

FUNDING PUBLIC EDUCATION

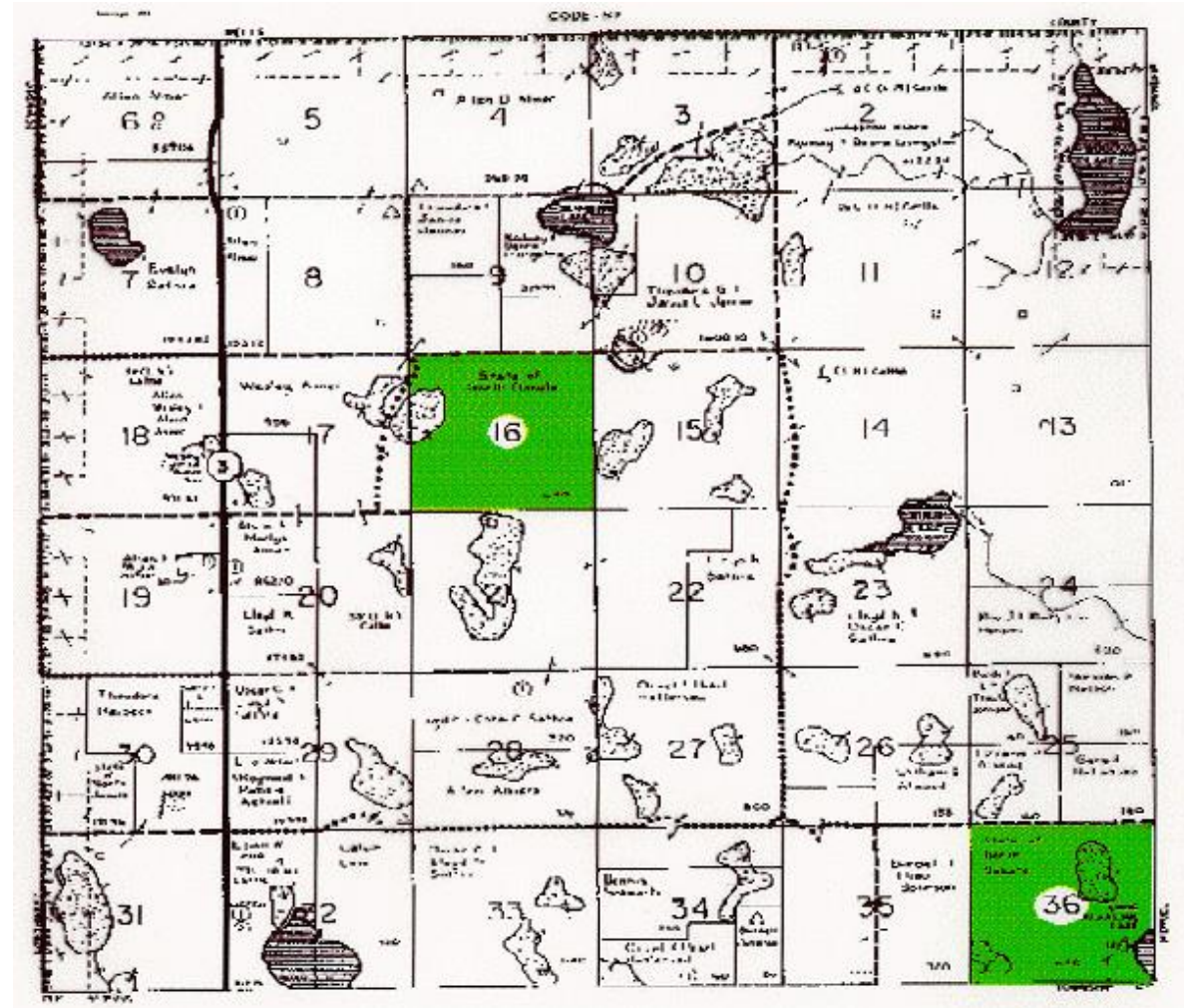
through Stewardship of
Natural Resources

Jodi Smith, Commissioner

North Dakota Department of Trust Lands

THE ENABLING ACT OF 1889

The United States government granted the state of North Dakota **3.2 million acres of land** to be used specifically for funding public education.



MISSION

The mission of the Board of University and School Lands is to prudently and professionally, manage assets of the permanent trusts in order to preserve the purchasing power of the funds, maintain stable distributions to fund beneficiaries, and manage all other assets and programs entrusted to the Board in accordance with the North Dakota Constitution and applicable state law.

VISION

The Department of Trust Lands is known nationally for superior management of its land and mineral assets, unclaimed property, energy grant distributions, and investment portfolio.

BOARD OF UNIVERSITY AND SCHOOL LANDS

Management of School Trust Lands is entrusted to the North Dakota Department of Trust Lands under direction of the Board of University and School Lands.



Chairman Governor
Doug Burgum



Vice Chairman Secretary
of State Al Jaeger



Attorney General
Wayne Stenehjem

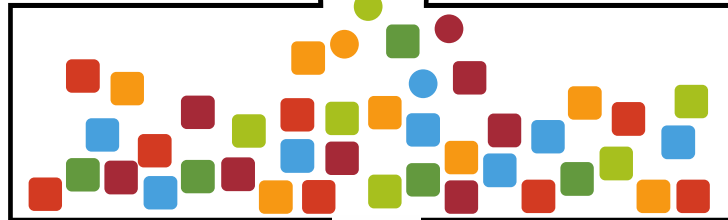
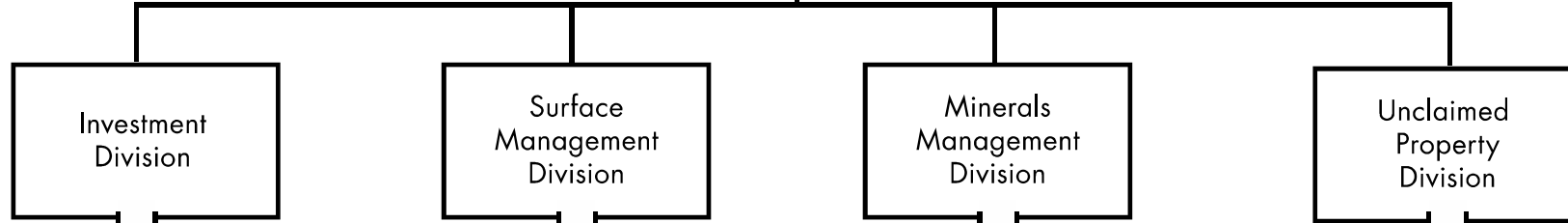


