

BOARD OF UNIVERSITY AND SCHOOL LANDS

AGENDA

**Governor's Conference Room
State Capitol, Ground Floor
May 30, 2013 – 3:00 PM**

* = Board Action Requested

- 1. * APPROVAL OF MINUTES OF MARCH 28, 2013 MEETING**
- 2. ENERGY INFRASTRUCTURE AND IMPACT OFFICE**
 - * A. Contingency Fund Request - City of Belfield
 - * B. Legislative Review and 2013-2015 Biennium Schedule / Preliminary Allocations
 - * C. Recommendation for Pledge Awards to Airports
 - * D. Dust Pilot Grant Round - Pledge Awards
 - * E. City Infrastructure Grant Requests and Hub City Recommendations
- 3. BOARD AND DEPARTMENT OPERATIONS**
 - A. Summary of 2013 Non-EIIO Legislation Affecting the Board or Department
 - B. (Re) Appointment of Commissioner of University and School Lands
- 4. REPORTS**
 - A. Investment Performance Report for Quarter Ended March 31, 2013
 - B. Quarterly Financial Statements for period ending March 31, 2013
 - C. Revenue Compliance Division Update
 - D. Report of Easements Issued by the Land Commissioner
 - E. Spring 2013 Surface Lease Auction Results
 - F. May 2013 Oil and Gas Lease Auction Results

Estimated Time of Adjournment: 5:00 PM

Meeting call number is 1-888- 346-3659 (Access code: 5160380#)

**Minutes of the Meeting of the
Board of University and School Lands
March 28, 2013**

The March 28, 2013 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:03 AM by Chairman, Governor Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Kirsten Baesler	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Members Absent:

Kelly Schmidt	State Treasurer
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Department of Trust Lands Personnel:

Lance D. Gaebe	Land Commissioner
Jeff Engleson	Director, Investment Division
Michael D. Brand	Director, Surface Management Division
Drew Combs	Director, Minerals Management Division
Gerard Fisher	Assistant Director, Energy Infrastructure & Impact Office
Linda Fisher	Unclaimed Property Administrator
Judith F. Schell	Administrative Assistant

Others in Attendance:

Ronald L. Klotter	R V Kuhns & Associates, Inc.
Marcia P. Beard	R V Kuhns & Associates, Inc.

APPROVAL OF MINUTES

A motion to approve the minutes of the January 31, 2013 meeting was made by Attorney General Stenehjem and seconded by Secretary of State Jaeger. Motion carried.

INVESTMENTS DIVISION

Recommendation to Hire R.V. Kuhns to Perform Investment Study. On January 4, 2013, the Department issued a request for proposals (RFP) seeking a qualified investment consultant to evaluate investment policies and to recommend strategies and procedures relating to the Land Board's investment of the permanent trust funds (PTF) and the management of the Strategic Investment and Improvements Fund (SIIF).

Specifically, the purpose of the project is to provide the Land Board with advice on the following:

1. Recommendations for updated investment policies and procedures to help ensure that the Board meets its long-term goals and objectives for the permanent trusts.

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2. A proposed asset allocation policy for the PTFs that recognizes the Board's risk tolerance and return expectations, coupled with the Board's responsibilities under law to:
 - a. support the trust beneficiaries;
 - b. maintain the assets in the funds;
 - c. follow the prudent investor rule.
3. A strategy to transition the PTFs from the current asset allocation plan to the recommended plan. This analysis will include an evaluation of various implementation scenarios, including:
 - a. an ultra low cost investment approach;
 - b. a more traditional plan sponsor/investment /consultant approach;
 - c. an outsourced Chief Investment Officer approach (including State Investment Board).
4. A recommendation for establishing specific goals, objectives and investment policies for the SIIF.

Ten firms responded to the RFP. A committee consisting of State Treasurer Kelly Schmidt, Commissioner Lance Gaebe and Chief Financial Officer Jeff Engleson reviewed all the proposals and chose four firms to interview, including Mercer Hammond; Meketa Investment Group and Callan Associates and RV Kuhns and Associates.

The State Investment Board (SIB) interim Chief Investment Officer joined the review committee in the interviews which occurred on March 11 and March 13, 2013.

All of the firms had the technical skills, tools and expertise to perform the study for the Board, however the reviewing committee found the proposal and interview with R.V. Kuhns as excellent and the proposed fee of \$86,000 in line with other proposals. The committee recommended R.V. Kuhns to perform an investment study of the permanent funds and to prepare recommendations for the management of SIIF.

R.V. Kuhns is an employee owned investment consulting firm based out of Portland Oregon. They have extensive experience working with state permanent trust fund boards including in New Mexico, Wyoming and Oklahoma. They are also the firm selected by the SIB to perform an investment study for North Dakota's Legacy Fund.

Representatives of R.V Kuhns attended the meeting to describe the firm and their plans for the upcoming study. The objective is that the study will be completed by mid summer.

Motion: That the Board hire R.V. Kuhns and Associates Inc. to perform an investment study related to both the permanent trusts under the Board's control, and management of funds within the Strategic Investment and Improvements Fund.

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

MINERALS MANAGEMENT DIVISION

Royalty Rate Application in Counties Bisected By River Acreage. On January 26, 2012 the Board changed its Oil and Gas Rules (85-06-06) to adjust the oil and gas royalty rate from 1/6 to 3/16 on leases issued in Billings, Divide, Dunn, Golden Valley, McKenzie, Mountrail and Williams Counties.

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At the February 2013 mineral lease auction, 106 tracts were advertised and offered in Dunn County at the 3/16 royalty rate. It was noted after the auction that 58 of those 106 tracts are under the Missouri River dividing McLean and Dunn counties. As such the appropriate royalty assessment for these bisected tracts has been questioned.

The Dunn/McLean County border is the only circumstance where river acreage bisects a 1/6 county and a 3/16 county.

The Commissioner seeks affirmation that oil and gas leases in this area be issued with a 3/16 royalty as advertised.

Motion: That the Board, in the context of Board rule 85-06-06-08, affirm a decision to assess the higher royalty rate when minerals beneath the boundary of neighboring counties with different royalty rates are offered for lease.

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

SURFACE MANAGEMENT DIVISION

Contract for LiDAR Surveys of Gravel Pits. Gravel mining activity and royalty rates have significantly increased as a result of energy activity. There are currently 14 active leases on more than 2,000 acres of trust land with the potential to produce over \$12 million in royalties. A verification of cubic yards of material mined is needed to ensure accurate royalty payments to the trusts. LiDAR is a promising technology that could assist in measuring gravel extraction. LIDAR is an optical remote sensing technology that can measure the distance, size, volume and other properties of targets using laser mapping tools.

Construction aggregate mining and reclamation in North Dakota is virtually an unregulated industry. The Department develops and enforces mining and reclamation plans and conducts regular inspections on Trust Lands.

Accurate royalty reporting for gravel and mining operations is an area of concern. The amount of material mined is self-reported by the mine operator and is usually based on the weight of loaded trucks or counting of loads. Both methods rely on the mine operator to record and report the information. However, these methods are inaccurate and there is no independent inspection or verification of the amounts mined to ensure accurate royalty payments.

LiDAR can be used to intensively map the terrain to produce sub-centimeter data and at a much lower cost than the less accurate traditional surveying methods. The cost of a LiDAR survey is about \$3,500 per mine site annually. LiDAR also increases safety for the surveyors because they do not have to enter the pit, and mine operations do not have to be suspended to conduct a survey.

For the leases issued since November 2012 and future leases, the LiDAR cost can be charged to the mine operator under the terms of the lease. For older leases that don't contain a survey requirement, the Department would pay the survey costs under continuing appropriation authority, as an expense that adds value to the trusts. Anticipated total annual cost of a contract for LiDAR surveys would be about \$60,000, on a time and materials basis. It is expected that this would be recovered through increased royalty payments.

Motion: That the Board 1) authorize publication of an invitation for firms to submit a proposal to conduct gravel pit LiDAR surveys 2) to authorize the Commissioner to negotiate and complete a contract with an appropriate responding firm not to exceed

\$75,000 annually; 3) and to classify the expenditure as a continuing appropriation under NDCC 15-04-24 and 15-07-22, as it adds value to the trusts.

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

ENERGY INFRASTRUCTURE AND IMPACT OFFICE (EIIO) OPERATIONS

EIIO Update. During the 2011-2013 biennium, the Board made 504 Energy Impact grant awards totaling \$124,070,461 from the Oil and Gas Impact Grant Fund. A contingency fund totaling \$244,808 remains available.

Grant Award Recommendations – January through March Calendar Quarter 2013

North Dakota Century Code 57-62-05.5 indicates that the energy infrastructure and impact office director is to “Make recommendations, not less than once each calendar quarter, to the board of university and school lands on grants...”

While a contingency fund remains available for emergency needs, there are currently no pressing requests that demand current consideration. The recommendation to the Land Board for the January through March calendar quarter is that no grant awards be made. The Director recommends that the \$244,808 in the contingency fund be held for possible future emergency requests.

Motion: That the Board affirm that no Energy Infrastructure and Impact Grants be made during this calendar quarter.

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

Summer of 2013 Infrastructure Construction Grant Round

In anticipation of the Legislative appropriation of funds for the 2013-2015 biennium and in order to provide communities with the advantage of the construction season, the EIIO proposes initiating a grant round in April for water, sewer and city infrastructure construction projects. In May, after the appropriations are finalized, regional meetings would be held with applicants, projects would be evaluated and recommendations formulated by the energy impact grants advisory committee. Recommendations for awards could be provided to the Land Board in late May or early June. The Board could pledge grants that would be formally awarded once the biennium started on July 1.

Potential applicants will be clearly informed that results for the grant round will be dependent upon policy decisions and final funding approved by the Legislature.

Motion: That the Land Board authorize the EIIO to proceed with opening a construction grant round in April 2013 for preliminary review of grants to be awarded in the 2013-2015 biennium.

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

R E P O R T S

Financial Statements. The Board reviewed the Financial Statement Summary and Total Assets by Trust as of Decenber 31, 2013. These reports are on file at the Department of Trust Lands office and were for the Board's information; no action was required.

Investment Performance Report for Quarter Ended December 31, 2012. The Board reviewed the investment performance of the investment program for the period of October 1, 2012 – December 31, 2012.

February and March Oil and Gas Lease Auction Results. The Board reviewed a report of the results from the February 05, 2013 oil and gas lease sale, which was held in Bismarck, ND and the Board also reviewed a report of the results from the Internet Auction conducted by Energy Net.com in March 2013. The memo is on file at the Department of Trust Lands office and was for the Board's information.

Report of Easements Issued by Land Commissioner.

OXY USA INC BRK-160-91-16-NE4	Equipment Site	02/21/2013
CONSOLIDATED ENTERPRISES INC DUN-142-93-16-NE4, SE4	Communication Cable	03/08/2013
CONSOLIDATED ENTERPRISES INC STA-138-92-16-SE4 STA-138-93-16-NW4, SW4 STA-141-93-36-SE4	Communication Cable	03/08/2013
CONTINENTAL RESOURCES INC MCK-153-94-16-NE4, NW4, SW4	Access Road	02/04/2013
MCKENZIE COUNTY MCK-150-100-36-NW4NW4NE4, S2N2NE4, N2S2NE4	Land Sale: Landfill	01/16/2013
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-152-92-14-SE4	Electric Transmission Line	03/08/2013
TOWER ASSOCIATES LLC BRL-142-78-16-NE4	Wind meteorological tower	02/14/2013
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-156-93-36-SE4	Amend: Electric Distribution Line	01/31/2013
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-93-36-NE4, NW4, SE4	Amend: Electric Distribution Line	03/07/2013

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J & M DISPOSAL MCK-153-102-36-E2SW4 E OF ROAD,	Salt Water Pipeline	02/18/2013
MOUNTRAIL-WILLIAMS ELECTRIC COOP MOU-155-93-36-NE4, NW4 NE4 E OF ROAD, SE4	Amend: Electric Distribution Line	03/07/2013
ONEOK ROCKIES MIDSTREAM LLC DUN-147-96-36-NE4	Gas Gathering Pipeline	03/12/2013
CENTRAL POWER ELECTRIC COOP INC MCL-148-83-16-NW4 MCL-149-85-16-SE4, SW4	Electric Transmission Line	03/04/2013
SADDLE BUTTE ASSETS LLCCO MCK-149-99-16-NE4, NW4	Oil Gathering Pipeline	02/18/2013
ONEOK ROCKIES MIDSTREAM LLC MCK-151-96-36-SE4, SW4	Gas Gathering Pipeline	02/19/2013
WHITING OIL & GAS CORPORATION MOU-153-92-16-NE4, NW4	Oil Gathering Pipeline	02/19/2013
MCLEAN ELECTRIC COOP MCL-148-83-16-NW4	Electric Distribution Line	03/04/2013
PETRO-HUNT LLC WIL-154-99-16-NW4	Access Road	01/31/2013
PETRO-HUNT LLC WIL-154-99-16-NE4, NW4	Access Road	02/04/2013
BURKE-DIVIDE ELECTRIC COOP DIV-161-97-36-SE4, SW4	Electric Distribution Line	01/31/2013
MCKENZIE ELECTRIC COOP INC DUN-147-96-36-NE4	Electric Distribution Line	03/05/2013
HILAND OPERATING LLC BRK-161-94-16-SW4	Amend: Gas Gathering Pipeline	02/28/2013
ONEOK ROCKIES MIDSTREAM LLC MCK-152-98-16-NE4, NW4	Gas Gathering Pipeline	02/26/2013
HESS CORPORATION MOU-154-93-16-NE4, NW4	Multiple Pipelines & Communication Cable	02/28/2013
ONEOK ROCKIES MIDSTREAM LLC MCK-149-99-16-NW4	Amend: Gas Gathering PipelineE	02/04/2013
ND DEPT OF TRANSPORTATION DUN-142-96-36-NW4 WEST OF HWY	Temporary Construction	02/18/2013
WHITING OIL & GAS CORPORATION MOU-154-92-16-NE4	Oil Gathering Pipeline	01/22/2013
WHITING OIL & GAS CORPORATION BIL-141-100-16-NE4, NW4	Amend: Salt Water Pipeline	02/04/2013

