

**Minutes of the Meeting of the
Board of University and School Lands
July 29, 2020**

The July 29, 2020 meeting of the Board of University and School Lands was called to order at 9:00 AM in the Pioneer Meeting Room 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
Kristie McCusker	Paralegal
Catelin Newell	Administrative Staff Officer
Kate Schirado	Administrative Assistant
Adam Otteson	Revenue Compliance Division Director
Mike Shackelford	Investment Division Director
Dennis Chua	Investment Analyst – via Microsoft Teams
Susan Dollinger	Unclaimed Property Administrator – via Microsoft Teams
David Shipman	Minerals Division Director – via Microsoft Teams

Guests in Attendance:

Dave Garner	Office of the Attorney General
Charles Carvell	Office of the Attorney General
Jennifer Stevens	Historian, Stevens Historical Research Associates
Leslie Bakken Oliver	Governor's Legal Counsel
Reice Haase	Governor's Policy Advisor
Brady Pelton	ND Petroleum Council (Guest)
Jacob Notermann	Guest via Microsoft Teams
Will Miller	Guest via Microsoft Teams
Akila Grewal	Guest via Microsoft Teams
Janet Quarberg	Guest via Microsoft Teams
Amy Hsiang	Guest via Microsoft Teams
Justin	Guest via Microsoft Teams
Azhar Mahmood	Guest via Microsoft Teams
John Zito	Guest via Microsoft Teams
Josh Kevan	Guest via Microsoft Teams
Andrea H. Pfennig	Guest via Microsoft Teams
Josh J Demorrett	Guest via Microsoft Teams
Kari Gibson	Guest via Microsoft Teams
Karleen Fine	Guest via Microsoft Teams

APPROVAL OF MINUTES

A motion to approve the minutes of the June 26, 2020 meeting was made by Secretary Alvin Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried unanimously on a voice vote.

REPORTS

June Shut-In Report

Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	L– Bank of North Dakota
Lease:	OG-12-00133, OG-12-00134, OG-12-00136

Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	A- School for the Deaf
Lease:	OG-12-00137, OG-10-02231

Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	G – Common Schools
Lease:	OG-10-00710, OG-10-00711, OG-10-00712, OG-10-00713

Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	G – Common Schools
Lease:	OG-12-00138, OG-12-00139, OG-12-00140, OG-12-00141, OG-12-00143

Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	L– Bank of North Dakota
Lease:	OG-12-01073, OG-12-01074

Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	L– Bank of North Dakota
Lease:	OG-10-00709, OG-12-00178

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Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 L– Bank of North Dakota OG-12-00135
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 A– Common Schools OG-07-00101, OG-09-00745, OG-78-00043, OG-01-00420, OG-01-00421, OG-01-00422, OG-01-00423, OG-04-01894, OG-04-01895
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 A- Common Schools OG-04-01887, OG-04-01888, OG-09-00750, OG-09-00751
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 A- Common Schools OG-09-00740, OG-09-00744, OG-06-01929, OG-06-01930
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 A- Ellendale OG-09-00739
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 A- Common Schools OG-06-01850
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 L– Bank of North Dakota OG-12-00892, OG-12-00893, OG-12-00894
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Resource Energy COVID-19 6/25/2020 L– Bank of North Dakota OG-12-00172, OG-12-00173, OG-12-00174, OG-12-00175, OG-12-00176, OG-12-00177

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Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	L– Bank of North Dakota
Lease:	OG-12-00170, OG-12-00171, OG-12-00891
Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	A– Common Schools
Lease:	OG-06-01851
Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	A– Common Schools
Lease:	OG-06-01864, OG-06-01865, OG-06-01870, OG-06-01871, OG-06-01872, OG-06-01873
Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	L– Bank of North Dakota
Lease:	OG-06-01798, OG-12-00130
Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	L– Bank of North Dakota
Lease:	OG-09-00660, OG-09-00661
Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	L– Bank of North Dakota
Lease:	OG-09-00666, OG-09-00667, OG-09-00668
Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	A– Common Schools
Lease:	OG-08-00724, OG-08-00725, OG-08-00726, OG-08-00727
Granted to:	Resource Energy
For the Purpose of:	COVID-19
Date Issued:	6/25/2020
Trust:	G– Common Schools
Lease:	OG-06-01884, OG-06-01889, OG-06-01890