State Treasurer
Thomas Beadle

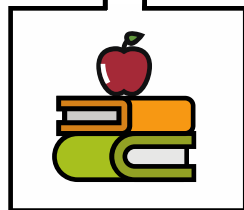


Superintendent of Public
Instruction Kirsten Baesler

BOARD OF UNIVERSITY AND SCHOOL LANDS



INTEREST
EARNED



ND PUBLIC EDUCATION

A large, stylized sunflower is the central focus of the background. It has a dark, textured center and numerous long, pointed petals radiating outwards. The entire image is overlaid with a semi-transparent teal or green filter, which makes the sunflower appear in shades of green against a darker green background.

SURFACE MANAGEMENT DIVISION

Mike Humann, Division Director

SURFACE MANAGEMENT DIVISION

The **Surface Management Division** manages more than 706,000 surface acres held in trust for various schools and institutions. The division obtains fair market value returns or royalties for use of these resources.



SURFACE MANAGEMENT RESPONSIBILITIES

- Processing easements and surface damage agreements
- Surface leasing (97% grassland leases)
- Construction aggregate leasing
- Reclamation of oil well sites, pipelines, roads, coal and construction aggregate impacted lands range improvement – grazing management
- Permanent improvements – livestock water developments
- Noxious weed control
- Public access
- Grazing land inspections
- Flood inspections
- In-lieu taxes and roads and bridges fee
- Acquired properties management
- Land sales

SURFACE MANAGEMENT FAST FACTS

- 280 rights of way granted in the 2019-21 biennium
- More than 1,500 annual integrity and reclamation inspections
- More than 1,200 active pipelines
- Currently, about 5,000 active surface land leases