ONEOK ROCKIES MIDSTREAM LLC WIL-156-100-9-S2SE4	Gas Gathering Pipeline	01/25/2013
HILAND OPERATING LLC WIL-159-97-36-SE4, SW4	Multiple Pipelines	03/05/2013
ND DEPT OF TRANSPORTATION DIV-161-100-36-NW4 DIV-163-100-36-NW4	Road Right-of-Way	02/18/2013
ONEOK ROCKIES MIDSTREAM LLC BIL-142-101-36-NE4, NW4	Amend: Gas Gathering Pipeline	02/07/2013
HILAND OPERATING LLC MOU-156-94-36-NE4, NW4	Amend: Oil Gathering Pipeline	01/23/2013
HILAND CRUDE LLC, ENID-OK BRK-160-92-16-NE4	Oil Gathering Pipeline	02/21/2013
CRUSHED ROCK SALES LLC STA-138-93-16-SE4	Aggregate Prospecting	02/14/2013
CRUSHED ROCK SALES LLC STA-139-94-36-SW4	Aggregate Prospecting	02/14/2013
CRUSHED ROCK SALES LLC WIL-158-96-36-NE4	Aggregate Prospecting	02/14/2013
CRUSHED ROCK SALES LLC WIL-154-100-36-SE4	Aggregate Prospecting	02/14/2013
TRIANGLE USA PETROLEUM CORPORATION MCK-150-100-16-NW4	Section Line Access Road	03/07/2013
HILAND CRUDE LLC WIL-159-97-16-NE4, NW4	Oil Gathering Pipeline	03/08/2013
MINNKOTA POWER COOP INC FOS-147-63-22-NE4	Temporary Construction	02/07/2013
DAYS OF '76 MUSEUM BIL-138-101-36-NW4, SE4, SW4	Letter of Permission: Access to School Land	02/18/2013
HILAND OPERATING LLC WIL-159-96-16-NE4	Amend: Gas Gathering Pipeline	02/04/2013
HESS CORPORATION WIL-156-95-16-NE4, NW4, SW4	Amend: Oil Gathering Pipeline	02/26/2013
HILAND OPERATING LLC WIL-156-101-36-SE4	Amend: Gas Gathering Pipeline	02/19/2013
TRIANGLE USA PETROLEUM CORPORATION MCK-152-102-36-SE4	Amend: Horizontal Oil Well	02/21/2013
WHITING OIL & GAS CORPORATION BIL-141-100-16-NE4, NW4, SE4	Easement Release	02/12/2013
BANNER TRANSPORTATION CO LLC DIV-160-96-36-SE4	Amend: Multiple Pipelines	02/26/2013

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OASIS PETROLEUM NORTH AMERICA LLC WIL-156-101-16-NE4	Multiple Pipelines	03/04/2013
MCLEAN ELECTRIC COOP MCL-148-83-16-NW4	Easement Release	03/11/2013
GRAVEL PRODUCTS, INC MOU-152-92-14-SE4	Aggregate Prospecting	03/06/2013

A D J O U R N

There being no further business, the meeting was adjourned at 10:30 AM.

Jack Dalrymple, Chairman
Board of University and School Lands

Lance D. Gaebe, Secretary
Board of University and School Lands

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

**RE: Energy Infrastructure and Impact Office
Contingency Fund Request – City of Belfield**

The contingency fund balance for the 2011-2013 biennium is \$224,808. The contingency fund has been utilized during the biennium to address unplanned expenses resulting from direct impacts of oil and gas development. Previously funded requests include: temporary classrooms, childcare facilities, repair of a water tower failure and replacement of a fire truck engine.

The EIIO has received an emergency grant request from the City of Belfield seeking assistance for the replacement of a police vehicle lost in an electrical fire. The vehicle lost was a fully equipped 2006 Ford Explorer; all gear was lost with the exception of spike strips and an M14 rifle. The police department's three officers are currently sharing one remaining police vehicle and are supplementing as needed with personal vehicles.

Replacing the vehicle is estimated to cost \$43,737. With expected recovery from insurance, the city of Belfield is requesting \$18,977 emergency assistance from the EIIO to aid in the replacement of the patrol vehicle and equipping it.

Recommendation: That the Land Board approve the emergency grant of \$18,977 from the Oil and Gas Impact Grant Fund to the City of Belfield, to assist in the replacement and equipping of a police vehicle.

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

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS
May 30, 2013

**RE: Energy Infrastructure and Impact Office
Legislative Review and 2013/2015 Biennium Allocation and Schedule**

The 2013 Legislative Assembly provided funding and direction to the Energy Infrastructure and Impact Office (EIIO). SB 2013 (Department Appropriation) and HB 1358 were the vehicles used to define program direction for the 2013-2015 biennium.

SB 2013 appropriated \$700,826 to the Energy Infrastructure and Impact Office (EIIO) for administrative costs including salaries. **HB 1358** directs \$240 million to the Oil and Gas Impact Grant Fund with an appropriation of \$239.3 million available for the Land Board to provide as grants through the Energy Impact Office. With the appropriation for grants separate from Department's appropriation bill, it will limit the ability of the Board to transfer money among appropriation line items if necessary, like occurred in the current biennium.

Of the \$239.3 million, HB 1358 identified eight earmarked grant areas totaling \$103.5 of the oil and gas impact grants fund:

- 1) \$5 million to counties experiencing new oil and gas development.
- 2) \$60 million to airports
- 3) \$4 million to Higher Education
- 4) \$3 million for a dust control pilot, \$1 million to each of three counties
- 5) \$7 million for sheriff's departments
- 6) \$7 million for emergency medical services
- 7) \$3.5 million for fire protection districts
- 8) \$14 million to hub cities, \$2 million designated to Williston, \$7 million to Dickinson, and \$5 million to Minot. Hub cities are precluded from receiving any additional funds from the oil and gas impact grants fund.

SB 2013 allows that whatever portion of the \$5 million earmarked for emerging oil producing counties, to be used for other awards if there are unused funds on January 1, 2015.

SB 2013 suggests that the Board may award up to \$3 million additional of oil and gas impact dust control grants if the 3 county dust control pilot identified in HB 1358 is deemed successful.

In addition to a dramatic increase in the Oil and Gas Impact Grant Fund in HB 1358, the bill also increases the gross production tax allocation to cities and counties and "Hub cities", hub city school districts, other school districts and townships.

HB 1358 removed the requirement that the Board provide 35% of Oil and Gas Impact Grant funds to hub cities.

HB 1358 also provided \$9.6 million in one-time funding from the Strategic Investment and Improvements Fund to the Attorney General's Office for grants to law enforcement agencies in oil-impacted counties or in counties impacted by energy activity. The grants will be made by the AG's Drug and Violent Crime Policy Board with the concurrence of the Land Board.

SB 2013 provides biennial carryover authority the oil and gas impact grant funds and flood-impacted political subdivision infrastructure development grants approved by the 2011 Special Legislative Session. As General Fund money, the flood grant funds were set to expire on at the end of the 2013 fiscal year, the carryover authority will allow many political subdivisions additional time to complete projects supported by these funds.

Grant Round Schedule and Preliminary Allocations:

Consideration being given to the earmarks identified within HB 1358, the following grant round schedule is being recommended to address these carve outs and additionally the funds remaining to be awarded:

Schedule	
FY 2014	
May/June 2013 City Infrastructure (Award Intentions June, Awarded July 2013)	
May 2013 Airports (Award Intentions May, Awarded July 2013)	
May 2013 Dust Control (Award Intentions May, Awarded July 2013)	
June 2013 K-12 Schools (Awards Approved August 2013)	
Sept/Oct/Nov 2013 Emergency Services	
Dec 2013/ Jan 2014 Higher Ed	
Feb/Mar/Apr 2014 General	
FY 2015	
Apr/May/June 2014 City Infrastructure (Award Intentions June, Awards July 2014)	
May/June 2014 Airports (Award Commitments June, Awards July 2014)	
June 2014 K-12 Schools (Accept Applications June, Awards July 2013)	
Sept/Oct/Nov 2014 Emergency Services	
Nov/Dec 2014 Schools	
Feb/Mar/Apr 2015 General	

A preliminary recommendation of an allocation of the \$239.3 million for the 2013-2015 biennium includes:

- Legislative earmarks are targeted at \$74.5 million in FY 14 and \$29 million in FY 15.
- \$12.5 million each year for K-12 schools.
- \$40 million for city infrastructure each fiscal year.
- \$2.5 million for fire services was added above the legislative earmark
- \$4 million above the legislative earmark was added in FY 15 for all emergency services
- \$4 million in each fiscal year for a general grant round.
- Contingency funds of \$10 million in FY 2014 and \$6.2 million in FY 2015 brings the total to \$239,299,174, as appropriated for grants.

The chart below gives consideration to NDCC 15-01-02.6, providing that no more than 60% of the biennial appropriation is to be awarded in any one fiscal year. This chart reflects 60% of the \$239,299,174 appropriated for awards, or \$143,579,504 be awarded in FY 2014. Funds for counties experiencing new oil and gas development are considered during FY 2015.

Energy Infrastructure and Impact Office

2013-2015 Biennium Ear-marks, Preliminary Allocations and Contingency Funds

Total Appropriated for Awards	FY-2014 Maximum for Awards at 60% of Appropriated	Remainder for Awards FY-2014 After Direct Appropriations	FY-2015 for Awards at 40% of Appropriated	Remainder for Awards FY-2015 After Direct Appropriations	Total of 2014 and 2015 for Awards After Direct Appropriations
\$239,299,174	\$143,579,504	\$69,079,504	\$95,719,670	\$66,719,670	\$135,799,174

<u>Ear-marks</u>		2014 Fiscal Year		2015 Fiscal Year		Totals
Counties experiencing new oil and gas development	\$5,000,000		\$0		\$5,000,000	\$5,000,000
Airports in conjunction with Aeronautics Commission	\$60,000,000		\$36,000,000		\$24,000,000	\$60,000,000
Higher Ed	\$4,000,000		\$4,000,000			\$4,000,000
Dust Control	\$3,000,000		\$3,000,000			\$3,000,000
Fire	\$3,500,000		\$3,500,000			\$3,500,000
EMS	\$7,000,000		\$7,000,000			\$7,000,000
Sheriffs	\$7,000,000	Total of Earmarks	\$7,000,000	Total Y1 Direct Appropriated		\$7,000,000
Hub Cities	\$14,000,000		\$14,000,000		Total Y2 Direct Appropriated	\$14,000,000
<u>Preliminary Allocations</u>			\$103,500,000		\$74,500,000	
Schools K-12 Education			\$12,500,000		\$12,500,000	\$25,000,000
1st Quarter – City Infrastructure			\$40,000,000		\$40,000,000	\$80,000,000
2nd Quarter – Emergency Services		Additional for Fire	\$2,500,000		\$4,000,000	\$6,500,000
3rd Quarter – Open Grant Round			\$4,000,000		\$4,000,000	\$8,000,000
Total of Ear-marked and Allocated			\$133,500,000		\$89,500,000	\$223,000,000
Contingency Funds Available			\$10,079,504		\$6,219,670	\$16,299,174
Totals By Year			\$143,579,504		\$95,719,670	\$239,299,174
Consideration must be given should a county become eligible for a \$1.25 million award as emerging into the energy sector as this would count against the 60% annual limit and reduce contingency funds						
Contingency funds are the remainder of un-awarded & un-allocated						

Advisory Committees

During the 2011-2013 biennium, the Board appointed an energy impact grants advisory committee to assist with the grants process. This committee has proven beneficial and key in the grants process, especially during the city grants round.

In consideration of the benefits realized and seeking to further improve the use of committees like this, the EIO proposes specific advisory committees made up of members oriented toward the specific grant round purpose. The advisory groups could assist in developing the recommendations for awards for that specific round. As an example, during the emergency services grant round, a committee would be created from respective EMS, fire and sheriff’s departments to assist in formulating award recommendations to the Land Board. The committee appointments would be obtained from recommendations from associations and state departments having a relationship to the specific grants round focus. The existing committee would continue with their focus on the general and the city grants.

This recommended approach to the advisory committee concept should develop an increased ownership in the individual grant round, something clearly realized by the existing committee.

Recommendation: That the Land Board approve the referenced grants schedule, preliminary fund allocations, and recommendation to create focused advisory committee’s as identified for the 2013-2015 biennium.

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

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

**RE: Energy Infrastructure and Impact Office
Airport Grant Recommendations**

Within HB 1358, the 2013 Legislature ear-marked \$60 million for grants to airports impacted by oil and gas development. HB 1358 states that the director of the EIO shall develop procedures and requirements necessary for distribution of grants which must include cost-share requirements. This is to include consideration of availability of local funds and to give priority to projects having been awarded or that are eligible to receive federal funding.

The EIO staff worked with North Dakota Aeronautics Commission (NDAC) staff to utilize existing policies, processes, and forms in place. Recommendations for awards of Oil and Gas Impact Grant Funds were reviewed and approved by the Aeronautics Commission. Leveraging the NDAC procedures and expertise, substantially expedited the airports grant round.

The NDAC and EIO jointly provide the following full list of applications and grant recommendations. The list shows total project cost, the local cost share, the state requested funding, the grant being recommended and the percent of requested amount being recommended; the remaining balance is anticipated from Federal or other sources. Of the \$25,597,760 recommended for receiving grants, only 1% (\$219,112) is suggested for non-Federal Airports in New Town and Killdeer. The remaining grants would be provided to airports eligible for, and which have received commitments for federal funding. For the grants matched by federal funds, the distribution of money will be offered in proportion to the federal match.

Recommendation: That the Land Board earmark future awards totaling \$25,597,760 to airports as identified in the included list, indicating the intent of awarding grants during the 2013-2015 biennium. All grant awards are contingent upon the confirmation of identified local and federal cost share.

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



May 16, 2013

Governor Dalrymple, Chairman
Board of University and School Lands
1707 N 9th ST
Bismarck, ND 58501

Dear Governor Dalrymple:

Attached are the North Dakota Aeronautics Commission's recommendations for airport projects related to the state's oil activity. The Aeronautics Commission has unanimously approved these grant allocations and have complied with the legislative intent of HB1358 as follows:

- Local cost share requirements were met by specifying a 50% local / 50% state share for high priority projects unless the requesting authority could document the need for additional state funds.
- Federal projects received the highest priority in the grant process, maximizing the available federal funds. 99% of the current oil impact funding recommendation has been designated for federal airports, with the remainder designated for safety-critical infrastructure needs within the oil patch.

Thank you for your consideration of these grant recommendations. The airports are an important part of our state transportation system, and these projects will make great improvements in the oil patch at a time when the airports are needed more than ever.

Sincerely,

A handwritten signature in black ink that reads "Jay B. Lindquist". The signature is fluid and cursive.