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Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: L– Bank of North Dakota
 Lease: OG-12-01070, OG-12-01071,OG-12-01072

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: L– Bank of North Dakota
 Lease: OG-12-00142

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: L– Bank of North Dakota
 Lease: OG-12-01099

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: L– Bank of North Dakota
 Lease: OG-09-00742

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: A– Common Schools
 Lease: OG-09-00743

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: A– Common Schools
 Lease: OG-10-03351

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: A– North Dakota State University
 Lease: OG-06-01867

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: L– Bank of North Dakota
 Lease: OG-09-00728, OG-09-00727

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Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: A- Common Schools
Lease: OG-09-00734, OG-09-00735, OG-09-00738

Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: A- ND Industrial School
Lease: OG-04-01877, OG-04-01876

Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: A- Common Schools
Lease: OG-09-00741

Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: L- Bank of North Dakota
Lease: OG-09-00729

Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: G- Common Schools
Lease: OG-06-01846, OG-06-01847, OG-06-01848, OG-06-01849
OG-09-00729

Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: A- Common Schools
Lease: OG-09-00736

Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: A- Common Schools
Lease: OG-09-00659

Granted to: Resource Energy
For the Purpose of: COVID-19
Date Issued: 6/25/2020
Trust: A- Common Schools
Lease: OG-09-01245

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Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: L– Bank of North Dakota
 Lease: OG-06-01823, OG-06-01824

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 6/25/2020
 Trust: A– Common Schools
 Lease: OG-09-00721, OG-09-00732, OG-09-00733

June Extension Report

Granted to: **Ninepoint Energy**
 Date Issued: 6/4/2020
 Trust: A– North Dakota State University
 Lease: OG-15-00684

Granted to: **Ninepoint Energy**
 Date Issued: 6/4/2020
 Trust: A– North Dakota State University
 Lease: OG-15-00685

June Encumbrances Report

Granted to: **EQUINOR PIPELINES LLC, WILLISTON-ND**
 For the Purpose of: Pipeline-Multiple Pipelines
 Right-of-Way Number: RW0008466
 Trust: A – Common Schools
 Legal Description: WIL-155-100-36-NW4

Granted to: **GOODNIGHT MIDSTREAM BAKKEN LLC, DALLAS-TX**
 For the Purpose of: Easement: Drop Line-Pipeline
 Right-of-Way Number: RW0008242
 Trust: A – Common Schools
 Legal Description: MCK-153-97-16-NE4

Granted to: **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**
 For the Purpose of: Easement: Pipeline-Gas Gathering Pipeline
 Right-of-Way Number: RW0008617
 Trust: A – Common Schools
 Legal Description: MCK-153-94-16-W2