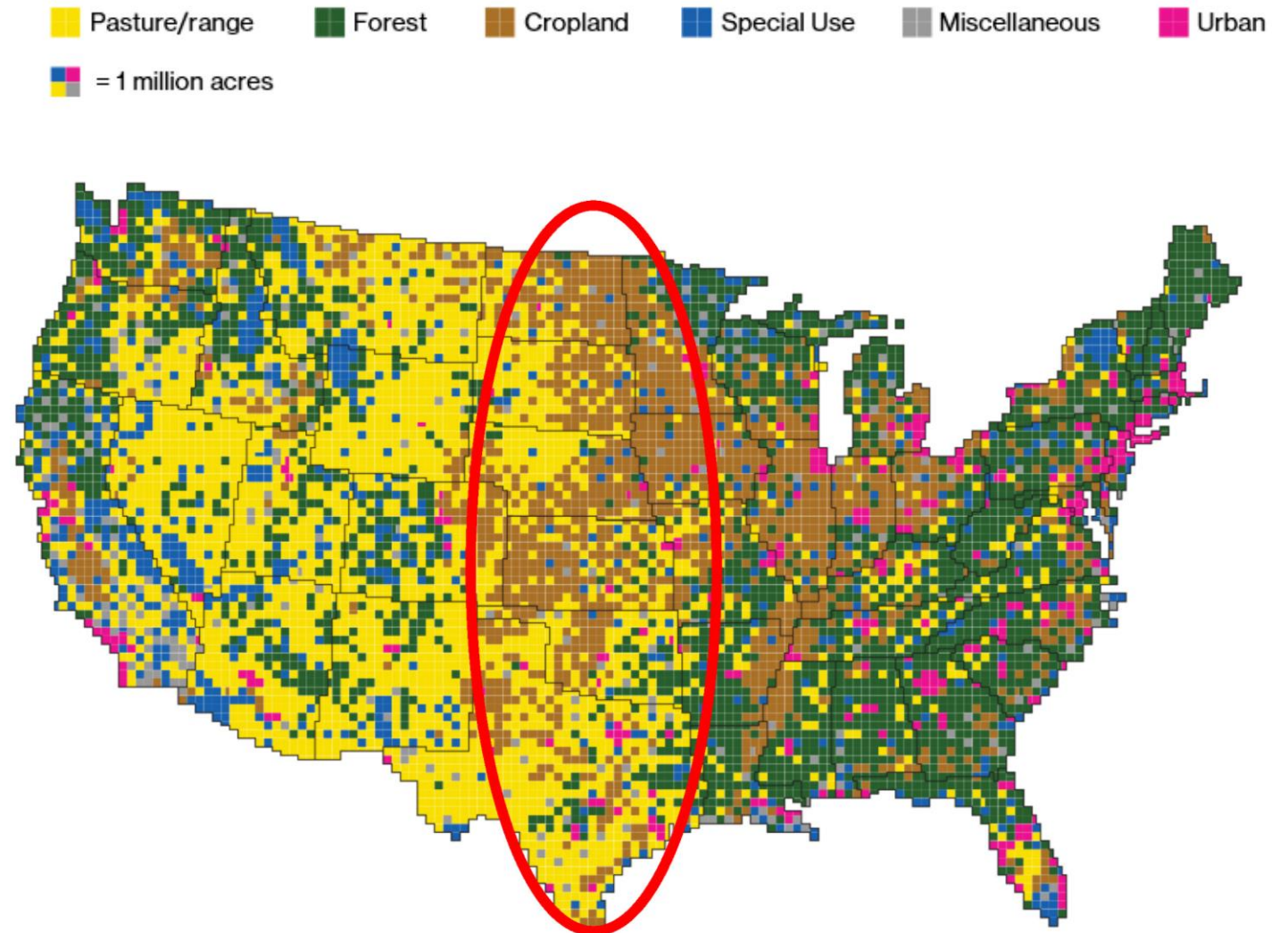
Photo credit: NDDTL drone footage

EXPANDED ACCESS TO ROW AGREEMENTS

- A new IT system soon to be launched by the NDDTL will expand access to right of way agreements on the department's website.
- Right of way transactions conducted on the website will include:
 - Submitting applications online
 - Tracking right of way status
 - Viewing and tracking right of way payment invoices
 - Viewing rights of way linked to an account
 - Managing an account from a mobile device
- The new IT system will replace hardware built in 1988 and in danger of failing. Updates and fixes to the current system are no longer available.

SOIL CARBON STORAGE

- Working group led by the Baker Institute at Rice University
- Remove carbon dioxide from atmosphere and store it in the soil as organic carbon
- Primary source of storage will be grasslands



MINERALS MANAGEMENT DIVISION



The **Minerals Management Division** oversees 2.6 million mineral acres and administers mineral interests held in trust by various schools and institutions, minerals under navigable rivers and lakes, and mineral interests formerly owned by the Bank of North Dakota and the Office of the State Treasurer.

The division leases oil, gas, coal, potash and other mineral assets for production, ensuring ownership integrity of the mineral asset. The division manages leasing, drilling, and mining activity to ensure Land Board rules and terms are followed.

MINERALS MANAGEMENT DIVISION

NDDTL currently manages interest in 7,613 producing properties.

This equates to more than 45% of the 16,618 producing wells in North Dakota.



ACREAGE ADJUSTMENT SURVEY

As directed by the 2017 ND Legislative Assembly, the Department of Mineral Resources reviewed US Army Corp of Engineers survey segments from the northern boundary of the Fort Berthold Indian Reservation to the southern border of Sections 33 and 34, Township 153 N, Range 102 W.

The purpose of the survey was to define state ownership of minerals on sovereign lands.

HISTORY OF SOVEREIGN LANDS

In 2017, the ND Legislative Assembly adopted Senate Bill 2134 and established state ownership of minerals below the ordinary high-water mark of the historical Missouri riverbed channel (Historical OHWM) inundated by Pick-Sloan Missouri Basin project dams.



HISTORY OF SOVEREIGN LANDS

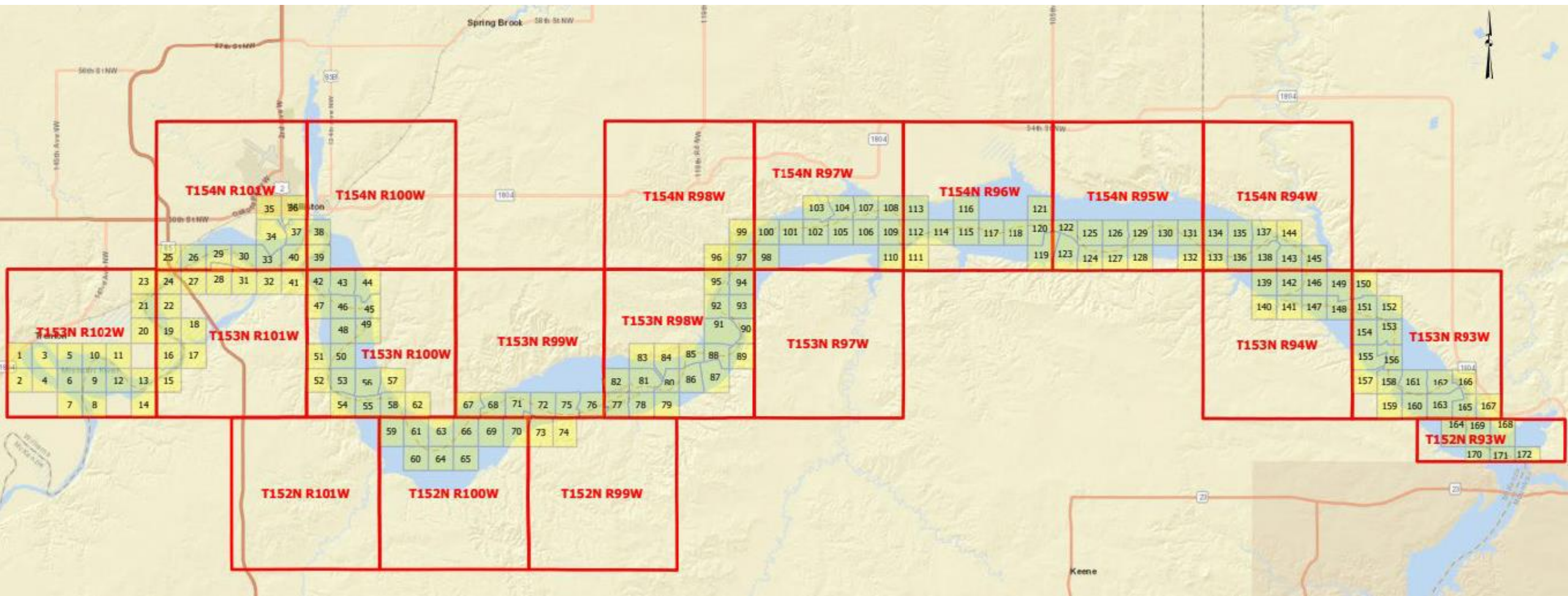
In 2019, the ND Legislative Assembly amended NDCC Ch. 61-33.1 related to ownership of mineral rights on land subject to inundation by Pick-Sloan Missouri Basin project dams. The Land Board contracted with KLJ:

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



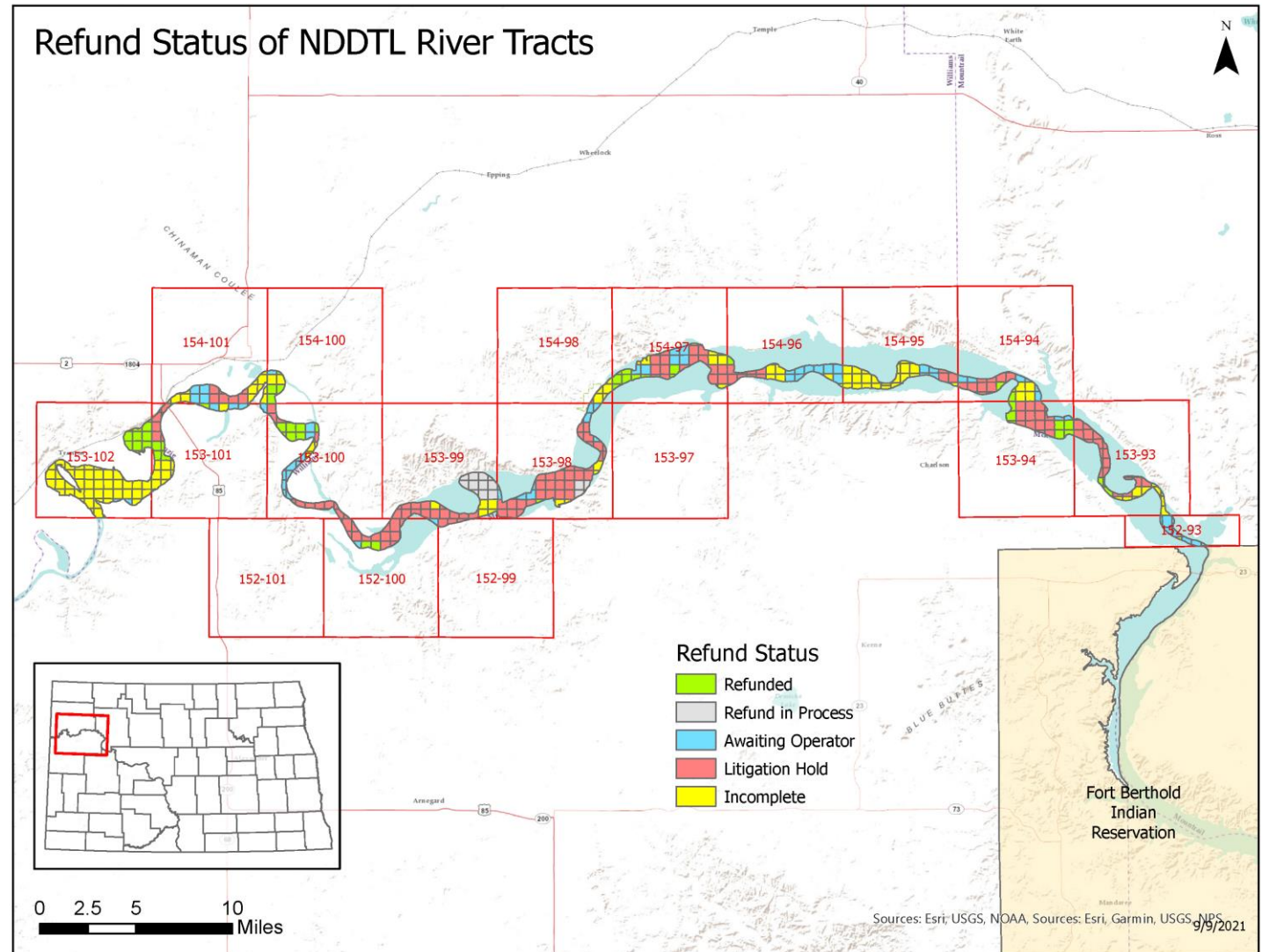
ADOPTION OF ACREAGE ADJUSTMENT

On **June 25, 2020**, the Land Board adopted the majority of the Acreage Adjustment Survey.