Jay B. Lindquist, Chairman
ND Aeronautics Commission

cc: Members, ND Aeronautics Commission
Larry Taborsky, Director, ND Aeronautics Commissioners

Airport Energy Impact Award Recommendations - 2013

Version: May 15th, 2013

\$25,597,760.00 - Funds that are recommended for award at May 30th, 2013 Meeting

F - Federal Project
* - Completed

FE - Eligible For Federal Funds,
S - Supplemental

All Grant Allocations will be approved on a project percentage basis not to exceed the dollar amount approved. When project bids are officially accepted by the airport sponsor, notification will be required to the Aeronautics Commission Office and the Energy Infrastructure and Impact Office to determine the official grant allocation dollar amount. The remaining grant allocation balance for each project will then return to the Energy Infrastructure and Impact Office to be used for future airport project allocations.

COMMERCIAL AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
MINOT	1. FAA 2013 AIP #47 - Construct New Passenger Terminal Apron	F	54	\$16,100,000.00	\$805,000.00	\$805,000.00	\$805,000.00	5.0%
	2. FAA 2013 AIP #46 - Construct New Passenger Terminal Building *	F	53	\$40,000,000.00	\$10,000,000.00	\$18,500,000.00	\$18,500,000.00	50.0%
	3. Construct Terminal Access Road (SE) Phase 1		33	\$1,600,000.00	\$800,000.00	\$800,000.00	\$800,000.00	50.0%
	4. Construct Terminal Access Road (Loop) Phase 2		33	\$1,700,000.00	\$850,000.00	\$850,000.00	\$850,000.00	50.0%
	5. Relocate Snow Removal Equipment Building (Non-AIP)		33	\$326,790.00	\$163,395.00	\$163,395.00	\$163,395.00	50.0%
	6. Terminal Building Furniture		31	\$500,000.00	\$400,000.00	\$100,000.00	\$100,000.00	20.0%
	7. Construct Baggage Handling System		31	\$3,250,000.00	\$3,250,000.00	\$1,625,000.00	\$0.00	0.0%
	8. Passenger Boarding Bridges		31	\$1,600,000.00	\$1,600,000.00	\$0.00	\$0.00	0.0%
	9. Construct Parking Lot (SE) Phase 1		21	\$2,500,000.00	\$2,500,000.00	\$0.00	\$0.00	0.0%
	10. Construct Parking Lot (Loop) Phase 2		21	\$2,000,000.00	\$2,000,000.00	\$0.00	\$0.00	0.0%
<p><i>* The state grant allocation for the Minot Terminal will be dispersed upon an official notice being received by the Aeronautics Commission and the Energy Infrastructure and Impact Office, that a Federal Discretionary Grant has been approved for the Minot Terminal Project in the amount needed to complete the project.</i></p> <p>Remarks: The Airport received \$14,611,992 in Federal Dollars in 2012 for work on the terminal area project. The planned Federal Participation in 2013/2014 is approximately \$25,990,000. The total estimated project costs of Minot's capital improvement projects in 2013 is \$69,576,790.</p>								
Sub Total				\$69,576,790.00	\$22,368,395.00	\$22,843,395.00	\$21,218,395.00	30.5%

COMMERCIAL AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND	
DICKINSON	1. Construct Airline Apron Expansion 2. Construct General Aviation Apron Expansion 3. Terminal Building Improvements 4. Commercial Service Parking Lot Pavements Remarks: Dickinson will be utilizing all Federal Entitlement Dollars available to the airport on the construction of a Building for Snow Removal Equipment/Land Acquisition for Runway Protection Zones and the Design of the General Aviation Apron Expansion. Total Federal Participation in 2013 is planned to be \$1,895,702.	FE	44	\$400,000.00	\$80,000.00	\$320,000.00	\$320,000.00	80.0%	
		FE	44	\$1,500,000.00	-	\$1,350,000.00	\$0.00	0.0%	
		FE	33	\$167,065.00	\$33,413.00	\$133,652.00	\$133,652.00	80.0%	
		*	21	\$499,515.69	\$499,515.69	\$374,636.77	\$0.00	0.0%	
	Sub Total			\$2,566,580.69	\$612,928.69	\$2,178,288.77	\$453,652.00	17.7%	
WILLISTON	1. General Aviation Primary Guiding Documents (Airport Transition Policy, Minimum Standards, Lease Agreements, Rates and Charges Plan ect.) 2. Airline and Rental Car Agreement Documents (airline lease and rates, Remarks: These documents are needed to help address future growth and development at the airport. Williston is planning to utilize 2013 Federal Entitlement Dollars on Master Planning Documents in the estimated amount of \$513,000.		31	\$134,063.65	\$67,032.00	\$67,032.00	\$67,032.00	50.0%	
			31	\$100,000.00	\$50,000.00	\$50,000.00	\$50,000.00	50.0%	
			Sub Total			\$234,063.65	\$117,032.00	\$117,032.00	\$117,032.00

GENERAL AVIATION AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
BOWMAN	1. FAA 2013 - AIP #2 - Construction of New Bowman Municipal Airport Remarks: The Bowman Airport received \$3,916,926 from the federal government in 2012 and is planning to receive an additional \$4,675,766 of federal aid in 2013 to help in the Construction of the new Bowman Airport.	F	56	\$5,837,425.00	\$286,659.00	\$875,000.00	\$875,000.00	15.0%
				Sub Total	\$5,837,425.00	\$286,659.00	\$875,000.00	\$875,000.00
CROSBY	1. FAA 2013 - AIP #10 - Apron and Lighting Rehabilitation 2. Apron Drainage Improvements Remarks: The Crosby Airport is in need of an apron rehabilitation project due to an increase in aircraft use and weight. The Airport is planning on utilizing all federal entitlement dollars available on this project in the amount of \$666,874.	F FE	54-56 54	\$1,680,000.00	\$170,000.00	\$845,000.00	\$845,000.00	50.0%
				\$175,000.00	\$17,500.00	\$157,500.00	\$157,500.00	90.0%
	Sub Total			\$1,855,000.00	\$187,500.00	\$1,002,500.00	\$1,002,500.00	
KENMARE	1. FAA 2013 - AIP #11 - Rehabilitate Runway, Taxiway, Apron Remarks: The Kenmare airport is planning a runway and apron rehabilitation project to address pavement needs and to allow business growth on the airport. Federal Dollars planned for this project in 2013 is expected to be \$1,075,000	F	54-56	\$1,327,178.00	\$66,359.00	\$185,819.00	\$185,819.00	15.0%
				Sub Total	\$1,327,178.00	\$66,359.00	\$185,819.00	\$185,819.00
KILLDEER	1. Runway Design Remarks: The airport pavement is in very poor condition and Dunn County is making efforts to revitalize the airport due to the increased traffic and forecasted growth. The airport is positioned to be a federally funded airport in the future if the airport can be successfully developed. Being the only public airport in Dunn County, a revitalization of this airport would benefit the state system of airports and help to provide relief for the other oil impacted airports.		46	\$160,342.00	\$32,068.00	\$144,308.00	\$128,274.00	80.0%
				Sub Total	\$160,342.00	\$32,068.00	\$144,308.00	\$128,274.00

GENERAL AVIATION AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
MOHALL	1. Design and Construct Airport Fueling System Remarks: The airport has grown from 3 based aircraft to over 20 based aircraft in one year, and currently does not have the means to provide fuel to local or transient aircraft. This is a needed project for a fast growing airport. In 2013, the airport is planning to utilize approximately \$450,000 in federal dollars for Master Plans, Automated Weather, and wetland mitigation for present and future development needs.	FE	12	\$256,500.00	\$128,250.00	\$128,250.00	\$128,250.00	50.0%
				Sub Total	\$256,500.00	\$128,250.00	\$128,250.00	\$128,250.00
NEW TOWN	1. Design of Runway Reconstruction Remarks: The airport pavement is in poor condition and a current line of site safety issue exists with the runway. A design grant is needed to supplement the work being done on the airport layout's plan to eventually reconstruct a runway that meets safety standards and is long enough to provide medical and business aircraft entry to the city that supports oil development.		46	\$113,548.00	\$22,710.00	\$90,838.00	\$90,838.00	80.0%
				Sub Total	\$113,548.00	\$22,710.00	\$90,838.00	\$90,838.00
STANLEY	1. FAA 2013 AIP #11 - Construct Apron/Condensed Environment Assessment Remarks: The Runway and Apron areas are to be reconstructed in 2013 from a federal grant provided in 2012 in the amount of \$1,622,215. The airport requires additional funding to secure an apron area that is needed for local and transient aircraft to park. The airport is currently planning that \$150,000 in federal aid will be available for the project.	F	44	\$370,000.00	\$22,000.00	\$198,000.00	\$198,000.00	55.0%
				Sub Total	\$370,000.00	\$22,000.00	\$198,000.00	\$198,000.00
TIOGA	1. Design and Construct Airport Fueling System Remarks: The existing system does not meet current code requirements for public use and is not compatible with a card reader and fuel management system. Increased demand for based and transient aircraft in the oil development area has increased the need for an updated Fuel system in Tioga. The Airport is planning on utilizing \$275,400 in federal dollars on updating the Airport Layout Plan, Instrument Approach Development, and Flight Checking the PAPI equipment.	FE	12	\$240,000.00	\$120,000.00	\$120,000.00	\$120,000.00	50.0%
				Sub Total	\$240,000.00	\$120,000.00	\$120,000.00	\$120,000.00

GENERAL AVIATION AIRPORTS	PROJECT DESCRIPTION		PRIORITY	TOTAL PROJECT	LOCAL COST SHARE	STATE \$ REQUESTED	GRANT \$ RECOMMEND	% RECOMMEND
WATFORD CITY	<p>1. FAA 2013 AIP #11 - Apron Reconstruction Phase II (Full Apron/Temporary Bypass Option is Recommended)</p> <p>Remarks: In 2012, the airport has been provided \$1,463,559 in federal dollars for the apron reconstruction project. Due to rising costs in construction and lack of additional federal funds, the airport has been unable to complete the needed construction of the aircraft apron. This project would complete an important portion of the apron in which local or transient aircraft will be able to safely park. \$150,000 of 2013 Federal Entitlements are planned for this project.</p>	F	54	\$1,630,000.00	\$163,000.00	\$1,317,000.00	\$1,080,000.00	80.0%
	Sub Total			\$1,630,000.00	\$163,000.00	\$1,317,000.00	\$1,080,000.00	
	TOTALS			\$84,167,427.34	\$24,126,901.69	\$29,200,430.77	\$25,597,760.00	30.4%

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: Energy Infrastructure and Impact Office Dust Suppression Pledge Recommendations

The 2013 Legislature earmarked \$3 million of the Oil and Gas Impact Grant funds for \$1 million grants to three counties in oil-impacted areas for a pilot project for dust control. The counties are required to file a report with the EIIO by January 1, 2014 describing the products used and success or failure in controlling dust. Legislative intent identified the counties for the pilot project to be Bowman, Dunn and Mountrail counties.

In coordination with the Department of Health, the Association of Oil and Gas Producing Counties and the dust suppression research contractor of the Industrial Commission, guidelines were developed and provided to the three counties. The guidelines provided were as follows:

Energy Infrastructure and Impact Office Pilot Grant Round for Dust Control Grants

The Sixty-Third Legislative Assembly appropriated funding in House Bill 1358, for the Energy Infrastructure and Impact Office (EIIO), to provide grants of \$1,000,000.00 to each of three counties in oil-impacted areas under a pilot project for dust control. The three counties identified in legislative intent are Bowman, Dunn, and Mountrail. The pilot program is to assist these counties as they use different dust control products, learn from the varied use of the products and share the results through reporting. If positive results are realized, the knowledge gained will be used in potential future dust control grant rounds for other dust impacted counties in oil country.

Applications will be accepted from Bowman, Dunn, and Mountrail counties through May 22, 2012. The application form is available on the energy impact website at www.nd.gov/energyimpact. Applicants must identify the impacts being realized from dust caused by oil and gas development in their area. A project plan needs to be identified for using various types of product in an effort to address controlling dust. The applicant will be responsible for tracking the levels of success being realized and the county commission from each county is responsible for reporting the results to the EIIO Director by January 1, 2014. As a matter of reference, expenses the county has incurred the previous two years for dust control should be identified in the application.

Guidelines

- Applications will only be received from Bowman, Dunn and Mountrail Counties at this time.
- Projects submitted are eligible for an award of \$1,000,000.00 for identified project costs related to this dust control trial. Expenses for dust control during the entire 2013-2015 biennium can be used toward obtaining the \$1,000,000.00 award.
- Costs allowed include purchase of a commercially obtained dust control product, cost of obtaining oil well produced saltwater that has been approved for use by the North Dakota Department of Health, cost for transporting the product, costs for applying the product including road preparation, purchase of equipment for storage of product, equipment used in the application process, contract labor and/or labor costs to manage the project efforts including to monitor and document the results and provide the report of results experienced to be submitted by the county commission to the EIIO by January 1, 2014.
- The report to be filed with the EIIO Director by January 1, 2014, must identify product applied (if brine where obtained, and calcium & sodium content), date applied, application rate, results experienced in comparison to other products, costs of product per mile including transportation and application costs and if weather conditions and seasonal changes affected results.

Each of the three counties have formally requested the biennial grant of \$1 million, and the EIIO recommends earmarking awards of \$1 million each for Bowman, Dunn and Mountrail Counties for this pilot dust control project for the 2013-2015 biennium.

Separately, SB 2013 provides that *“If the dust control pilot project provided for in HB 1358, as approved by the sixty-third legislative assembly, is deemed effective by the director of the energy infrastructure and impact office, the board of university and school lands may approve up to \$3,000,000 of additional oil and gas impact grants to counties for dust control.”* With this included language, other western counties are eager to access additional grant funds to support dust control efforts. As the Board receives the reports from pilot counties before January 1, 2014, there are likely to be additional requests for financial help in reducing dust.

Recommendation: That the Board approves an earmark of \$3 million of grants equally divided between Bowman, Dunn and Mountrail Counties for a pilot dust control project for the 2013-2015 biennium.

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

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

**RE: Energy Infrastructure and Impact Office
City Infrastructure Grant Requests and Hub City Recommendations**

The first grant round of the 2013-2015 biennium is the city infrastructure requests. Grant applications were accepted through May 8, 2013. Non-Hub Cities submitted 82 applications for projects totaling \$474.4 million with request for \$422.1 million in funding.

Applicant meetings are occurring May 21, 23, 30, 31 and June 4 at regional locations throughout the West. Scoring of the applications is scheduled to be completed by June 6, 2013. The energy impact grants advisory committee will review the applications and assist in developing a recommendation to the Land Board for awards in time for its June 27, 2013 meeting.