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Granted to:	BRIDGER PIPELINE LLC, CASPER-WY
For the Purpose of:	Easement: Pipeline-Oil Gathering Pipeline
Right-of-Way Number:	RW0008624
Trust:	A – Common Schools
Legal Description:	MCK-153-94-16-W2
Granted to:	WHITE ROCK OIL & GAS LLC, PLANO-TX
For the Purpose of:	Easement: Well-Salt Water Disposal Well Extension
Right-of-Way Number:	RW0008657
Trust:	A – Common Schools
Legal Description:	BIL-141-100-16-NE4
Granted to:	COBRA OIL & GAS CORPORATION, WICHITA FALLS-TX
For the Purpose of:	Easement: Well-Salt Water Disposal Well Extension
Right-of-Way Number:	RW0008658
Trust:	A – Common Schools
Legal Description:	DIV-161-98-36-NE4
Granted to:	GOODNIGHT MIDSTREAM BAKKEN LLC, DALLAS-TX
For the Purpose of:	Easement: Pipeline-Salt Water Pipeline
Right-of-Way Number:	RW0008662
Trust:	A – Common Schools
Legal Description:	MCK-153-94-16-W2
Granted to:	HESS BAKKEN INVESTMENTS II LLC, HOUSTON-TX
For the Purpose of:	Easement: Pipeline-Multiple Pipelines & Communication Cable
Right-of-Way Number:	RW0008672
Trust:	A – Common Schools
Legal Description:	MOU-154-94-16-SW4
Granted to:	RESERVATION TELEPHONE COOPERATIVE, PARSHALL-ND
For the Purpose of:	Easement: Communication-Buried Cable
Right-of-Way Number:	RW0008714
Trust:	A – Common Schools
Legal Description:	MCK-149-103-36-E2
Granted to:	MCKENZIE ELECTRIC COOP INC, WATFORD CITY-ND
For the Purpose of:	Easement: Electric-Above Ground Distribution Line
Right-of-Way Number:	RW0008715
Trust:	A – Common Schools
Legal Description:	MCK-147-104-36-NW4

Granted to: **MCKENZIE ELECTRIC COOP INC, WATFORD CITY-ND**
 For the Purpose of: Easement: Drop Line-Above Ground Electric Distribution Line
 Right-of-Way Number: RW0008716
 Trust: A – Common Schools
 Legal Description: MCK-147-104-36-W2, SE4

Granted to: **VAN HOOK GATHERING SERVICES LLC, IRVING-TX**
 For the Purpose of: Easement: Pipeline-Salt Water Pipeline
 Right-of-Way Number: RW0008728
 Trust: A – Common Schools
 Legal Description: MOU-150-92-10-S2SW4

Granted to: **KEITU ENGINEERS & CONSULTANTS, MANDAN-ND**
 For the Purpose of: Permit: Planning & Preconstruction Survey
 Right-of-Way Number: RW0008729
 Trust: A – Common Schools
 Legal Description: N/A

Granted to: **SELECT ENERGY SERVICES LLC, WILLISTON-ND**
 For the Purpose of: Permit: Temporary Water Layflat Line
 Right-of-Way Number: RW0008734
 Trust: A – Common Schools
 Legal Description: MCK-153-95-16-W2

Granted to: **METCALF ARCHAEOLOGICAL CONSULTANTS INC,
BISMARCK-ND**
 For the Purpose of: Permit: Planning & Preconstruction Survey
 Right-of-Way Number: RW0008737
 Trust: A
 Legal Description: N/A

Granted to: **SELECT ENERGY SERVICES LLC, WILLISTON-ND**
 For the Purpose of: Permit: Temporary Water Layflat Line
 Right-of-Way Number: RW0008740
 Trust: A – Common Schools
 Legal Description: BRK-159-94-34-NW4

Granted to: **QUANTA ENVIRONMENTAL SOLUTIONS,
THE WOODLANDS-TX**
 For the Purpose of: Permit: Planning & Preconstruction Survey
 Right-of-Way Number: RW0008741
 Trust: A – Common Schools
 Legal Description: N/A

June 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 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 June 2020, the Division received 37 holder reports with a property value of \$111,185 and paid 530 claims with a total value of \$470,049.

The Financial Report (Unaudited) for period ending April 30, 2020 was presented to the Board for review and is available at the Department upon request.

Investment Updates

Portfolio Rebalancing Updates

On May 8, 2020 the TIPS Fund was fully liquidated, and the proceeds were transferred to an actively managed "Transition Account". This new account is similar to the SIIF-UltraShort Bonds account and is designed to hold all cash proceeds as we continue to do a disciplined liquidation of all the DIS investments.