ACREAGE ADJUSTMENT HURDLES

- Clouded Titles
- Bankruptcies
- Failure to File Assignments



VALUATION SUMMARY

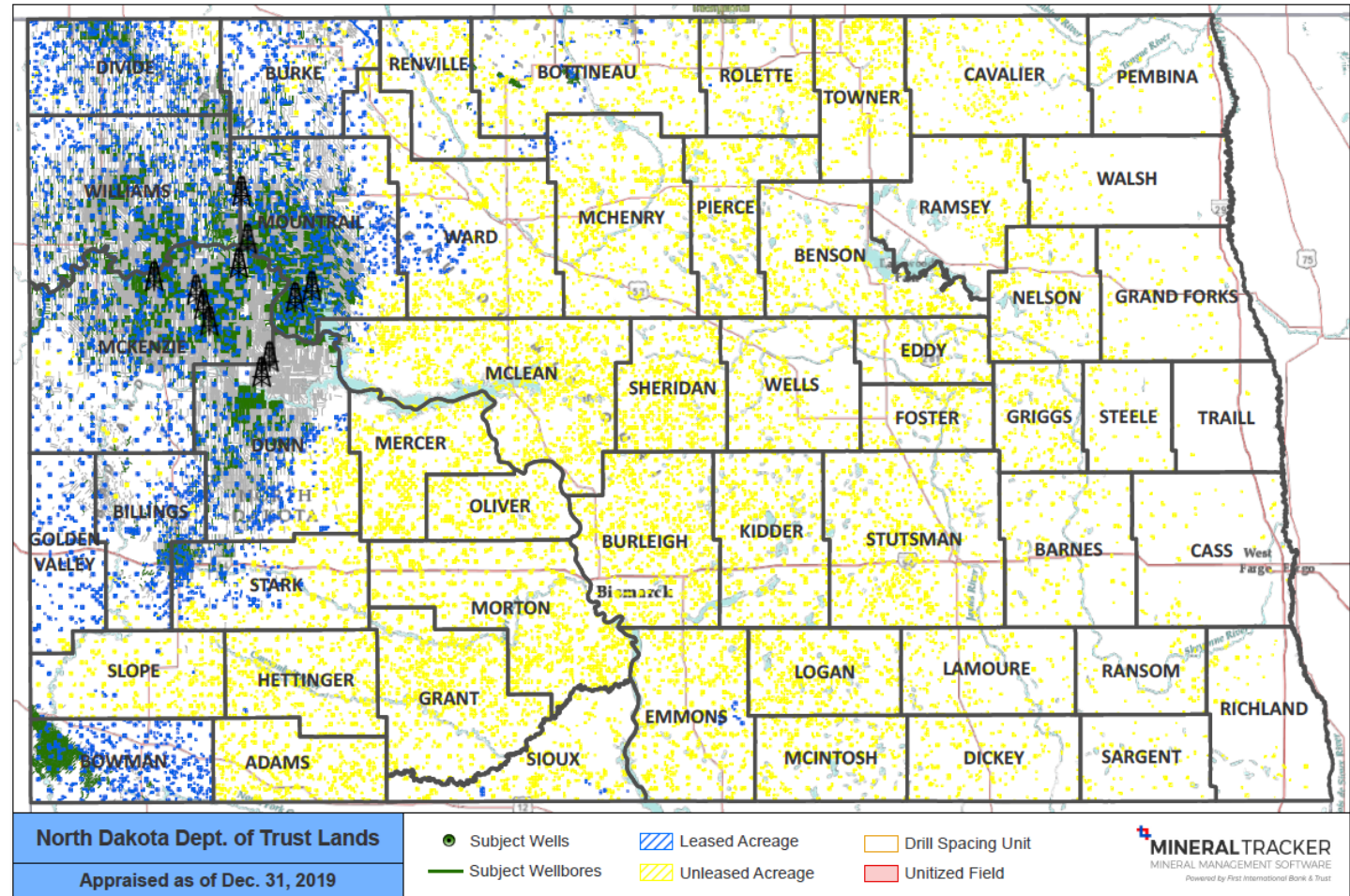
INCOME APPROACH

Provides an indication of the value by converting future cash flows to a single current capital value.

MARKET APPROACH

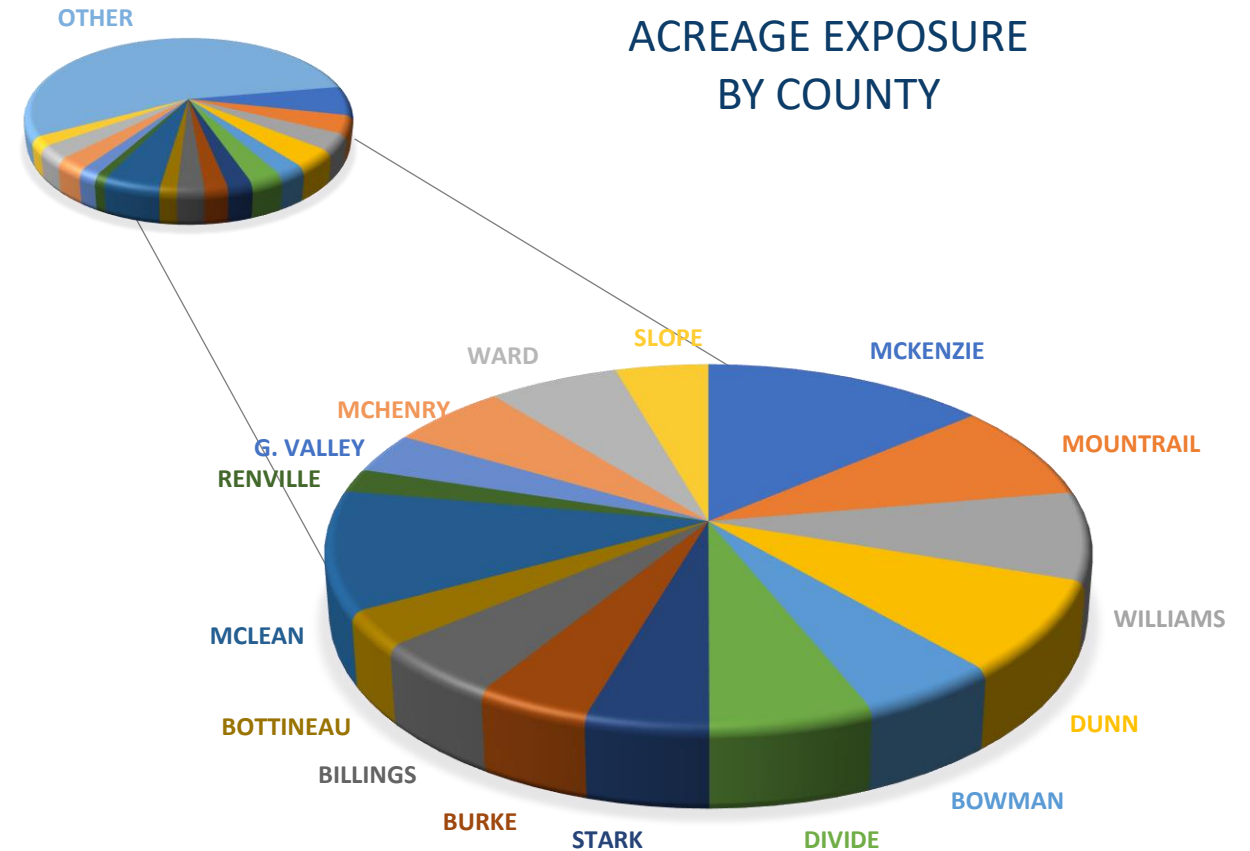
Provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