Hub Cities

The Hub cities of Dickinson, Minot and Williston, submitted 32 applications for projects totaling \$349.2 million and requesting \$231.3 million of Energy Impact Grant Funds. Within HB 1358, the Legislature earmarked and capped at \$14 million the support available from the Oil and Gas Impact Grants Fund to hub cities.

A summary of hub city applications:

POLITICAL SUB NAME	SHORT DESCRIPTION	PROJECT TOTAL	AMOUNT REQUESTED	LONG DESCRIPTION
CITY OF DICKINSON	WATER AND WASTEWATER INFRASTRUCTURE TO SUPPORT NEW HOUSING AND OTHER NEW DEVELOPMENT	\$136,500,000	\$59,900,000	WATER AND WASTEWATER INFRASTRUCTURE TO SUPPORT NEW HOUSING AND OTHER NEW DEVELOPMENT
CITY OF MINOT	NORTH SANITARY SEWER IMPROVEMENTS - #1 PRIORITY PROJECT	\$32,819,000	\$16,474,000	PROVIDE TRUNK SANITARY SEWER CAPACITY TO OVER 8,343 ACRES OF LAND SUPPORTING CONTINUED CITY GROWTH.
CITY OF MINOT	PUPPY DOG SEWER IMPROVEMENTS PHASE V	\$4,548,000	\$4,548,000	PUPPY DOG SEWER IMPROVEMENTS PHASE V
CITY OF MINOT	SW MINOT SEWER IMPROVEMENTS PHASE 1B	\$5,199,767	\$5,199,767	SW MINOT SEWER IMPROVEMENTS PHASE 1B
CITY OF MINOT	1ST LARSON COULEE TRUNK LINE TO 54TH AVE	\$750,000	\$750,000	1ST LARSON COULEE TRUNK LINE TO 54TH AVE
CITY OF MINOT	30TH AVE NW SEWER EXTENSION	\$695,000	\$695,000	30TH AVE NW SEWER EXTENSION
CITY OF MINOT	SW MINOT SEWER IMPROVEMENTS PHASE 2	\$1,694,200	\$1,694,200	SW MINOT SEWER IMPROVEMENTS PHASE 2
CITY OF MINOT	SW MINOT SEWER IMPROVEMENTS PHASE 3	\$4,935,100	\$4,935,100	SW MINOT SEWER IMPROVEMENTS PHASE 3
CITY OF MINOT	SOUTH MINOT DISTRIBUTION IMPROVEMENTS	\$1,000,000	\$1,000,000	SOUTH MINOT DISTRIBUTION IMPROVEMENTS

POLITICAL SUB NAME	SHORT DESCRIPTION	PROJECT TOTAL	AMOUNT REQUESTED	LONG DESCRIPTION
CITY OF MINOT	13TH ST SE WATER MAIN FROM PUPPY DOG COULEE TO 31ST AVE SE	\$200,000	\$200,000	13TH ST SE WATERMAIN FROM PUPPY DOG COULEE TO 31ST AVE SE
CITY OF MINOT	37TH AVE SE WATER MAIN FROM 11TH ST TO 2ND ST	\$275,000	\$275,000	37TH AVE SE WATERMAIN FROM 11TH ST TO 2ND ST
CITY OF MINOT	HWY 2 WEST WATER MAIN FROM 33RD ST TO 54TH ST	\$1,000,000	\$1,000,000	HWY 2 WEST WATERMAIN FROM 33RD ST TO 54TH ST
CITY OF MINOT	NE TRANSMISSION 27TH ST TO 55TH ST ALONG 46TH AVE & S TO 30TH AVE	\$2,300,000	\$2,300,000	NE TRANSMISSION 27TH ST TO 55TH ST ALONG 46TH AVE & S TO 30TH AVE
CITY OF MINOT	NE WATER TOWER	\$2,500,000	\$2,500,000	NE WATER TOWER
CITY OF MINOT	NE-NW WATER SYSTEM INTERCONNECT	\$2,000,000	\$2,000,000	NE-NW WATER SYSTEM INTERCONNECT
CITY OF MINOT	SW WATER TOWER	\$2,500,000	\$2,500,000	SW WATER TOWER
CITY OF MINOT	16TH AVE SE WATER MAIN UPSIZING (42ND TO 46TH)	\$750,000	\$750,000	16TH AVE SE WATER MAIN UPSIZING (42ND TO 46TH)
CITY OF MINOT	39TH AVE NW - 16TH ST TO US 83 BYPASS	\$4,500,000	\$4,500,000	39TH AVE NW - 16TH ST TO US 83 BYPASS
CITY OF MINOT	S BROADWAY - 20TH AVE TO 41ST AVE	\$25,300,000	\$25,300,000	S BROADWAY - 20TH AVE TO 41ST AVE
CITY OF MINOT	55TH ST SE - US 2 TO 20TH AVE SE	\$8,000,000	\$8,000,000	55TH ST SE - US 2 TO 20TH AVE SE
CITY OF MINOT	37TH AVE SW ST RECONSTRUCTION - 16TH ST TO 30TH ST	\$4,600,000	\$4,600,000	37TH AVE SW ST RECONSTRUCTION - 16TH ST TO 30TH ST
CITY OF MINOT	30TH ST SW STREET RECONSTRUCTION - 37TH AVE TO 20TH AVE	\$2,100,000	\$2,100,000	30TH ST SW STREET RECONSTRUCTION - 37TH AVE TO 20TH AVE
CITY OF MINOT	30TH AVE NW STREET RECONSTRUCTION - 16TH ST TO BROADWAY	\$6,500,000	\$6,500,000	30TH AVE NW STREET RECONSTRUCTION - 16TH ST TO BROADWAY
CITY OF MINOT	21ST AVE NW STREET RECONSTRUCTION - 16TH ST TO BYPASS	\$3,700,000	\$3,700,000	21ST AVE NW STREET RECONSTRUCTION - 16TH ST TO BYPASS
CITY OF MINOT	20TH AVE SW STREET RECONSTRUCTION - 22ND AVE SW TO 30TH ST SW	\$2,100,000	\$2,100,000	20TH AVE SW STREET RECONSTRUCTION - 22ND AVE SW TO 30TH ST SW
CITY OF MINOT	16TH ST NW - 36TH AVE TO BYPASS	\$1,500,000	\$1,500,000	16TH ST NW - 36TH AVE TO BYPASS
CITY OF MINOT	PUBLIC WORKS BUILDING EXPANSION	\$2,500,000	\$2,500,000	PUBLIC WORKS BUILDING EXPANSION
CITY OF MINOT	PUBLIC WORKS SANITATION BUILDING	\$1,900,000	\$1,900,000	PUBLIC WORKS SANITATION BUILDING
CITY OF MINOT	PUBLIC WORKS STREET DEPARTMENT BUILDING EXPANSION	\$3,000,000	\$3,000,000	PUBLIC WORKS STREET DEPARTMENT BUILDING EXPANSION
CITY OF WILLISTON	SEWER PLANT UPGRADE	\$50,000,000	\$25,000,000	SEWER PLANT UPGRADE
CITY OF WILLISTON	OFFICE BUILDING FOR BUILDING/PLANNING/ENGINEERING	\$5,640,000	\$5,640,000	OFFICE BUILDING FOR BUILDING/PLANNING/ENGINEERING
CITY OF WILLISTON	WATER AND SEWER DRAINAGE IMPROVEMENTS	\$28,200,000	\$28,200,000	WATER AND SEWER DRAINAGE IMPROVEMENTS
	Total	\$349,206,067	\$231,261,067	

Each hub city has provided the EIO with their top priority project for a pledge of awards funds as assigned the the 2013 Legislature in HB 1358. These projects and the recommended pledge awards are as follows:

POLITICAL SUB NAME	SHORT DESCRIPTION	AMOUNT REQUESTED	LONG DESCRIPTION	Recommended Pledge Award
CITY OF DICKINSON	WATER AND WASTEWATER INFRASTRUCTURE TO SUPPORT NEW HOUSING AND OTHER NEW DEVELOPMENT	\$59,900,000	West Lift station & Force main to serve West Ridge, Pinecrest, diesel refinery and the City of South Heart	\$7,000,000
CITY OF MINOT	NORTH SANITARY SEWER IMPROVEMENTS - #1 PRIORITY PROJECT	\$16,474,000	PROVIDE TRUNK SANITARY SEWER CAPACITY TO OVER 8,343 ACRES OF LAND SUPPORTING CONTINUED CITY GROWTH.	\$5,000,000
CITY OF WILLISTON	SEWER PLANT UPGRADE	\$25,000,000	SEWER PLANT UPGRADE	\$2,000,000
			Total Recommended for Pledge Awards	\$14,000,000

Recommendation: That the EIO inform the cities of Dickinson, Minot and Williston, the Board's intent to award \$14 million of grants during the 2013-2015 biennium for the projects and amounts identified in the preceding chart.

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

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: Summary of 2013 Non-EIIO Legislation Affecting the Board or Department
(No Action Required)

SB 2013, the appropriation and budget bill for the Commissioner of University and School Lands, was adopted largely as offered in the executive budget with six additional FTEs and operating, salary and equipment appropriations adequate to continue to effectively manage the trusts and the EIIO.

SB 2058 was introduced on behalf of the Board to allow the contracting of compliance reviews of entities required to remit Unclaimed Property reports. A provision was also added to the bill which permits the Tax Commissioner to confirm contact information of taxpayers in support of identifying owners of unclaimed property.

SB 2312 removes statutory minimum royalty on coal leased by the Board; and provides authority to adjust coal royalty rates in best interest of the trusts. The bill also allows the Board to retroactively renegotiate royalty rates on existing leases.

HB 1003 is the appropriation bill for the Attorney General which includes funding and authority for one FTE attorney position which was included in the executive budget, relating to the Department of Trust Lands legal work.

HB 1338 directs the Board to study issues related to the management and ownership of land associated with Lakes Oahe and Sakakawea. In an attempt to address the frustration of private landowners regarding federal land and operations around the Missouri River Reservoirs, a bill was introduced to implement a transfer of the land to private ownership. This was controversial proposal that resulted in contentious committee hearings. The resulting "hog housed" bill directs the Board of University and School Lands to "...study options to address the concerns of landowners adjacent to land under the control of the United States army corps of engineers..."

As stated in the bill, the issues to be studied "...must include consideration of control of noxious weeds, protecting public access for hunting and fishing, the costs of possible transition of land from the United States Army Corps of Engineers, and the costs associated with maintaining any property that may become a responsibility of the state. The study must also include consideration of the interests of North Dakota Indian tribes."

The Commissioner provided a fiscal note which estimated the cost of a comprehensive study at \$141,680. The Legislature instead appropriated \$50,000 of SIIF money for the study with the authority to request another \$50,000 from the emergency commission if needed.

After the effective date of the Legislation, the Commissioner intends to propose the hiring of a contractor to undertake the study on the Board's behalf.

Strategic Investment and Improvements Fund Several bills made changes that will impact inflows to and transfers from the Board managed Strategic Investment and Improvements Fund (SIIF).

Bills that establish expenditures from the SIIF:

HB 1013 - \$150 million increase in school construction loans (or medical loans if not used)

SB 2187 - \$50 million (plus contingency – see HB 1013) for medical facility loans.

HB 1015 - \$520 million transfer to the General Fund.

HB 1358 - \$21.2 million:

- \$2.0 million to Dept. of Commerce for grants to nursing homes and developmental disabled facilities in oil producing area
- \$9.6 million to Dept. of Human Services for grants to critical access hospitals in oil producing counties
- \$9.6 million to the Attorney General for grants to law enforcement in oil impacted counties

SB 2018 - \$2.5 million to Dept. of Commerce for a grant program to enhance business development near the Grand Forks Air Force Base

SB 2287 - \$25 million for bio-fuels loan guarantee and Bank of ND

SB 2013 - \$50,000 for the Land Board study of Corp of Engineers land around Oahe and Sakakawea

Revenue to the SIIF is impacted by changes in the Gross Production Tax distribution ratios, funding of the heritage fund, transfers to the legacy fund and other allocations of oil and gas taxes. The impact of these changes on SIIF is estimated on a table prepared by Legislative Council, which appears on the following pages.

The Commissioner is working with other agencies to appraise the timing of SIIF cash-flows in order to appropriately invest the money for the time-frames to have funds available as anticipated.

**LEGISLATIVE COUNCIL: ANALYSIS OF THE STRATEGIC
INVESTMENT AND IMPROVEMENTS FUND
FOR THE 2011-13 AND 2013-15 BIENNIA – (TENTATIVE)**

	2011-13 Biennium		2013-15 Biennium	
Beginning balance (transferred from the lands and minerals trust fund)		\$249,074,431 ¹		\$816,544,265
Add estimated revenues (based on current law)				
Production royalties	\$115,342,374		\$158,160,750	
Mineral leases	421,325		400,000	
Oil and gas bonuses	85,634,745		32,000,000	
Investment earnings	1,951,361		3,133,795	
Oil and gas tax collections	806,223,419		1,312,814,225	
Total estimated revenues		1,009,573,224		1,506,508,770
Estimated revenue adjustments for bills under consideration as of crossover				
Oil tax exemption for natural gas gathering lines (HB 1134)				(9,300,000)
Changes oil taxes and modifies tribal agreement (HB 1198)				25,890,000
Outdoor heritage fund (HB 1278)				(17,620,000)
Abandoned oil and gas well plugging fund (HB 1333)				(10,000,000)
Allocation of oil and gas taxes to political subdivisions (HB 1358)				(300,600,000)
Oil and gas impact grant fund deposits (HB 1358)				(140,000,000)
Increased allocation to oil and gas research fund (SB 2014)				(6,000,000)
Total estimated revenue adjustments		\$0		(\$457,630,000)
Total estimated revenue after adjustments		\$1,016,434,581		\$1,002,941,770
Total available		\$1,265,509,012		\$1,865,423,035
Less estimated expenditures and transfers				
Transfer to legacy fund from oil and gas tax revenue	\$128,271,194 ⁴		\$213,796,056 ⁴	
Transfer to legacy fund from other revenue sources	9,141,533 ⁴		47,395,163 ⁴	
Transfer to the general fund (2011 SB 2015)	305,000,000		520,000,000	
Expanded school construction loan program (2013 HB 1013)			150,000,000	

Item 3A

Grant program for nursing homes, basic care facilities, and providers of services to developmentally disabled individuals (2013 HB 1358)			2,000,000	
Grants to critical access hospitals (2013 HB 1358)			9,600,000	
Grants for law enforcement needs (2013 HB 1358)			9,600,000	
Provides for private land study (2013 SB 2013)			50,000	
Enhanced use lease grant program (SB 2018)			2,500,000	
Medical facility infrastructure loans (SB 2187)			50,000,000	
Administrative costs/other fees	1,406,002		1,740,000	
Total estimated expenditures and transfers		442,103,390		1,006,681,219
Estimated ending balance		\$816,544,265		\$858,741,816
Restricted fund income				
Reserve relating to potential title disputes		\$109,593,447		\$117,593,447
Bank of North Dakota - Maintain guarantee reserve fund balance (2011 SB 2306, 2013 SB 2287)		6,250,000		25,000,000
Ending balance - Undesignated		\$700,700,818		\$716,148,369

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: (Re) Appointment of the Commissioner of University and School Lands

Regarding the Commissioner of University and School Lands, NDCC section 15-02-02 reads as follows:

The term of office of the commissioner is four years beginning July first of the year following the general election of the board members and ending June thirtieth of the fourth calendar year after appointment or until a successor is appointed and qualified. The commissioner may be removed for cause at any time during the commissioner's term of office, by a vote of four or more board members. Upon vacancy by death, resignation, or removal, the board shall appoint a commissioner for the remainder of the four-year term.