On June 30, Gresham's remaining approximately \$31M was fully liquidated and have transferred majority of the proceeds to the transition account. A very minimal amount is left and as soon as it settles, we will proceed to transfer the remaining cash and close the Gresham account. As of July 21, Van Eck has around \$35M remaining while Harvest has approximately \$99M. We are closely monitoring the trigger points we have set for us to complete the redemption of both investments.

On July 1, we had wired \$10M to Varde Dislocation Fund LP (Varde) in connection with its capital call. Varde was approved by the Board during the May 28 Board meeting and the capital call served as our initial investment into the Fund. This leaves as with \$90M left in our commitment to the Fund.

On July 21, Angelo Gordon made a capital distribution of \$12M. This brings our capital commitment back down to 92% or \$138M. As the economy recovers, they are hoping to call back said capital.

Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of July 21, 2020. The figures provided are unaudited.

(07/29/2020)

As of July 21, 2020	Market Value \$	Actual	Target	Lower Range	Upper Range
Broad US Equity	971,788,773.43	19.5%	19.0%	14.0%	24.0%
Broad Int'l Equity	981,729,574.52	19.7%	19.0%	14.0%	24.0%
Fixed Income	1,104,401,086.43	22.2%	22.0%	17.0%	27.0%
Transition Account	284,532,890.69	5.7%	0.0%	-5.0%	5.0%
Absolute Return	745,720,898.06	15.0%	15.0%	10.0%	20.0%
DIS	134,712,518.66	2.7%	0.0%	-5.0%	5.0%
Real Estate	744,590,727.00	15.0%	15.0%	10.0%	20.0%
Private Equity	-	0.0%	5.0%	0.0%	10.0%
Private Infrastructure	-	0.0%	5.0%	0.0%	10.0%
Opportunistic Investments	10,000,000.00	0.2%	0.0%	-5.0%	5.0%
Portfolio Total	4,977,476,468.79	100.0%			

Upcoming Investment Manager Meetings

There is no upcoming meeting scheduled.

**ENERGY INFRASTRUCTURE AND IMPACT OFFICE
PROGRAM REPORT**

2019-2021 Biennium Funding

The Sixty-Sixth Legislative Assembly appropriated \$2 million through House Bill 1013 for grants to political subdivisions impacted by oil and gas development activities.

N.D.C.C. § 15-01-02(6) provides the Board of University and School Lands (Board) has:

Authority to award and distribute energy infrastructure and impact grants from moneys deposited in the oil and gas impact grant fund, except that grants awarded annually may not exceed sixty percent of the biennial appropriation for energy infrastructure and impact grants. The board may create an advisory committee to assist the board in making its grant award determinations.

EIIO opened a contingency grant round in December 2019 and applications were accepted through January 31, 2020. EIIO received 60 applications requesting a total of \$15,506,192.

To assist some applicants with planning and project efforts, during the 2020 fiscal year, the Board provided commitments to future awards on these projects.

At the April 8, 2020 meeting, the Land Board made commitments to the following applications for awards in Fiscal Year 2021 as follows:

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POLITICAL SUB NAME	CITY	COUNTY	SHORT DESCRIPTION	PROJECT TOTAL	AMOUNT REQUESTED	PLEGGED GRANT AMOUNT
CITY OF NEW ENGLAND	NEW ENGLAND	HETTINGER	2020 NORTH SIDE GROWTH AREA STREET & SEWER IMPROVEMENTS	\$1,442,000.00	\$1,000,000.00	\$348,650.00
WILLISTON TOWNSHIP	WILLISTON	WILLIAMS	52ND STREET LANDSLIDE	\$1,450,000.00	\$350,000.00	\$350,000.00
MOUNTRAIL COUNTY	STANLEY	MOUNTRAIL	36TH ST NW- CEMENT STABILIZATION AND GRAVELING	\$82,700.00	\$82,700.00	\$41,350.00
WILLISTON PSD #1	WILLISTON	WILLIAMS	ASB INNOVATION ACADEMY	\$14,092,183.00	\$500,000.00	\$250,000.00
CITY OF STANLEY	STANLEY	MOUNTRAIL	WASTEWATER TREATMENT FACILITY IMPROVEMENTS AND UPGRADE TO PUMPS AT MAIN LIFT STATION	\$1,675,000.00	\$837,500.00	\$210,000.00