Mineral Estate Valuation
as of Dec. 31, 2019:
\$1,449,002,408.00



ASSET HIGHLIGHTS: COUNTIES

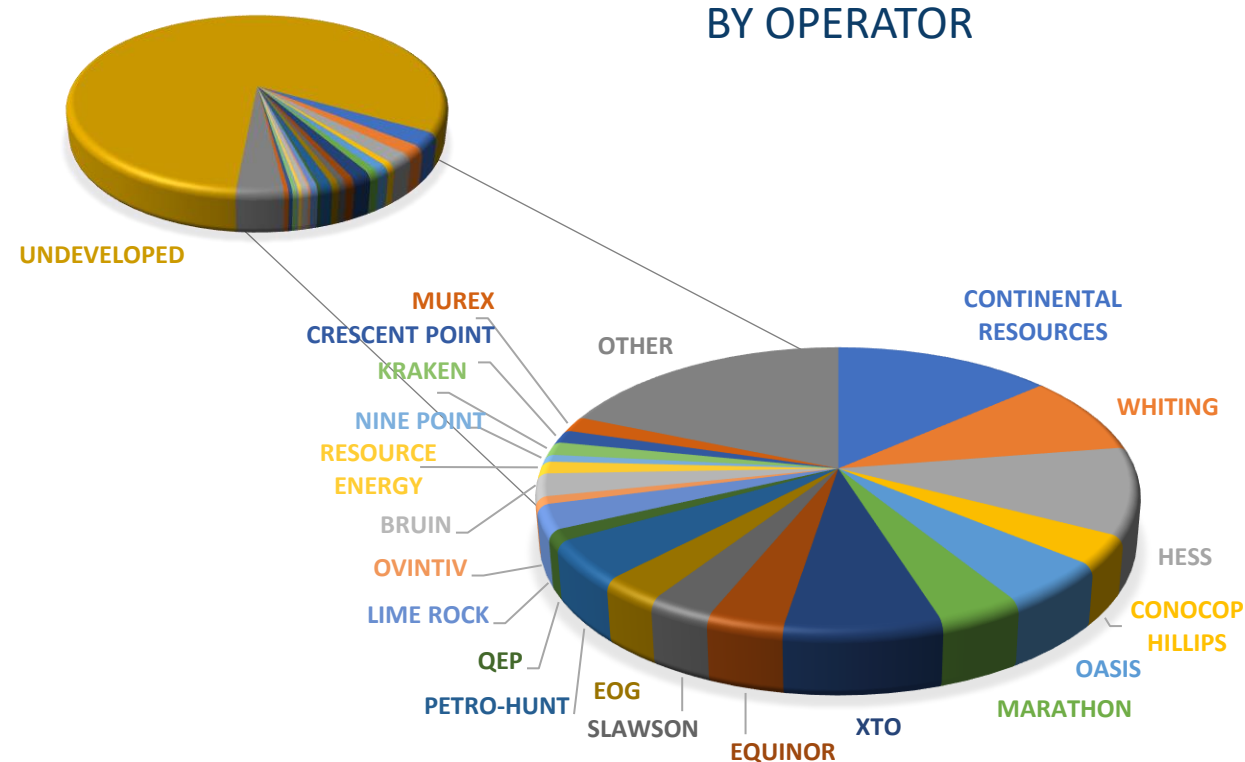
COUNTY	CURRENT WELL COUNT	DTL NET MINERAL ACRES	APPRAISED VALUE
MCKENZIE	2,508	161,184	\$608,484,525
MOUNTRAIL	2,159	99,464	\$244,573,582
WILLIAMS	1,548	92,062	\$231,579,222
DUNN	861	97,214	\$200,633,596
BOWMAN	22	61,219	\$55,354,279
DIVIDE	463	71,913	\$34,871,862
STARK	177	54,320	\$13,240,596
BURKE	151	50,451	\$12,103,827
BILLINGS	131	58,108	\$29,455,838
BOTTINEAU	31	36,989	\$5,628,651
MCLEAN	19	124,618	\$6,059,432
RENVILLE	22	24,455	\$716,961
G. VALLEY	13	41,863	\$2,680,902
MCHENRY	2	66,693	\$289,173
WARD	2	73,951	\$62,143
SLOPE	1	52,446	\$1,871,501
OTHER	0	1,431,046	\$1,396,318
GRAND TOTAL	8,110	2,597,998	\$1,449,002,408