Commissioner Gaebe was selected for the position on April 8, 2010, in a mid-term appointment. This term will expire on June 30, 2013, presuming that the section referenced above regarding the term commencing six-months after the general election, references the majority of the members of the Board.

Under the conditions of NDCC 15-02-02, the Commissioner respectfully requests the Board's review of his performance and compensation in consideration of his appointment for a second term, effective July 1, 2013.

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: Investment Performance Report for Quarter Ended March 31, 2013

(No Action Requested)

The investment performance report covers the performance of the Land Board's investment program for the period of January 1, 2013 – March 31, 2013.

This report is prepared quarterly to evaluate the performance of the investment portfolio as a whole, and the performance of the individual money managers hired to help meet the Board's investment goals and objectives.

**NORTH DAKOTA
BOARD OF UNIVERSITY AND SCHOOL LANDS**

INVESTMENT PERFORMANCE REPORT

For periods ended March 31, 2013



PERMANENT EDUCATIONAL TRUST ASSETS

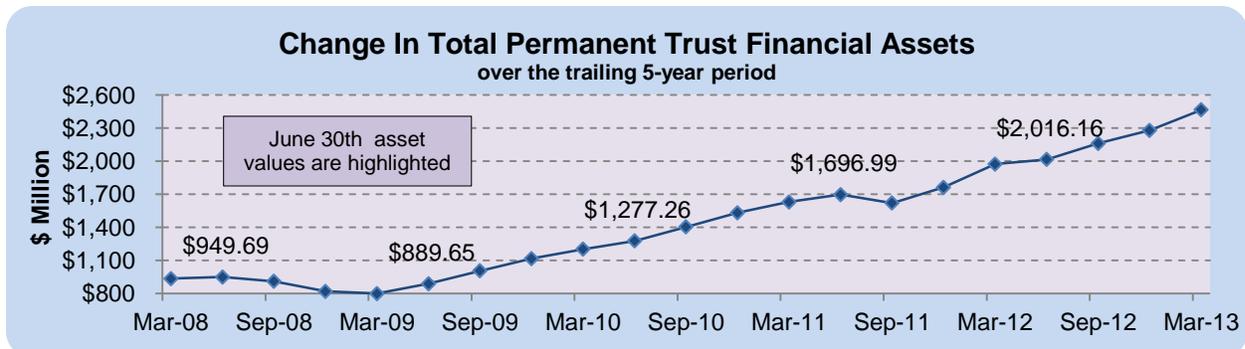
TOTAL TRUST ASSETS

The first section of this report shows combined data for the 13 permanent educational trust funds and the Indian Cultural Education Trust managed by the Board. Most assets of the trusts are invested in a pool. Each trust owns a share of the investments in the pool and each trust shares proportionately in the profits, losses and income generated by those investments.

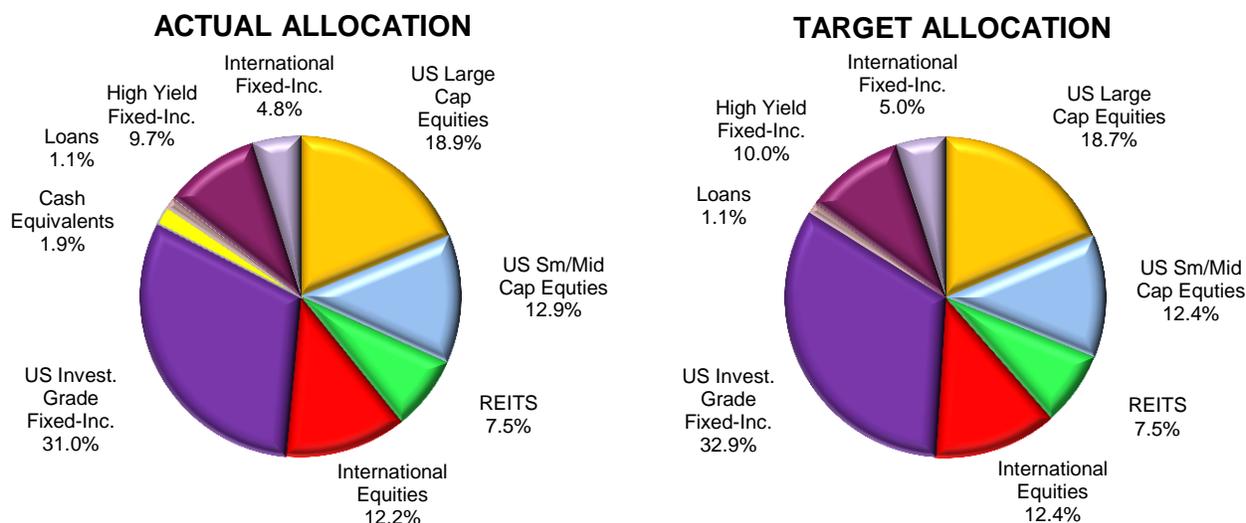
For the schedule below and for all other schedules, tables and charts that follow in this report, all loans, warrants, loan portfolios and certificate of deposits are valued at cost. All other investments in marketable securities, such as stocks, bonds, mutual funds and cash equivalents are valued at market value.

COMPARATIVE ASSET ALLOCATION SCHEDULE							
Date	Total Assets	Large Cap Equities	Sm/Mid Cap Equities	REITS	Convertible Securities	International Equities	Fixed Income
6/30/12 Rebalanced	\$2,016,161,000	\$302,424,000 15.0%	\$201,616,000 10.0%	\$120,970,000 6.0%	\$201,616,000 10.0%	\$201,616,000 10.0%	\$987,919,000 49.0%
3/31/13 Actual	\$2,466,511,000	\$464,458,000 18.9%	\$318,930,000 12.9%	\$185,157,000 7.5%	\$0 0.0%	\$301,696,000 12.2%	\$1,196,270,000 48.5%
3/31/13 Target	\$2,466,511,000	\$461,237,000 18.7%	\$305,847,000 12.4%	\$184,989,000 7.5%	\$0 0.0%	\$305,847,000 12.4%	\$1,208,591,000 49.0%

- ◆ On March 31, 2013, total trust financial assets stood at \$2.47 billion, up \$185.48 million for the quarter. The value of total trust assets has climbed by more than \$450 million during the first 9 months of fiscal year 2013.
- ◆ The 4.97% total return earned by the overall investment portfolio during the quarter was responsible for approximately \$112.40 million of trust growth. Oil and gas royalties (\$52.83 million) and oil extraction taxes (\$31.12 million) were the other primary drivers of trust growth during the quarter.
- ◆ \$18.0 million was distributed from the Common Schools Trust Fund to K-12 education in North Dakota during the quarter ended March 31, 2013. An additional \$1.48 million was distributed to the beneficiaries of the other 12 permanent trust funds during January of 2013.
- ◆ Total permanent trust fund assets have tripled in size since equity markets last bottomed out back in March, 2009.



ACTUAL ALLOCATION VS. TARGET ALLOCATION AS OF MARCH 31, 2013



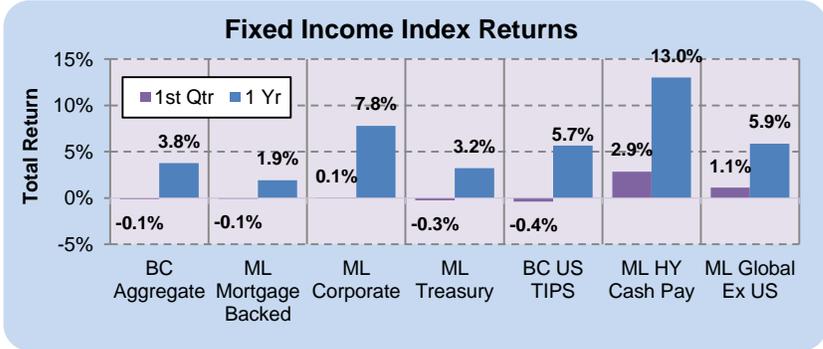
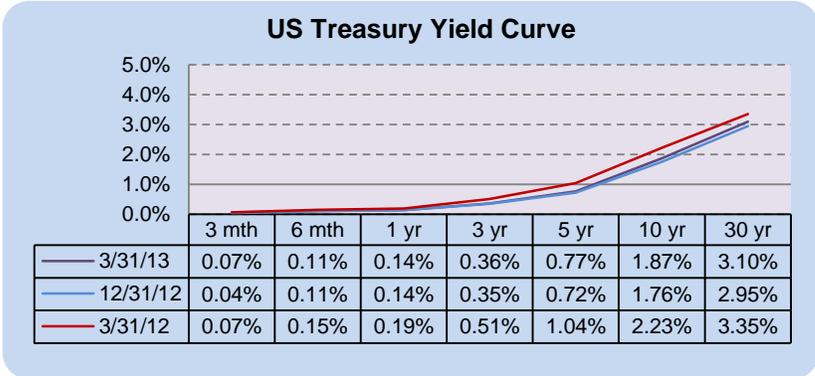
Asset Class	Actual \$ million	Actual %	Target \$ million	Target %	Difference \$ million	% Diff.
US Large Cap Equities	\$ 464.46	18.9%	\$ 461.23	18.7%	\$ 3.23	0.2%
US Sm/Mid Cap Equities	318.93	12.9%	305.85	12.4%	13.08	0.5%
REITS	185.16	7.5%	184.99	7.5%	0.17	0.0%
International Equities	301.69	12.2%	305.85	12.4%	(4.16)	(0.2%)
Total Equities	\$ 1,270.24	51.5%	\$ 1,257.92	51.0%	\$ 12.32	0.5%
US Invest. Grade Fixed-Income	765.45	31.0%	811.65	32.9%	(46.20)	(1.9%)
Cash Equivalents	45.61	1.9%	0.00	0.0%	45.61	1.9%
Loans	26.97	1.1%	26.97	1.1%	0.0	0.0%
High Yield Fixed-Income	238.85	9.7%	246.65	10.0%	(7.80)	(0.3%)
International Fixed-Income	119.39	4.8%	123.32	5.0%	(3.93)	(0.2%)
Total Fixed-Income	\$ 1,196.27	48.5%	\$ 1,208.59	49.0%	(\$ 12.32)	(0.5%)
Total Portfolio	\$ 2,466.51	100.0%	\$ 2,466.51	100.0%		

- ◆ The actual asset allocation of the portfolio on March 31, 2013 was close to the target allocation for the portfolio on that date, with equities being overweighted by about \$12.3 million (0.5%) and fixed income being underweighted by the same amount.
- ◆ Cash equivalents were the biggest overweight position at quarter's end due to the practice of counting the following month's cash flows (\$42.5 million in April 2013) in month ending asset totals. The program generally maintains a cash balance of approximately \$3 million after rebalancing at the end of each month.
- ◆ In April, the overweight position in cash equivalents was used to rebalance to various other fixed income portfolios. No funds were moved from equities to fixed income during the rebalancing process, as the overweight position was not of enough concern to sell equity assets to rebalance.
- ◆ Staff continued with the practice of using cash flows to rebalance the portfolio. Although this practice results in a slight overweight to equities during rising equity markets, it greatly reduces trading costs involved with selling equities one month and then turning around and buying more equities a month or two later.

FINANACIAL MARKET OVERVIEW

FIXED INCOME MARKETS

- ◆ The Treasury curve once again steepened slightly during the quarter, with longer-term rates climbing by 10-15 basis points while shorter-term rates remained relatively stable. On March 31, 2013, rates along all points on the yield curve were less than they were a year ago.
- ◆ The Fed continued to endorse a monetary easing policy when it reiterated that it will keep short-term rates near zero until unemployment falls below 6.5% or inflation expectations rise to more than 2.5%.
- ◆ Domestic credit spreads were mixed during the quarter, resulting in small or negative returns for many fixed income asset classes during the quarter. Tightening credit spreads resulted in high yield bonds being the best performing fixed income asset class during both the quarter and trailing year ended March, 31 2013.



EQUITY MARKETS

- ◆ Every equity asset class in the portfolio posted a positive return of more than 5.0% for the quarter ended March 31, 2013 and a return of more than 11.0% for the trailing year there ended.
- ◆ Small and mid-sized domestic equities posted the strongest returns for both the quarter and trailing year ended March 31, 2013, while large cap foreign equities, as measured by the EAFE Index, posted the weakest performance during both the quarter and year there ended.
- ◆ All sectors in the S&P 500 Index posted positive returns during the quarter ended March 31, 2013. Non-cyclical health care, consumer staples and utilities sectors posted the strongest returns during the quarter, while the materials and information technology were the weakest performing sectors during the quarter. Global monetary stimulus and an improving US economy helped drive the positive return posted by large cap foreign stocks (EAFE Index) during the quarter.