Total: \$1,200,000.00

Motion: That the Land Board award a total of five grants totaling \$1,200,000 from the Oil and Gas Impact Grant Fund to:

- CITY OF NEW ENGLAND
- WILLISTON TOWNSHIP
- MOUNTRAIL COUNTY
- WILLISTON PSD #1
- CITY OF STANLEY

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		

INVESTMENTS

Opportunistic Investments

On April 30, 2020 the Board of University and School Lands' approved an asset allocation to Opportunistic Investments within the broader Strategic Asset Allocation for the Permanent Trusts.

(07/29/2020)

Dislocation and Distressed Fund Strategy: Due to the current COVID-19 pandemic and the related economic crisis there are currently opportunities in the credit (non-Treasury) bond market for liquid asset purchases at favorable market values (i.e., “dislocated” prices). As the economic recession unfolds there will be further opportunities in the “distressed” credit market as well – where managers that focus on credit and asset-based underwriting can find value in rescue lending, corporate restructuring and special situation lending. These strategies have limited terms from 4 to 7 years and may or may not employ leverage (borrowing to invest and thereby increase returns).

RVK began the manager search by compiling a list of all managers that are currently raising dislocated credit funds and distressed credit funds or both. After reviewing product details and holding discussions with RVK, the list of managers was reduced down to three based upon strategy, leverage, track record, etc. During early-May, RVK and Department of Trust Lands (Department) staff interviewed the three managers (Apollo, KKR and Varde) with the team recommending Varde to the Board in May, and now recommending Apollo to fill out the Opportunistic Investments allocation.

Apollo is an investment manager founded in 1990 and headquartered in New York, with offices throughout the U.S., Europe and Asia. They have over \$300 billion in assets under management and over \$200 Billion in credit assets, including \$9.5 billion in opportunistic credit. Apollo has 235 investment professionals in their global credit division.

Apollo has raised four similar funds and has prudently called investor capital. Apollo expects to pursue liquidity-driven opportunities during the current market dislocation. They will look to invest in both primary (new origination) and secondary markets. Apollo focuses on high quality credits at the top of the capital structure. Primarily looking at broadly syndicated primaries, liquid secondaries, revolver refinancing, structured finance, and distressed secondaries.

Motion: The Board approve a \$100 Million investment in the Apollo Accord Fund IV, L.P. as part of the Opportunistic Investment allocation, 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 Schmidt	X		X		
Attorney General Stenehjem			X		
Governor Burgum			X		

RVK Recommendation Memo and Apollo Accord Fund IV Presentation were provided to the Board and is available at the Department upon request.

O P E R A T I O N S

Continuing Appropriation Authority Policy – Second Reading

The following North Dakota Century Code pronounces continuing authority:

- N.D.C.C. § 15-03-16
- N.D.C.C. § 15-04-23
- N.D.C.C. § 15-04-24
- N.D.C.C. § 15-05-19
- N.D.C.C. § 15-06-22
- N.D.C.C. § 15-07-22
- N.D.C.C. § 15-08-04
- N.D.C.C. § 15-68-06
- N.D.C.C. § 47-30.1-23
- N.D.C.C. § 57-02.3-07

In 2016, the Board provided clarification on certain expenses allowed through continuing appropriation as outlined below:

Board of University and School Lands Continuing Appropriation Authority Policy

Continuing appropriation authority is provided in state law for certain operating expenditures.

A. Unclaimed Property - Continuing Authority.

Unclaimed property expenses as outlined in NDCC Section 47-30.1-23 may be paid under continuing appropriation authority including, but not limited to: payments of claims, service charges for address verification and updates, advertising costs, audit services, legal costs and outreach efforts.

