability to drill future wells.

State NMA: 85,079

Value of future development: \$252,621,818

Example: In the map below, State acreage is shown in blue and Federal acreage in red. In both section 18 & 19 and 6 & 7, we would expect several more wells to be drilled based

on the known geology of the area. However, the location of the Federal minerals may hinder the operator from further drilling.



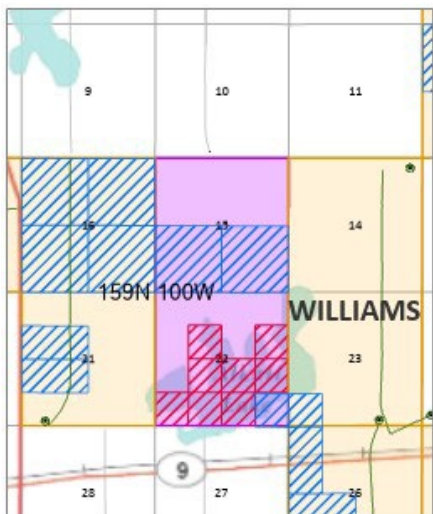
2. Undeveloped minerals in known areas of Bakken/Three Forks development

Description: any State-owned minerals that are undeveloped, but are likely to have Bakken/Three Forks potential based on known geology, but where development may be hindered by Federal minerals.

State NMA: 9,658

Value of future development: \$8,323,165

Example: In the map below, State acreage is shown in blue and Federal acreage in red. Sections 15 & 22 are surrounded on all sides by producing Bakken drill spacing units. Sections 15 & 22 are in a productive region of the Bakken, but the Federal acreage in section 22 may hinder development of the States acreage in both 15 and 22.



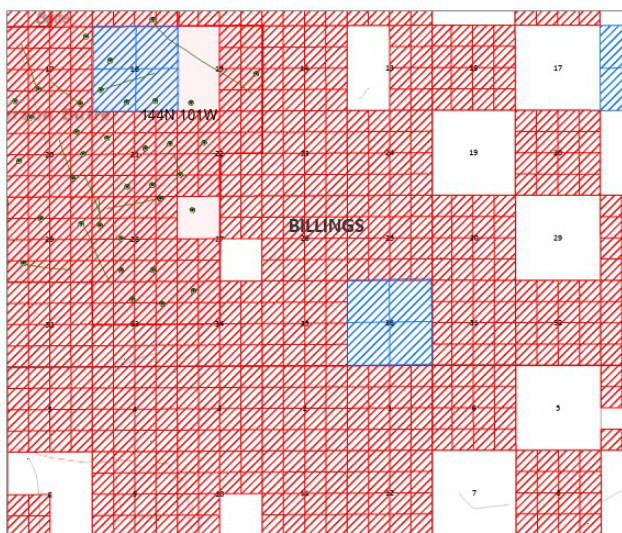
3. Undeveloped minerals in oil and gas producing regions

Description: any State owned minerals that are undeveloped but are located in areas of legacy oil and gas production outside of the Bakken/Three Forks. The likelihood of productivity is more speculative in this category than in the second category.

State NMA: 20,988

Value of future development: \$2,445,749

Example: In the map below, State acreage is shown in blue and Federal acreage in red. Section 36 is near a legacy oilfield that has current production, but is surrounded on all sides by Federal minerals.



Per information provided by North American Coal, based on previous receipts in the Coal Trust, it is estimated the range of royalty income to be between \$2M-\$7M per section, depending on the tonnage and percent ownership.

S.3200 was also distributed to the Board and is available at the Department upon request.

INVESTMENTS

Real Estate Investment Trust Index

In November 2013, the Board of University and School Lands' (Board) approved the implementation of a new strategic asset allocation (SAA) for the Permanent Trust Funds (PTFs), including the addition of Real Estate strategies.

The SAA allows for the investment in "Real Estate Partnerships, including investments in private vehicles through limited partnerships or limited liability companies that have an ownership interest in direct real estate properties, whether income-producing or non-income producing."

The investment in private real estate should offer better long-term returns and lower volatility, but it comes with the drawback of cash drag when trying to invest new capital in the sector or during

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normal quarterly rebalancing. To solve for this issue Staff and RVK looked to Real Estate Investment Trusts (REITs). Specifically, REIT Index funds, which hold publicly traded REITs and are therefore highly liquid. As with the Emerging Market Index and International Small Cap Index, the Board recently approved, the REIT index would be a small add-on to the real estate asset class, used for rebalancing purposes.

Staff and RVK reviewed bids from three large index managers. State Street Global Advisers (SSGA) bid lowest at 6 basis points management fee. SSGA has a strong track record managing index funds with low tracking error to the actual indices. SSGA is a multinational asset manager with \$3.90 Trillion in assets under management and over 40 years of history.

Staff and RVK recommend the selection of SSGA, specifically utilizing their US REIT Index strategy. This index fund will give the PTFs a rebalancing tool for when the PTFs are waiting for one or more private real estate funds to open or when we need to reduce holdings due to faster growth in the asset class versus other assets.

Motion: The Board approve a \$25 Million investment with State Street in a US REIT Index mandate subject to final review and approval of all legal documents by the Office of the Attorney General.

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

RVK Recommendation Memo was also presented to the Board and is available at the Department upon request.

Investment Policy Statement – First Reading

The Board of University and School Land's (Board) Investment Policy Statement (IPS) is to be formally reviewed at least every four years or when a written investment policy must be established for new funds.

In June 2020, the Board entered into an asset management agreement with the Theodore Roosevelt Presidential Library Foundation to manage the investment assets of the Theodore Roosevelt Presidential Library and Museum Endowment (Endowment), in accordance with NDCD ch. 54-07-12.

Department Staff recommends the Board adopt amended IPS (Attachment 1) to include a policy for the Endowment.

In addition, Staff recommends changing the definition of real estate assets under "Permitted Investments," relating to item 3.A. on this month's Board agenda, if approved.

The two substantive changes to the IPS are as follows:

1. Reflect the addition of the investment policy for the Endowment as reflected on page 29 (Attachment 1). Also, adding the Endowment where appropriate throughout the IPS.
2. Update the real estate asset class definition under "Permitted Investments" on page 20 as follows: "As well as, Real Estate Investment Trusts (REIT's) and other real estate securities and related index strategies for rebalancing tools."

Redlined Investment Policy Statement was also presented to the Board and is available at the Department upon request.

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 consultation relating to:

- **Newfield Exploration Company et al Civ. No. 27-2018-CV-00143**

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

The Board entered into executive session at 9:50 AM.

EXECUTIVE SESSION

Members Present:

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Thomas Beadle	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

Members Absent:

Wayne Stenehjem	Attorney General
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Department of Trust Lands Personnel present:

Jodi Smith	Commissioner
Kate Schirado	Administrative Assistant
Catelin Newell	Administrative Staff Officer
Kristie McCusker	Paralegal
Adam Otteson	Revenue Compliance Director
Rick Owings	Administrative Staff Officer

Guests in Attendance:

Dave Garner	Office of the Attorney General
Reice Haase	Office of the Governor
Leslie Bakken Oliver	Office of the Governor

The executive session adjourned at 10:15 AM and the Board returned to the open session and Teams meeting to rejoin the public. During the executive session meeting, the Board was provided information and no formal action was taken.

A D J O U R N

There being no further business, the meeting was adjourned at 10:18 AM.

Doug Burgum, Chairman
Board of University and School Lands

Jodi Smith, Secretary
Board of University and School Lands