MANAGER AND PORTFOLIO RETURNS

RETURNS FOR PERIODS ENDED MARCH 31, 2013								
<u>Asset Class</u> MANAGER Benchmark/Index	3/31/13 Allocation (\$ mil.)	% of Total Portfolio	Last Qtr.	Last 1 Year	Last 3 Years	Last 5 Years	Last 10 Years	
Large Cap US Equity								
STATE STREET - S&P 500 Index	\$464.46	18.9%	10.61	13.94	12.68	-	-	
S&P 500 Index			10.61	13.95	12.67	5.81	8.53	
Small/Mid Cap US Equities	\$318.93	12.9%	12.38	16.41	13.38	-	-	
NORTHERN TRUST	\$123.78	5.0%	11.51	15.81	12.59	7.62	10.45	
STATE STREET - Small/Mid Index	\$195.15	7.9%	12.94	16.92	14.43	-	-	
60% R2000/40% Russell Mid Cap			12.62	16.71	13.99	8.84	11.88	
Russell Completeness Index			12.93	16.78	14.27	8.64	12.09	
Real Estate Investment Trusts (REITS)								
DELAWARE INVESTMENT ADVISORS	\$185.16	7.5%	6.91	13.00	17.66	6.93	-	
NAREIT Equity REIT Index			8.19	15.29	17.17	6.83	12.44	
TOTAL DOMESTIC EQUITIES	\$968.55	39.3%	10.45	13.98	12.34	-	-	
International Equities								
STATE STREET - International Alpha	\$301.69	12.2%	4.87	10.61	3.45	-	-	
NTGI - EAFE Index	\$245.86	10.0%	4.80	10.71	3.48	(2.36)	-	
MSCI EAFE Index	\$55.83	2.2%	5.17	-	-	-	-	
			5.13	11.25	5.00	(0.89)	9.69	
TOTAL EQUITIES	\$1,270.24	51.5%	9.07	13.29	10.63	3.78	8.42	
US Investment Grade Fixed Income								
PAYDEN & RYSEL - Aggregate	\$811.06	32.9%	0.54	5.77	6.60	-	-	
JP MORGAN - Intermediate	\$242.87	9.8%	0.02	6.15	6.87	7.09	5.85	
BND - Project Notes	\$242.58	9.8%	0.23	-	-	-	-	
PAYDEN & RYSEL - GNMA/Short Bond	\$2.70	0.1%	1.17	2.91	4.85	5.53	5.15	
NORTHERN TRUST - TIPS	\$97.47	4.0%	0.43	4.04	4.50	4.79	4.22	
PAYDEN & RYSEL - Cash	\$179.83	7.3%	(0.43)	5.62	8.62	5.92	-	
Barclay's Capital US Aggregate Index	\$45.61	1.9%	0.01	0.06	0.05	0.33	1.80	
Barclay's Intermediate Govt./Corp.			(0.12)	3.78	5.54	5.48	5.03	
Barclay's Capital TIPS			0.26	-	-	-	-	
6 Month T-Bill			(0.37)	5.67	8.55	5.88	-	
			0.10	0.22	0.20	0.52	1.86	
Loans	\$26.97	1.1%	1.25	5.64	6.13	-	-	
BND - Farm Loan Pool	\$24.89	1.0%	1.24	5.65	6.12	6.47	7.06	
BND - Energy Construction Loans	\$2.08	0.1%	1.37	5.55	-	-	-	
US High Yield Fixed Income								
LAZARD ASSET MANAGEMENT	\$238.85	9.7%	2.06	9.38	9.32	8.88	-	
Merrill Lynch US High Yield Cash Pay Index			2.85	13.03	10.90	11.19	-	
Merrill Lynch BB/B Index			2.37	12.44	10.76	10.12	-	
TOTAL DOMESTIC FIXED INCOME	\$1,076.88	43.7%	0.56	5.61	6.83	-	-	
International Invest. Grade Fixed Income								
FIRST INT'L ADVISORS	\$119.39	4.8%	0.88	7.21	5.45	5.85	-	
Merrill Lynch Broad Global (Ex-US) Index - Hedged			1.12	5.87	4.46	4.70	-	
TOTAL FIXED INCOME	\$1,196.27	48.5%	0.59	5.77	6.68	6.45	5.82	
TOTAL PORTFOLIO	\$2,466.51	100.0%	4.97	9.76	9.05	5.74	7.40	

All return figures for periods of 1 year or greater have been annualized. All returns are net of fees.

EQUITY PORTFOLIO REVIEW

- ◆ The combined equity portfolio posted a total return of 9.07% during the quarter. The equity portfolio posted positive returns of 13.29% and 10.63% for the trailing one and three-year periods ended March 31, 2013. It has earned an annualized return of 8.42% over the past 10 years.
- ◆ All of the permanent trusts' active equity portfolios (Northern Trust Small/Mid, Delaware REIT and State Street - International Alpha) underperformed versus their benchmarks for both the quarter and trailing year ended March 31, 2013.
- ◆ The equity index funds (State Street S&P 500 and Russell Completeness Funds and Northern Trust EAFE Index Fund) continue to follow index performance with acceptable amounts of tracking error. Any new money being added to equities will be added to these index funds, when possible, in anticipation of asset allocation changes that could occur once the asset allocation study is completed.
- ◆ As the Board may recall, the TCW convertible securities portfolio was liquidated during the 4th quarter of 2012 and the funds were reallocated to the other equity portfolios in proportion to their previous target percentages. The revised target asset allocations are reflected in the pie charts on page 2 of this report.

Northern Trust – Small/Mid Cap

- ◆ Northern Trust has underperformed the benchmark for this account for all periods shown in the table on page 4; however, they have outperformed their benchmark since inception of this account in April 1996.
- ◆ The adjustments to both the benchmark and manager lineup that were made to this portfolio in late 2011 have not worked out as well as expected to date. The portfolio has underperformed the new benchmark by 48 basis points (after fees) since the changes were made 15 months ago.
- ◆ During the quarter, two of the portfolio's value managers (CRM and Rutabaga) lagged their benchmarks by large margins. The portfolio's slightly higher than benchmark P/B and lower P/E hurt performance. Stock selection in the industrial and consumer discretionary sectors also hurt performance.

Delaware Investment Advisors

- ◆ Delaware underperformed versus the benchmark for this portfolio for both the quarter and trailing one-year period ended March 31, 2013; they have outperformed the index by a small margin for the trailing three and five-year periods there ended.
- ◆ Smaller, more highly leveraged REITs once again outperformed the higher quality, larger cap focus of the REIT portfolio Delaware manages for the Board.
- ◆ Strong stock selection in the lodging and industrials sectors added to performance, while the small to large cap return bias mentioned previously was especially evident in the healthcare and office sectors.

State Street Global Advisors (SSGA) – International Alpha

- ◆ State Street has underperformed the benchmark for this account for all periods shown in the table on page 4 and since inception of the account in early 2006.
- ◆ The portfolio's poor performance in March (105 bps < benchmark) wiped out the excess return that had been earned by the portfolio since a dynamic component was added to SSGA's quantitative model in early 2012.
- ◆ The Commissioner and staff met with SSGA in May to discuss the performance of this portfolio and the investment process. This portfolio will continue to be watched closely going forward.

FIXED INCOME PORTFOLIO REVIEW

- ◆ The combined fixed income portfolio posted a total return of 0.59% during the quarter ended March 31, 2013 and 5.77% for the trailing year there ended. Over the past 10 years the combined fixed income portfolio has returned an average of 5.82% per year.
- ◆ The only portfolio that didn't post a positive return for the quarter ended March 31, 2013 was the Northern Trust TIPS Index portfolio, which earned a total return of -0.43% for the quarter. Every fixed income portfolio posted a positive return for trailing year ended March 31, 2013.
- ◆ Absolute fixed income returns varied greatly during the quarter from a high of 2.06% for the Lazard high yield bond portfolio to the above noted -0.43% for the Northern Trust TIPS portfolio. .

Payden & Rygel – Aggregate

- ◆ This portfolio continues to post strong performance versus the benchmark and once again outperformed the Barclay's Capital Aggregate Index for all periods shown in the table on page 4.
- ◆ The portfolio's exposure to corporate bonds helped performance during the quarter as credit spreads continued to compress. Strong security selection also helped performance during the quarter. Slightly higher interest rates had a negative impact on the portfolio as did weak returns for mortgage securities.

J.P. Morgan – Intermediate

- ◆ The J.P. Morgan intermediate portfolio underperformed the benchmark Barclays Capital Govt./Corp. Intermediate Index by 3 basis points (net of fees) during the quarter ended March 31, 2013. It has outperformed the index by 29 basis points since inception of the account in August 2012.
- ◆ The portfolio's overweight position in mortgages hurt performance somewhat as did the portfolio's underweight to credit. The portfolio's underweight position in Treasuries added to the portfolio's performance for the quarter.

Northern Trust - TIPS

- ◆ This index portfolio continues to perform as one would expect over time.
- ◆ The Commissioner has the discretion to fund a TIPS portfolio up to 10% of the total investment portfolio. \$24 million was added to this portfolio in March of 2013.

Bank of North Dakota (BND) – Farm Loan Pool

- ◆ No new loans have been funded since April 2012, when it was decided that it wouldn't be prudent for the Board to lock up funds long-term at today's historic low interest rates. BND now makes the loans this office used to fund.
- ◆ As principal pay downs continue in this portfolio cash is swept out of the account and reinvested in other fixed income strategies. \$5.5 million of un-needed cash was transferred out of this account during March of 2013.

Lazard – High Yield

- ◆ Lazard has underperformed both the broad Cash Pay index and the higher quality BB/B index by various amounts for all periods shown in the table on page 4 of this report.
- ◆ As usual, the high quality nature of this portfolio was the primary driver of underperformance, as CCC securities returned 5.5% during the quarter while BB bonds earned an average of 1.9%. Lazard's conservative investment strategy cannot keep up with index returns that are driven by the historic spread tightening that has taken place since the credit crises in 2007/2008.

OTHER TRUSTS MANAGED BY THE LAND BOARD

The **Capitol Building Trust** was created for the construction and maintenance of “public buildings at the capital”. The **Strategic Investment and Improvements Fund (SIIF)** was created effective July 1, 2011, by way of House Bill 1451, which merged the roles of the former Budget Stabilization Fund and the former Lands and Minerals Trust Fund. Because the entire balance of both of these trusts can be appropriated by the legislature each biennium, trust assets are invested in conservative, short-term fixed income securities, such as short-term investment funds, U.S. T-Bills, U.S. T-Bonds, and BND CDs, all of which tend to have maturities of 2 years or less.

	3/31/13 Asset Balances	Current Yield
Capitol Building Trust	\$ 2,818,000	0.17%
Strategic Investment and Improvements Fund	\$ 650,523,000	0.16%

- ◆ The Capitol Building Trust continues to grow from higher than expected royalty revenues, even as funds continue to be drawn down to complete the \$2.6 million of Capitol Building improvements authorized by the 2011 legislature.
- ◆ The unobligated balance of the SIIF reached \$300 million in January 2013. According to law, once this happened, 25% of the oil tax money that was being deposited in the SIIF must now be deposited instead into the Legacy Fund. In addition, 25% of the royalty, bonus and other revenues earned by the SIIF each month must now be transferred to the Legacy Fund.
- ◆ In today’s low interest rate environment, it is expected that the yield of this portfolio will continue to decline going forward; at least until such time as the asset allocation study is complete and new investment policies and guidelines are adopted for the SIIF.

The **Coal Development Trust Fund** is a permanent fund from which the Land Board issues loans to energy impacted counties, cities and school districts as provided in NDCC Section 57-62-03, and loans to school districts pursuant to NDCC Chapter 15-60. The Land Board is responsible for investing all funds that have not been loaned to political subdivisions. Because these funds can be loaned at any time, they are invested in a conservative short-term fixed income portfolio managed by Payden & Rygel. The income earned by this fund is transferred to the General Fund each year.

	3/31/13 Asset Balances	Current Yield
Coal Development Trust Fund		
Coal Warrants	\$ 8,118,000	3.86%
School Construction Loans	\$ 35,140,000	2.09%
Marketable Securities	<u>\$ 21,879,000</u>	N/A - see returns below
Total	\$ 65,137,000	

Payden and Rygel – Coal

- ◆ Payden & Rygel has outperformed the benchmark Merrill Lynch 1-3 Year Treasury Index by various amounts for all periods shown in the table below. This portfolio continues to perform as expected.

	3/31/13 Asset Balance	Last Qtr.	Last 1 Year	Last 3 Years	Last 5 Years	Last 10 Years
Payden & Rygel Coal Dev.	\$21.88	0.36	1.63	1.82	2.16	2.68
ML 1-3 Year Treasury Index		0.12	0.63	1.24	1.74	2.67
All return figures for periods of 1 year or greater have been annualized. Returns are net of fees						

**NORTH DAKOTA
BOARD OF UNIVERSITY AND SCHOOL LANDS**

**QUARTERLY FINANCIAL REPORTS
(Unaudited)**

For period ended March 31, 2013



Board of University and School Lands		
Quarterly Comparative Financial Schedules (Unaudited)		
Schedule of Net Assets		
Assets by Trust:	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Common Schools	\$2,310,916,959	\$1,843,390,117
North Dakota State University	39,417,674	31,231,142
School for the Blind	5,473,862	4,296,179
School for the Deaf	13,663,185	11,212,021
State Hospital	11,160,643	9,969,411
Ellendale *	6,446,930	5,503,887
Valley City State University	6,427,500	4,824,076
Mayville State University	4,498,340	3,392,199
Youth Correctional Center	16,011,713	12,528,686
State College of Science	10,861,721	9,288,448
School of Mines **	12,545,946	10,899,559
Veterans Home	4,043,701	3,327,618
University of North Dakota	17,936,862	14,937,691
Capitol Building	2,818,963	3,531,561
Strategic Investment and Improvements	789,154,988	332,009,388
Coal Development	65,762,538	65,019,121
Indian Cultural Education Trust	762,585	693,134
Total	<u><u>\$3,317,904,110</u></u>	<u><u>\$2,366,054,238</u></u>
Assets by Type:		
Cash	18,918,126.00	12,605,426.00
Receivables	16,037,737	16,191,549
Investments	3,054,292,849	2,249,034,113
Office Building (Net of Depreciation)	672,427	721,603
Farm Real Estate	-	638,760
Farm Loans	23,627,647	36,522,678
Energy Construction Loans	2,063,780	2,272,066
Energy Development Impact Loans	8,118,117	8,578,553
School Construction Loans	35,140,138	24,811,475
Due to/from Other Trusts and Agencies	159,033,289	14,678,015
Total	<u><u>\$3,317,904,110</u></u>	<u><u>\$2,366,054,238</u></u>

*** Ellendale Trust**

The following entities are equal beneficiaries of the Ellendale Trust:

Dickinson State University	School for the Blind
Minot State University	Veterans Home
Dakota College at Bottineau	State Hospital
	State College of Science - Wahpeton

**** School of Mines**

Benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

Board of University and School Lands

Quarterly Comparative Financial Statements (Unaudited)