B. Grant Land, Non-Grant Land and Mineral Leases - Continuing Authority.

NDCC Sections 15-04-24, 15-07-22 and 15-05-19 permit expenditures to be considered as continuing appropriation expenditures. These sections appropriate annually the expenses determined by the Board as necessary to manage, preserve, and enhance the value of the trust land and mineral assets.

Specifically authorized by the Board as continuing appropriation authority:

1. Salaries and travel expenses for temporary field men who conduct inspections to ensure rangeland integrity and surface reclamation.
2. Advertising surface and mineral lease auctions. Section 15-04-09 of the NDCC requires the Board to publish multiple notices of surface and mineral leases auctions. Advertising of the lease auctions are done to ensure the trusts receive competitive bids to enhance the trusts' value.
3. Legal expenditures that are incurred by a specific trust or trusts to maintain their value and integrity.
4. Costs of hiring independent contract firms to perform accounting, audit,

compliance review or collection efforts to ensure the proper payment of oil, gas, coal or other mineral royalty.

The Commissioner has reviewed, in conjunction with the Attorney General's Office, the Continuing Appropriation Authority Policy and is recommending changes based upon statutory changes and to accommodate the consideration of technology as a continuing appropriation.

The first reading of the policy was held at the May 28, 2020 meeting. At the June 25, 2020 meeting the Board was presented with a revised Continuing Appropriation Authority Policy requiring an additional review and comment period. No comments were received.

Motion: The Board adopt the proposed North Dakota Board of University and School Lands Continuing Appropriation Authority Policy – Chapter 2, General.

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		

Continuing Appropriation Authority Policy was provided to the Board and is available at the Department upon request.

Repeal of Board Payment Schedule – Surface Management Division – First Reading

The Board of University and School Lands currently has a Policy Manual (Board Policy Manual) which includes the following sections:

1. Governance
 - Policy Introduction/Amendment/Passage
2. General
 - Definitions
 - Code of Ethics
 - Fees
 - Payment Schedule – Surface Management Division
3. Surface Land Management
 - Fair Market Value Minimum Rent Policy
 - Chapter 15-09 Sales Policy
 - Sale of State Land for Landfills
 - Land Retention and Sales Policy
 - Criteria for Retaining Foreclosed Property
 - Acquired Properties Management

(07/29/2020)

4. Investments
 - Farm Loan Policy
 - Investment Policy Statement

5. Minerals
 - Coal
 - Oil and Gas
 - Minerals Valuation
 - Potash

Over the course of the last two years, many Board policies were revised and included in Administrative Rules. Other policies were reviewed, and it was determined were better suited to become Department of Trust Lands (Department) policies. Upon further review, it was determined that as the Surface Management Division's Payment Schedule Board Policy addresses negotiation of compensation for surface management issues, it would be better tailored to be a Department policy rather than a Board policy.

The Commissioner is recommending repeal of the current Payment Schedule – Surface Management Division policy. The Department will adopt a policy addressing these issues at the Department level.

Payment Schedule was provided to the Board and is available at the Department upon request.

Strategic Investment and Improvements Fund - Assigned Fund Balance

Mineral revenues from sovereign lands are deposited into the Strategic Investment and Improvements Fund (SIIF). In July of 2016 the Board of University and School Lands (Board) classified \$142,325,049 of this fund as an "Assigned Fund Balance," a potential liability that should not be transferred out of the fund until title claims to riverbed leases are resolved. The amount was derived from the amount of bonus and royalties collected from the leasing and production of sovereign lands' oil and gas interests and in consideration of associated litigation in these areas.

The adoption of Senate Bill 2134 (SB 2134) in 2017 by the Sixty-fifth Legislative Assembly, codified as N.D.C.C. ch. 61-33.1, provided for a determination of the Ordinary High Water Mark (OHWM) for certain stretches of the Missouri River. The bill directed the North Dakota Industrial Commission (NDIC) to review a stretch of river to determine the location of the OHWM pursuant to specific criteria established by the Legislature.