ASSET HIGHLIGHTS: OPERATORS

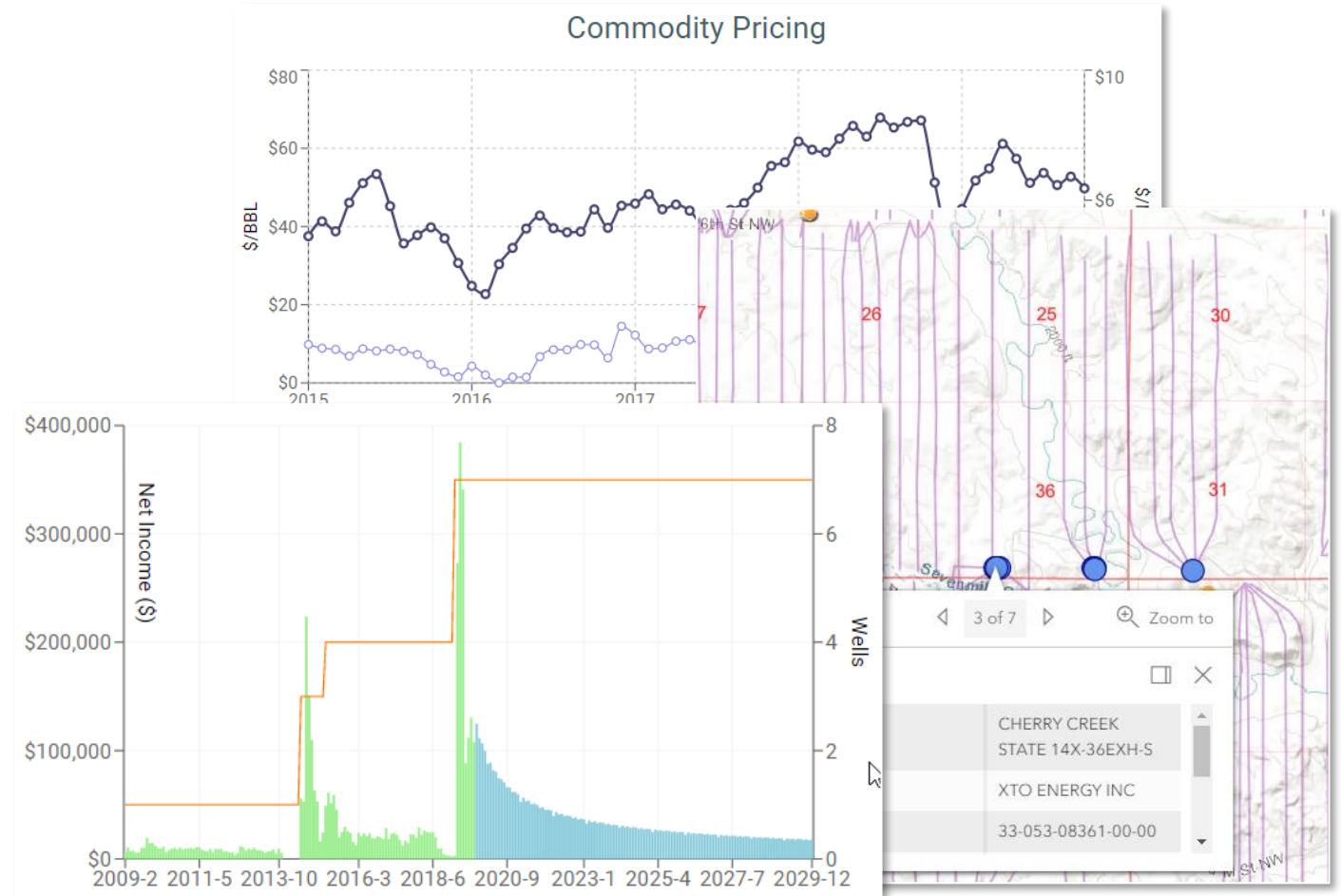
OPERATOR	CURRENT WELL COUNT*	DTL NET MINERAL ACRES	APPRAISED VALUE
CONTINENTAL	1,063	64,273	\$281,186,631
WHITING	1,028	42,145	\$122,956,341
HESS	917	47,170	\$132,776,136
CONOCOPHILLIPS	545	15,831	\$106,700,247
OASIS	490	24,461	\$67,574,422
MARATHON	472	18,914	\$97,330,285
XTO	457	35,435	\$138,670,895
EQUINOR	361	17,343	\$61,776,611
SLAWSON	324	14,419	\$61,685,125
EOG	321	13,750	\$25,193,266
PETRO-HUNT	297	21,967	\$31,982,283
QEP	198	5,896	\$26,655,729
LIME ROCK	160	13,389	\$17,289,249
OVINTIV	133	4,133	\$22,320,508
BRUIN	122	12,279	\$13,258,123
RESOURCE ENERGY	116	6,477	\$4,468,581
NINE POINT	108	3,824	\$7,480,854
KRAKEN	100	7,107	\$25,206,864
CRESCENT POINT	78	6,957	\$11,336,635
MUREX	73	8,142	\$13,707,385
OTHER	747	88,236	\$141,344,139
UNDEVELOPED	-	2,125,850	\$38,102,100
GRAND TOTAL	8,110	2,597,998	\$1,449,002,408