Combined Permanent Trusts

	March 31, 2013	March 31, 2012
Balance Sheet		
Assets:		
Cash	\$13,406,507	\$4,796,287
Interest Receivable	15,228,347	15,326,318
Accounts Receivable	-	-
Investments	2,388,280,035	1,894,751,639
Farm Real Estate	-	638,760
Farm Loans	23,627,647	36,522,678
Energy Construction Loans	2,063,780	2,272,066
Due from Other Agencies	20,584,783	14,517,904
Due from Other Trusts	-	-
Office Building (Net of Depreciation)	672,427	721,603
Total Assets	\$2,463,863,526	\$1,969,547,255
Liabilities:		
Unclaimed Property Claimant Liability	\$4,428,596	\$4,701,766
Due to Other Trusts	-	-
Due to Other Funds	29,893	44,441
Accounts Payable	-	-
Total Liabilities	4,458,489	4,746,207
Equity:		
Fund Balance	2,041,671,742	1,727,400,987
Net Income/(Loss)	417,733,295	237,400,061
Total Liabilities and Equity	2,463,863,526	\$1,969,547,255
Income Statement		
Income:		
Investment Income	\$36,238,579	\$39,330,939
Realized Gain/(Loss)	32,233,750	17,301,105
Unrealized Gain/(Loss)	168,991,879	16,446,087
Royalties - Oil and Gas	108,558,306	75,835,933
Royalties - Coal	2,927,718	2,699,259
Royalties - Aggregate	288,454	41,151
Bonuses - Oil and Gas	12,581,032	60,781,229
Bonuses - Coal	-	-
Rents - Surface	9,592,058	7,970,424
Rents - Mineral	176,767	438,522
Rents - Office Building	46,537	46,537
Gain/Loss on Sale of Land - OREO	271	-
Sale of Capital Asset	380,600	-
Tobacco Settlement Income	-	-
Oil Extraction Tax Income	86,737,956	58,676,101
Unclaimed Property Income	5,074,442	3,242,849
Total Income	463,828,349	282,810,136
Expenses and Transfers:		
Investment Expense	2,848,492	2,467,584
In-Lieu and 5% County Payments	212,892	186,629
Administrative Expense	1,550,171	1,272,361
Transfers to Beneficiaries	41,483,499	41,483,501
Total Expense and Transfers	46,095,054	45,410,075
Net Income/(Loss)	\$417,733,295	\$237,400,061

Board of University and School Lands

Quarterly Comparative Financial Statements (Unaudited)

Capitol Building Trust

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<u>Balance Sheet</u>		
Assets:		
Cash	\$317,209	\$298,249
Interest Receivable	933	3,212
Investments	2,500,821	3,230,100
Due from other Trusts and Agencies	-	-
Total Assets	<u><u>\$2,818,963</u></u>	<u><u>\$3,531,561</u></u>
Liabilities:		
Due to Other Trusts and Agencies	\$0	\$0
Equity:		
Fund Balance	3,252,822	3,367,501
Net Income	<u>(433,859)</u>	<u>164,060</u>
Total Liabilities and Equity	<u><u>\$2,818,963</u></u>	<u><u>\$3,531,561</u></u>
<u>Income Statement</u>		
Income:		
Investment Income	\$2,948	\$11,994
Rents - Surface	105,821	105,264
Rents - Mineral	(21,335)	92,240
Royalties - Oil and Gas	251,950	134,716
Bonuses - Oil and Gas	-	28,540
Royalties - Coal	-	-
Unrealized Gain/(Loss)	-	-
Total Income	<u>339,384</u>	<u>372,754</u>
Expenses and Transfers:		
Investment Expense	-	-
In-Lieu and 5% County Payments	3,003	2,531
Administrative Expense	20,240	16,163
Transfers to Facility Management	<u>750,000</u>	<u>190,000</u>
Total Expense and Transfers	<u>773,243</u>	<u>208,694</u>
Net Income/(Loss)	<u><u>(\$433,859)</u></u>	<u><u>\$164,060</u></u>

Board of University and School Lands

Quarterly Comparative Financial Statements (Unaudited)

Coal Development Trust

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<u>Balance Sheet</u>		
Assets:		
Cash	\$1,545	\$1,641
Interest Receivable	463,352	512,113
Investments	21,878,912	30,955,229
Coal Impact Loans	8,118,117	8,578,553
School Construction Loans	35,140,138	24,811,475
Due from other Trusts and Agencies	534,913	533,703
Total Assets	<u>\$66,136,977</u>	<u>\$65,392,714</u>
Liabilities:		
Accounts Payable	\$374,439	\$373,592
Equity:		
Fund Balance	64,360,254	63,449,566
Net Income	1,402,284	1,569,556
Total Liabilities and Equity	<u>\$66,136,977</u>	<u>\$65,392,714</u>
<u>Income Statement</u>		
Income:		
Investment Income	\$233,592	\$316,717
Interest on School Construction Loans	349,027	461,248
Realized Gain/(Loss)	99,630	52,300
Unrealized Gain/(Loss)	54,996	31,693
Coal Severance Tax Income	718,699	737,374
Total Income	<u>1,455,944</u>	<u>1,599,332</u>
Expenses and Transfers:		
Investment	32,926	27,260
Administrative	2,654	2,516
Transfers to General Fund	18,080	-
Total Expense and Transfers	<u>53,660</u>	<u>29,776</u>
Net Income/(Loss)	<u>\$1,402,284</u>	<u>\$1,569,556</u>

Board of University and School Lands

Quarterly Comparative Financial Statements (Unaudited)

Indian Cultural Trust

	March 31, 2013	March 31, 2012
<u>Balance Sheet</u>		
Assets:		
Cash	\$2,936	\$1,210
Interest Receivable	1,490	1,444
Investments	758,159	690,480
Total Assets	\$762,585	\$693,134
Liabilities:		
Due to Other Funds	-	-
Accounts Payable	-	-
Total Liabilities	-	-
Equity:		
Fund Balance	683,831	667,591
Net Income (Loss)	78,754	25,544
Total Liabilities and Equity	\$762,585	\$693,134
<u>Income Statement</u>		
Income:		
Investment Income	\$11,653	\$14,305
Realized Gain/(Loss)	10,679	6,751
Unrealized Gain/(Loss)	55,699	4,593
Rents - Surface	2,000	2,000
Bonuses - Oil and Gas	-	-
Total Income	80,031	27,649
Expenses and Transfers:		
Investment Expense	882	865
In-Lieu and 5% County Payments	392	316
Administrative Expense	3	924
Transfers to Beneficiary	-	-
Total Expense and Transfers	1,277	2,105
Net Income/(Loss)	78,754	\$25,544

Board of University and School Lands

Quarterly Comparative Financial Statements (Unaudited)

Strategic Investment and Improvements Fund

	March 31, 2013	March 31, 2012
Balance Sheet		
Assets:		
Cash	\$5,189,930	\$7,508,040
Interest Receivable	343,614	348,476
Investments	645,333,411	324,152,875
Due from other Trusts or Agencies	138,288,032	-
Total Assets	\$789,154,987	\$332,009,391
Liabilities:		
Accounts Payable	\$0	\$0
Equity:		
Fund Balance	387,713,205	249,074,434
Net Income	401,441,782	82,934,957
Total Liabilities and Equity	\$789,154,987	\$332,009,391
Income Statement		
Income:		
Investment Income	\$520,133	\$397,925
Royalties - Oil and Gas	45,527,295	28,837,817
Bonuses - Oil and Gas	42,900,691	53,891,507
Royalties - Coal	362,644	137,379
Bonuses - Coal	-	-
Rents - Mineral	128,288	172,066
Tax Income - Oil Extraction & Production Distribution	619,049,391	-
Total Income	708,488,442	83,436,694
Expenses and Transfers:		
Administrative	571,522	400,175
DD Loan Payments (Net)		101,562
Transfers to General Fund	305,000,000	-
Transfers to Legacy Fund	1,475,138	-
Total Expense and Transfers	307,046,660	501,737
Net Income/(Loss)	401,441,782	82,934,957

The Strategic Investment and Improvements Fund (SIIF) has an assigned fund balance of \$135,088,021.28 as of March 31, 2013; this designation means that these funds should not be transferred out of the SIIF. The first \$128,838,021.28 of the assigned fund balance will be held until potential title disputes related to certain riverbed leases have been resolved. The remaining \$6,250,000 will be held to potentially fund 25% of the guarantee reserve fund for the Fuel Production Facility Loan Guarantee Program administered by the Bank of North Dakota (NDCC 6-09.7-05).

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: Revenue Compliance Division Update
(No Action Required)

The Revenue Compliance Division ensures that royalty and other collections made on behalf of the trusts and other funds are complete and accurate. The Division reviews oil and gas royalty payments to determine if payments were made in accordance with the Board's lease terms, rules and regulations, and North Dakota statutes. The oil and gas royalty revenue collected thru March of FY 2013 was \$187,877,838. Included in this total is \$2.4 million that is a result of enhanced efforts to examine royalty reports and submittals. The additional collections and corrections are detailed in the following table:

REVENUE COMPLIANCE SUMMARY			
	Fiscal Year Ended June 30, 2012		Three Quarters Ended March 31, 2013
Additional Royalties Collected	\$ 5,033,003		\$ 2,416,702
Additional Taxes or Other Deductions Collected	\$ 541,319		\$ 698,189
Penalties Collected	\$ 437,279		\$ 174,340
Total Collected	\$ 6,011,601		\$ 3,289,231
NDIC Report Corrections	21		32

The "penalty" provision in the Board's lease is calculated at the rate of 1% per 30 days. Although it is called a penalty, it is based on the time value of money, and is assessed in lieu of seeking interest on late royalty payments as provided for in N.D.C.C. 47-16-39.1. While \$9.3 million has been collected as a result of the Revenue Division's efforts, most of the money owed is a result of errors and interpretations made by operating oil companies, not the deliberate underpayment of royalties.

In addition to royalty collection efforts, the Revenue Compliance Division together with the Minerals Management Division has worked to identify non and low producing leases in an effort to encourage leaseholders to satisfy the terms or terminate the lease.

These efforts have motivated operators to renegotiate lease terms and bring the wells back to a more productive status, or to acknowledge the lack of production and allow the lease to expire. To date, this action has resulted in 2,468 acres that were previously designated as "held by production" being made available to lease again, where they can generate new lease bonus revenues for the trusts and eventually higher production and royalty revenues. Some of the acres are on the list for the May 2013 auction.

NON-PRODUCING LEASE SUMMARY			
	Fiscal Year Ended June 30, 2012		Three Quarters Ended March 31, 2013
Acres Relinquished	2,059.86		407.95
Bonus Received from Relinquished Acres	\$ 0		\$ 259,230

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: Report of Easements Issued by Land Commissioner

(03-15-13 through 05-08-13: No Action Requested)

Granted to: CONSOLIDATED ENTERPRISES INC, DICKINSON-ND
For the Purpose of: Easement: Communication Cable
Right-of-Way Number: RW0005876
Date Issued: 3/27/2013
Application Fee: \$400.00
Right-of-way Income: \$806.00
Damage Payment to Lessee: N/A
Length (Rods): 1289.59
Area (Acres): 16.11
Legal Description: BIL-137-100-16-NW4, SE4
Legal Description: BIL-138-100-8-NW4
Legal Description: BIL-139-100-20-NE4
Legal Description: BIL-140-100-16-NW4
Legal Description: BIL-142-100-16-SE4
Legal Description: BIL-143-99-16-NW4

Granted to: HILAND OPERATING LLC, ENID-OK
For the Purpose of: Easement: Gas Gathering Pipeline
Right-of-Way Number: RW0006054
Date Issued: 4/16/2013
Application Fee: \$75.00
Right-of-way Income: \$39,319.89
Damage Payment to Lessee: \$297.11
Length (Rods): 396.17
Area (Acres): 4.96
Legal Description: WIL-153-98-16-NE4, NW4, SE4

Granted to: WILTON WIND IV LLC, JUNO BEACH-FL
For the Purpose of: Easement: Wind electric collection line
Right-of-Way Number: RW0006060
Date Issued: 4/16/2013
Application Fee: \$50.00
Right-of-way Income: \$8,654.00
Damage Payment to Lessee: N/A
Length (Rods): 173.32
Area (Acres): 2.16
Legal Description: BRL-142-78-16-SE4, SW4

Granted to: SOUTHWEST WATER AUTHORITY, DICKINSON-ND
For the Purpose of: Easement-Amend: Potable Water Pipeline
Right-of-Way Number: RW0006086
Date Issued: 3/14/2013
Application Fee: \$50.00
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Length (Rods): 164.34
Area (Acres): 2.05
Legal Description: GOL-144-103-2-SW4

Granted to: ZAVANNA LLC, DENVER-CO
For the Purpose of: Easement: Salt Water Pipeline
Right-of-Way Number: RW0006242
Date Issued: 4/3/2013
Application Fee: \$50.00
Right-of-way Income: \$502.35
Damage Payment to Lessee: N/A
Length (Rods): 5.91
Area (Acres): 0.07
Legal Description: MCK-150-102-36-SW4

Granted to: WEST DAKOTA WATER LLC, BISMARCK-ND
For the Purpose of: Easement: Potable Water Pipeline
Right-of-Way Number: RW0006313
Date Issued: 4/12/2013
Application Fee: \$50.00
Right-of-way Income: \$16,526.13
Damage Payment to Lessee: \$124.87
Length (Rods): 166.5
Area (Acres): 2.08
Legal Description: MCK-152-102-16-SE4

Granted to: MCKENZIE ELECTRIC COOP INC, WATFORD CITY-ND
For the Purpose of: Easement: Electric Distribution Line
Right-of-Way Number: RW0006398
Date Issued: 4/12/2013
Application Fee: \$150.00
Right-of-way Income: \$3,988.00
Damage Payment to Lessee: N/A
Length (Rods): 329.27
Area (Acres): 4.12
Legal Description: MCK-151-96-36-NW4, SE4, SW4

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND
For the Purpose of: Easement: Electric Distribution Line
Right-of-Way Number: RW0006405
Date Issued: 5/3/2013
Application Fee: \$50.00
Right-of-way Income: \$1,867.96
Damage Payment to Lessee: N/A
Length (Rods): 260.8
Area (Acres): 3.26
Legal Description: MOU-150-92-10-S2SW4

Granted to: BRIDGER PIPELINE LLC, CASPER-WY
For the Purpose of: Easement: Oil Gathering Pipeline
Right-of-Way Number: RW0006490
Date Issued: 4/12/2013
Application Fee: \$50.00
Right-of-way Income: \$29,039.60
Damage Payment to Lessee: \$189.90
Length (Rods): 211
Area (Acres): 2.63
Legal Description: MCK-151-96-36-SE4, SW4