On August 30, 2018 the Board affirmed the existing Assigned Fund Balance of \$229,325,049. It was anticipated that after the NDIC adopted the final review findings, the Department of Trust Lands (Department) would be able to calculate with more certainty the amounts necessary for mineral title disputes.

The survey NDIC was directed to conduct under SB 2134, and completed by Wenck Associates, Inc., did not provide the level of detail needed by the Department or oil and gas operators to make the necessary adjustments required to refund royalties and lease bonuses. In recognition of this, the Sixty-sixth Legislative Assembly amended N.D.C.C. ch. 61-33.1 by adopting Senate Bill 2211 (SB 2211). SB 2211 authorized the Board to "contract with a qualified engineering and surveying

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firm to analyze the final review findings and determine the acreage on a quarter-quarter basis or government lot basis above and below the [OHWM] as delineated by the final review findings of the [NDIC].”

The SB 2134 further directed the adjustment of State leased mineral interests and authorized refunds of mineral proceeds accordingly. SB 2134, Section 3, states:

1. There is appropriated out of any moneys held in reserve in the [SIIF] for mineral title disputes, not otherwise appropriated, the sum of \$100,000,000, or so much of the sum as may be necessary, to the commissioner of university and school lands for the purpose of mineral revenue repayments, for the biennium beginning July 1, 2017, and ending June 30, 2019. The funding provided in this section is considered a one-time funding item.
2. The funding provided in this section is available for the following:
 - a. Repayment of any lease, bonus, rents, and royalty collections attributable to oil and gas mineral tracts lying entirely above the ordinary high water mark of the historical Missouri riverbed channel on both the corps survey and the state phase two survey, as required in subsection 1 of section 61-33.1-04.
 - b. Repayment of any lease, bonus, rents, and royalty collections attributable to the remaining oil and gas mineral tracts, as required in subsection 2 of section 61-33.1-04.
 - c. Other mineral revenue repayments or other reimbursements that are attributable to oil and gas mineral tracts requiring repayments under this Act.
3. Upon adoption of the final review findings by the industrial commission, the commissioner of university and school lands shall calculate the amount necessary for mineral revenue repayments based on the final review findings.
4. As soon as a repayment amount for a known recipient is calculated but after the expenditure of the \$100,000,000 in subsection 1:
 - a. The commissioner of university and school lands shall request from the sixty-sixth legislative assembly additional funding sufficient for any remaining mineral revenue or other repayments.
 - b. If the \$100,000,000 is expended before the repayment of all amounts calculated for known recipients and before additional funds are made available by the sixty-sixth legislative assembly, the Bank of North Dakota shall extend a line of credit, not to exceed \$87,000,000, to the commissioner of university and school lands. The commissioner of university and school lands shall access the line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of mineral revenue and other repayments under this Act for the biennium beginning July 1, 2017, and ending June 30, 2019. The commissioner of university and school lands shall repay the line of credit from funds available in the strategic investment and improvements fund as appropriated by the legislative assembly.

Mineral revenues from sovereign lands are deposited into the SIIF. Current revenue projections indicate there will be sufficient funds within the SIIF to meet obligations and transfers implemented by the 2017 Legislative Assembly, including the total amount estimated for refunds under SB 2134.

On July 17, 2019 the Board approved the existing Assigned Fund Balance of \$229,325,049. The amount was based upon the bonus and royalties anticipated to be collected through the end of Fiscal Year 2019.

Basis for Assigned Fund Balance

	Total Bonuses & Rents Collected	% Impact Bill 2134	Total
Phase I*	\$ 26,083,522	77.53%	\$ 20,223,613
Phase II**	119,993,395	56.20%	67,439,601
Phase IV	41,826,605		41,826,605
	\$ 187,903,522		\$ 129,489,819

Royalties Collected

	Revenues	% Impact Bill 2134	Total
Phase I*	\$ 9,290,365	77.53%	\$ 7,203,197
Phase II**	110,515,856	56.20%	62,112,963
Phase IV***	852,316		852,316
	\$ 120,658,537		\$ 70,168,476

Projected 17-19 Biennium

	Total Estimated Revenue	% Impact Bill 2134	Total
Phase I*	\$ 3,066,652	77.53%	\$ 2,377,700
Phase II**	48,090,711	56.20%	27,028,308
Phase IV***	260,747		260,747
	\$ 51,418,110		\$ 29,666,754

	Assigned Fund Balance
Bonus	\$ 129,489,819
Royalties	29,666,754
Projected 17-19 Biennium	70,168,476
	\$ 229,325,049

* Phase I leased (between township 153-102 and Hwy 85)

** Phase II leased (between Hwy 85 and Hwy 23)

*** Majority of Phase 4 royalties are either held in escrow or suspense by operators.

On June 25, 2020 the results of the acreage adjustment survey as prepared by Kadrmass, Lee & Jackson, Inc. (KLJ) were presented and approved by the Board, with the exception of certain sections and lots that required further review. The Department has started the process of updating records to satisfy the Board's duty under N.D.C.C. § 61-33.1-04(2)(a). This process will be extensive and will require a review of each parcel within each spacing unit located within the Project Area. Each parcel will be reviewed for changes to the database, Correction of Oil and Gas Leases will be prepared for execution, requests for refunds of bonus and royalties will be prepared, each well will need a new royalty management unit to ensure future royalties will be allocated to the correct trust, the Department's shapefiles will be updated, and the Department will need to track the documentation for each lease correction. Within the 83 miles reviewed by Wenck Associates, Inc., the Department has approximately 600 active leases covering 44,700 acres.

Based upon the Board approved acreage adjustment survey, the Department has completed a high-level review of the changes in acreage. As a result of this review, it is anticipated that potential refunds of bonus payments will be less than previously estimated. This reduction in estimated bonus repayments will offset the increase in royalties received since the Board approved the Assigned Fund Balance in 2019. The Department is unable to fully determine the impact the acreage adjustment survey will have on the Assigned Fund Balance until the Board is able to adopt the pending sections and lots as some of the highest bonus per acre tracts within the surveyed area are still under review. Until the Department receives acreage allocations within the full acreage adjustment survey area and can analyze each tract and well impacted by these adjustments, no changes will be recommended to the current Assigned Fund Balance.

Motion: For purposes of its financial reporting, the Board affirms the "Assigned Fund Balance" of the Strategic Investment and Improvements Fund and recommend it remain at \$229,325,049. These funds are reserved to make adjustments related sovereign lands mineral ownership.

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

LITIGATION

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:

- United States Department of Interior M – 37056
- Mandan, Hidatsa, and Arikara Nation vs. United States of America, 1:20-cv-00859-MCW
- Mandan, Hidatsa, and Arikara Nation vs. United States Department of Interior, et al., 1:20-cv-01918

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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 10:00 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
Kristie McCusker	Paralegal
Catelin Newell	Administrative Staff Officer
Kate Schirado	Administrative Assistant

Guests in Attendance:

Jennifer Stevens	Historian, Stevens Historical Research Associates
Charles Carvell	Attorney General’s Office
Dave Garner	Attorney General’s Office
Leslie Bakken Oliver	Governor’s Legal Counsel – via Microsoft Teams
Reice Haase	Governor’s Office – via Microsoft Teams

During the executive session, the Board was provided information from its attorney.

The executive session adjourned at 11:00 AM and the Board reconvened in open session.

No formal action was taken.

A D J O U R N

There being no further business, the meeting was adjourned at 11:00 AM.

Doug Burgum, Chairman
Board of University and School Lands

Jodi Smith, Secretary
Board of University and School Lands

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