Granted to: HILAND CRUDE LLC, ENID-OK
For the Purpose of: Easement: Oil Gathering Pipeline
Right-of-Way Number: RW0006503
Date Issued: 5/7/2013
Application Fee: \$175.00
Right-of-way Income: \$136,065.53
Damage Payment to Lessee: \$1,244.47
Length (Rods): 1338.1
Area (Acres): 16.7
Legal Description: WIL-156-99-16-NE4, SE4
Legal Description: WIL-157-98-16-NE4, NW4
Legal Description: WIL-157-99-36-NE4, SE4, SW4

Granted to: RESERVATION TELEPHONE COOP, PARSHALL-ND
For the Purpose of: Easement: Communication Cable
Right-of-Way Number: RW0006508
Date Issued: 3/20/2013
Application Fee: \$50.00
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Length (Rods): 45.35
Area (Acres): 0.57
Legal Description: MCK-150-95-36-LOTS 1,2

Granted to: CONSOLIDATED ENTERPRISES INC, DICKINSON-ND
For the Purpose of: Easement: Communication Cable
Right-of-Way Number: RW0006517
Date Issued: 3/20/2013
Application Fee: \$50.00
Right-of-way Income: \$243.48
Damage Payment to Lessee: N/A
Length (Rods): 121.74
Area (Acres): 1.52
Legal Description: DUN-147-96-36-NE4

Granted to: SADDLE BUTTE ASSETS LLC, DURANGO-CO
For the Purpose of: Easement: Oil Gathering Pipeline
Right-of-Way Number: RW0006531
Date Issued: 3/20/2013
Application Fee: \$100.00
Right-of-way Income: \$74,061.35
Damage Payment to Lessee: \$564.65
Length (Rods): 746.26
Area (Acres): 9.33
Legal Description: MOU-153-91-16-NE4, NW4, SW4
Legal Description: MOU-155-91-34-S2NE4, N2SE4

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND
For the Purpose of: Easement: Electric Transmission Line
Right-of-Way Number: RW0006534
Date Issued: 5/3/2013
Application Fee: \$100.00
Right-of-way Income: \$5,400.00
Damage Payment to Lessee: N/A
Length (Rods): 303.45
Area (Acres): 4.57
Legal Description: WIL-154-100-16-NE4
Legal Description: WIL-155-100-28-S2SE4

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND
For the Purpose of: Easement: Electric Distribution Line
Right-of-Way Number: RW0006541
Date Issued: 5/3/2013
Application Fee: \$100.00
Right-of-way Income: \$2,500.00
Damage Payment to Lessee: N/A
Length (Rods): 394.74
Area (Acres): 4.93
Legal Description: MOU-155-91-34-S2NE4, N2SE4, SW4

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND
For the Purpose of: Easement: Electric Distribution Line
Right-of-Way Number: RW0006551
Date Issued: 3/14/2013
Application Fee: \$100.00
Right-of-way Income: \$3,200.00
Damage Payment to Lessee: N/A
Length (Rods): 357.64
Area (Acres): 4.47
Legal Description: MOU-155-94-36-NE4, SE4

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND
For the Purpose of: Easement-Amend: Electric Distribution Line
Right-of-Way Number: RW0006564
Date Issued: 5/3/2013
Application Fee: \$50.00
Right-of-way Income: \$2,200.00
Damage Payment to Lessee: N/A
Length (Rods): 175.59
Area (Acres): 2.19
Legal Description: WIL-158-95-36-NE4

Granted to: HILAND CRUDE LLC, ENID-OK
For the Purpose of: Easement: Oil Gathering Pipeline
Right-of-Way Number: RW0006574
Date Issued: 3/14/2013
Application Fee: \$50.00
Right-of-way Income: \$1,485.50
Damage Payment to Lessee: \$17.23
Length (Rods): 19.15
Area (Acres): 0.24
Legal Description: WIL-159-96-16-NE4

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of: Easement: Gas Gathering Pipeline
Right-of-Way Number: RW0006585
Date Issued: 4/29/2013
Application Fee: \$50.00
Right-of-way Income: \$4,437.11
Damage Payment to Lessee: \$43.59
Length (Rods): 48.44
Area (Acres): 0.61
Legal Description: MCK-151-99-36-SE4

Granted to: WHITING OIL & GAS CORPORATION, DENVER-CO
For the Purpose of: Easement: Gas Gathering Pipeline
Right-of-Way Number: RW0006586
Date Issued: 3/25/2013
Application Fee: \$50.00
Right-of-way Income: \$6,713.70
Damage Payment to Lessee: \$136.30
Length (Rods): 136.3
Area (Acres): 1.7
Legal Description: MOU-155-91-30-NE4

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND
For the Purpose of: Easement: Electric Distribution Line
Right-of-Way Number: RW0006596
Date Issued: 5/3/2013
Application Fee: \$50.00
Right-of-way Income: \$500.00
Damage Payment to Lessee: N/A
Length (Rods): 22.51
Area (Acres): 0.28
Legal Description: WIL-153-99-16-NW4

Granted to: ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of: Easement: Gas Gathering Pipeline
Right-of-Way Number: RW0006598
Date Issued: 3/21/2013
Application Fee: \$50.00
Right-of-way Income: \$18,417.93
Damage Payment to Lessee: \$82.07
Length (Rods): 164.15
Area (Acres): 2.05
Legal Description: MCK-153-98-36-SW4

Granted to: SAMSON RESOURCES COMPANY, TULSA-OK
For the Purpose of: On-lease Act. Amend: Horizontal Oil Well
Right-of-Way Number: RW0006600
Date Issued: 4/5/2013
Application Fee: N/A
Right-of-way Income: \$20,000.00 (From Row#6426)
Damage Payment to Lessee: \$361.15
Length (Rods): N/A
Area (Acres): 2
Legal Description: DIV-163-100-36-SW4

Granted to: MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND
For the Purpose of: Easement-Amend: Drop Line-Electric
Right-of-Way Number: RW0006617
Date Issued: 5/3/2013
Application Fee: \$50.00
Right-of-way Income: \$100.00
Damage Payment to Lessee: N/A
Length (Rods): 2.00
Area (Acres): 0.02
Legal Description: MOU-153-90-16-SW4

Granted to: AMERICAN EAGLE ENERGY CORP, LITTLETON-CO
For the Purpose of: Easement: Directional Wellsite Location
Right-of-Way Number: RW0006623
Date Issued: 4/12/2013
Application Fee: \$50.00
Right-of-way Income: \$2,500.00
Damage Payment to Lessee: N/A
Length (Rods): 132
Area (Acres): 8.67
Legal Description: DIV-164-101-36-SE4, SW4

Granted to: RESERVATION TELEPHONE COOP, PARSHALL-ND
For the Purpose of: Easement: Communication Cable
Right-of-Way Number: RW0006624
Date Issued: 5/7/2013
Application Fee: \$50.00
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Length (Rods): 44.5
Area (Acres): 0.56
Legal Description: MCL-148-90-16-E2NE4

Granted to: CONSOLIDATED ENTERPRISES INC, DICKINSON-ND
For the Purpose of: Easement: Communication Cable
Right-of-Way Number: RW0006625
Date Issued: 4/2/2013
Application Fee: \$150.00
Right-of-way Income: \$299.70
Damage Payment to Lessee: N/A
Length (Rods): 479.18
Area (Acres): 6
Legal Description: STA-137-99-16-NW4, SW4
Legal Description: STA-138-99-24-NE4

Granted to: CONSOLIDATED ENTERPRISES INC, DICKINSON-ND
For the Purpose of: Easement: Easement Release
Right-of-Way Number: RW0006628
Date Issued: 4/4/2013
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Length (Rods): N/A
Area (Acres): 465.82
Legal Description: SLO-136-100-36-NW4
Legal Description: STA-137-99-16-NW4, SW4

Granted to: CONSOLIDATED ENTERPRISES INC, DICKINSON-ND
For the Purpose of: Easement: Easement Release
Right-of-Way Number: RW0006629
Date Issued: 4/4/2013
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Length (Rods): N/A
Area (Acres): 312.8
Legal Description: STA-137-99-16-NW4, SW4

Granted to: **CONSOLIDATED ENTERPRISES INC, DICKINSON-ND**
For the Purpose of: Easement: Easement Release
Right-of-Way Number: RW0006630
Date Issued: 4/4/2013
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Length (Rods): N/A
Area (Acres): 160
Legal Description: STA-138-99-24-NE4

Granted to: **TARGA ASSETS LLC, HOUSTON-TX**
For the Purpose of: Easement: Oil Gathering Pipeline
Right-of-Way Number: RW0006631
Date Issued: 3/25/2013
Application Fee: \$50.00
Right-of-way Income: \$17,700.25
Damage Payment to Lessee: \$133.75
Length (Rods): 178.34
Area (Acres): 2.23
Legal Description: MCK-153-102-36-E2SW4 E OF ROAD, SE4

Granted to: **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**
For the Purpose of: Easement: Gas Gathering Pipeline
Right-of-Way Number: RW0006634
Date Issued: 4/16/2013
Application Fee: \$50.00
Right-of-way Income: \$2,419.01
Damage Payment to Lessee: \$40.99
Length (Rods): 40.99
Area (Acres): 0.51
Legal Description: DIV-160-98-25-NW4

Granted to: **MCKENZIE ELECTRIC COOP INC, WATFORD CITY-ND**
For the Purpose of: Easement-Amend: Electric Distribution Line
Right-of-Way Number: RW0006635
Date Issued: 4/12/2013
Application Fee: \$50.00
Right-of-way Income: \$108.00
Damage Payment to Lessee: N/A
Length (Rods): 4
Area (Acres): 0.05
Legal Description: MCK-150-95-16-NW4

Granted to: **LIBERTY RESOURCES LLC, DENVER-CO**
For the Purpose of: On-lease Act. Amend: Horizontal Oil Well
Right-of-Way Number: RW0006640
Date Issued: 3/20/2013
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Length (Rods): N/A
Area (Acres): 0
Legal Description: WIL-156-100-9-S2SE4

Granted to: **BEAR TRACKER ENERGY LLC, DENVER-CO**
For the Purpose of: Easement: Multiple Pipelines
Right-of-Way Number: RW0006643
Date Issued: 4/5/2013
Application Fee: \$50.00
Right-of-way Income: \$1,316.00
Damage Payment to Lessee:
Length (Rods): 13.16
Area (Acres): 0.13
Legal Description: WIL-154-97-16-NW4

Granted to: **SELECT ENERGY SERVICES, WILLISTON-ND**
For the Purpose of: Permit:
Right-of-Way Number: RW0006663
Date Issued: 4/16/2013
Application Fee: \$50.00
Right-of-way Income: N/A
Damage Payment to Lessee:
Length (Rods): 257.57
Area (Acres): 0.98
Legal Description: WIL-154-102-36-SW4

Granted to: **MOUNTRAIL-WILLIAMS ELECTRIC COOP, WILLISTON-ND**
For the Purpose of: Easement-Amend: Electric Distribution Line
Right-of-Way Number: RW0006645
Date Issued: 5/3/2013
Application Fee: \$150.00
Right-of-way Income: \$2,600.00
Damage Payment to Lessee: N/A
Length (Rods): 659.73
Area (Acres): 7.73
Legal Description: WIL-156-95-36-NE4, SE4, SW4

Granted to: **BEAR TRACKER ENERGY LLC, DENVER-CO**
For the Purpose of: Easement: Oil Gathering Pipeline
Right-of-Way Number: RW0006648
Date Issued: 4/30/2013
Application Fee: \$50.00
Right-of-way Income: \$18,877.93
Damage Payment to Lessee: \$140.07
Length (Rods): 186.77
Area (Acres): 1.77
Legal Description: BRK-160-93-16-NE4, SE4

Granted to: **STATOIL OIL AND GAS LP, AUSTIN-TX**
For the Purpose of: Easement: Salt Water Pipeline
Right-of-Way Number: RW0006657
Date Issued: 5/7/2013
Application Fee: \$50.00
Right-of-way Income: \$700.00
Damage Payment to Lessee: N/A
Length (Rods): 7.03
Area (Acres): 0.09
Legal Description: MCK-153-98-36-SW4

Granted to:	TARGA ASSETS LLC, HOUSTON-TX
For the Purpose of:	Easement-Amend: Oil Gathering Pipeline
Right-of-Way Number:	RW0006659
Date Issued:	4/30/2013
Application Fee:	\$50.00
Right-of-way Income:	N/A
Damage Payment to Lessee:	N/A
Length (Rods):	354.74
Area (Acres):	4.43
Legal Description:	MCK-149-99-16-NE4, NW4

The following letters of permission were issued.

US Geological Survey, Jamestown, ND	Access to School Lands Grassland bird study
Dennis Nelson, Mandan, ND	Access to School Land

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: Spring 2013 Surface Lease Auction Results
(No Action Required)

The 2013 spring lease auctions were conducted in March and April. The summary of auction results (with comparisons to last spring's auctions) is shown in the table below.

	Spring 2012	Spring 2013
# Of Counties	24	23
# Of Tracts Offered	81	77
# Of Tracts Leased	55 (62%)	66 (86%)
# Of Leased Tracts Bid-Up	10 (18%)	20 (30%)
Minimum \$ Advertised (Leased Tracts)	\$75,663	\$104,069
\$ Amount Received	\$86,970 (15% over minimum)	\$139,753 (34% over minimum)

All payments from spring auctions have cleared and no outstanding issues remain. The Commissioner has approved all leases acquired at the spring auctions.

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 30, 2013

RE: May 2013 Oil and Gas Lease Auction Results
(No Action Requested)

May 2013

	Mineral Acres	Total Bonus	Bonus/acre
<i>Billings</i>	559.22	\$10,707.88	\$19.15
<i>Bottineau</i>	176.00	\$9,848.00	\$55.95
<i>Bowman</i>	160.00	\$4,400.00	\$27.50
<i>Burke</i>	1,401.26	\$1,012,549.00	\$722.60
<i>Dunn</i>	1,450.43	\$8,796,958.00	\$6,065.07
<i>Hettinger</i>	168.00	\$6,040.00	\$35.95
<i>McKenzie</i>	2,702.40	\$2,611,405.50	\$966.33
<i>McLean</i>	492.70	\$57,505.00	\$116.71
<i>Mountrail</i>	3,341.42	\$229,364.45	\$68.64
<i>Renville</i>	80.00	\$4,800.00	\$60.00
<i>Slope</i>	1,996.71	\$177,502.13	\$88.90
<i>Stark</i>	160.00	\$90,400.00	\$565.00
<i>Ward</i>	2,127.93	\$161,190.90	\$75.75
GRAND TOTALS	14,816.07	\$13,172,670.86	\$889.08