ACREAGE EXPOSURE
BY OPERATOR



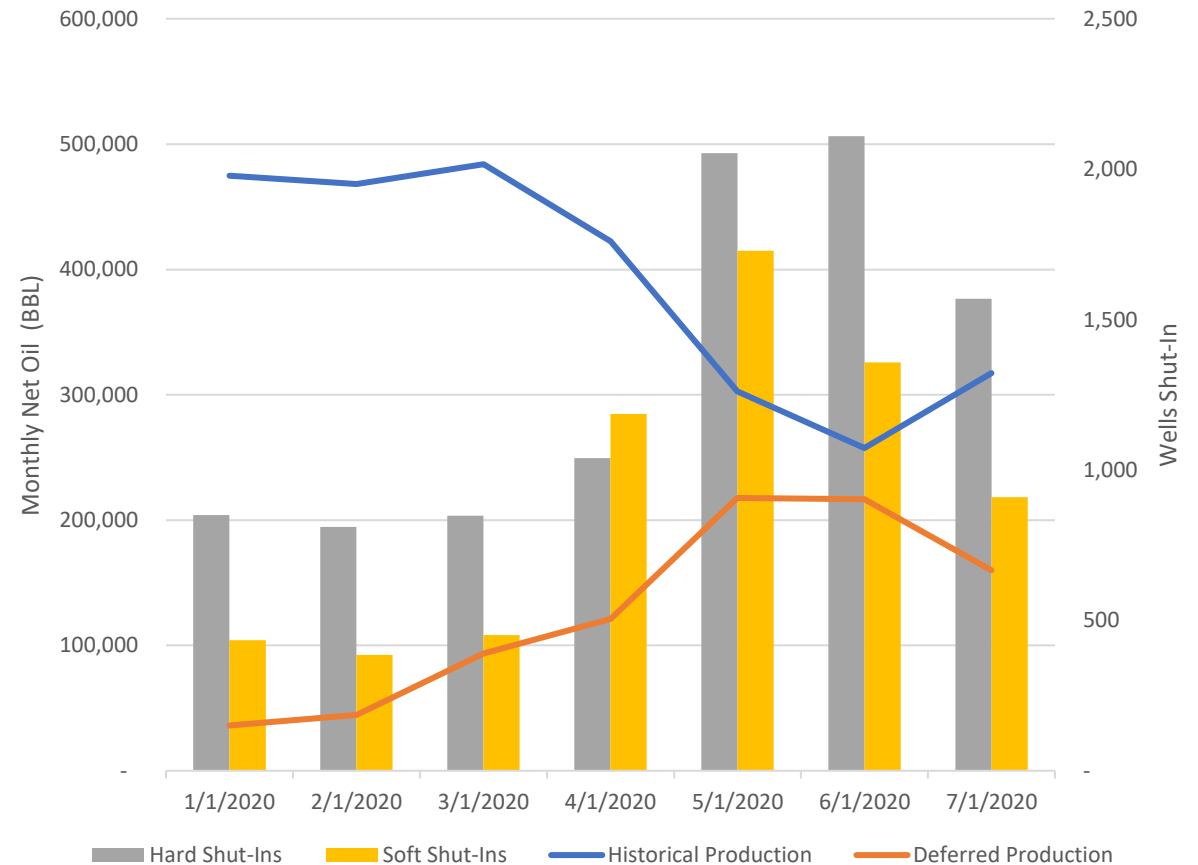
MINERAL TRACKER FEATURES

- Revenue estimate comparison
- Decline curve forecasts
- Summarize by operator
- Detail down to the individual well level
- Interactive mapping



DEFERRED PRODUCTION CHART

- Illustrates a growing number of hard and soft shut-ins from April-June 2020, resulting in decreased production
- 45% of net production was deferred in June 2020
- Results in significant loss of revenue



FORECAST IN LOST REVENUES

The cumulative forecasted revenues for the various scenarios considered herein for oil production from August 2020 through June 2021 is detailed in the table below.

August 2020 - June 2021 Royalties							
Oil Price	\$50/BBL	\$45/BBL	\$40/BBL	\$35/BBL	\$30/BBL	\$25/BBL	\$20/BBL
0% Deferred	\$209M	\$190M	\$170M	\$150M	\$130M	\$110M	\$90M
10% Deferred	\$188M	\$171M	\$153M	\$135M	\$117M	\$99M	\$81M
20% Deferred	\$168M	\$152M	\$136M	\$120M	\$104M	\$88M	\$72M
30% Deferred	\$147M	\$133M	\$119M	\$105M	\$91M	\$77M	\$63M
40% Deferred	\$126M	\$114M	\$102M	\$90M	\$78M	\$66M	\$54M

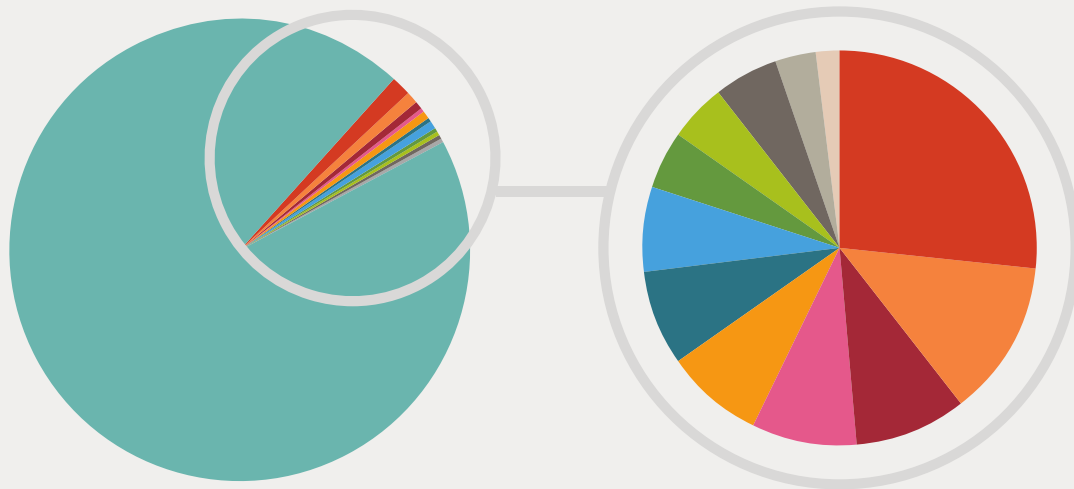
A new NDDTL IT System coming this fall!

- Phase One will focus on surface management transactions conducted on the NDDTL website, including expanded access to right of way agreements.
- In 2022, Phase Two will improve access to mineral transactions, including oil and gas leases and related documents.

INVESTMENT DIVISION

Mike Shackelford, Division Director

FY 2021 TRUST DISTRIBUTIONS



Common School - \$4,819,013,877	School of Science - \$18,832,991
NDSU - \$73,118,794	School for the Blind - \$13,058,151
UND - \$35,394,338	Valley City State University - \$13,011,016
Youth Correctional Center - \$25,087,679	State Hospital - \$14,429,595
Ellendale - \$23,358,818	Mayville State University - \$8,395,295
School of Mines - \$22,470,496	Veterans Home - \$5,324,594
School for the Deaf - \$21,354,976	
Total Distribution - 5,092,850,620	

Strategic Investment and Improvement Fund

- Minerals under navigable rivers and lakes are also included in this fund.
- By statute, the SIIF receives a portion of the state's share of oil and gas production and extraction taxes. During the 2017-19 biennium, the SIIF share was more than \$780 million.
- One-time expenditures are used to improve state infrastructure.

IMPACTING NORTH DAKOTANS

- NDDTL manages **\$6.8 billion** in total investment assets as of June 30, 2021 (unaudited).
- **\$183,378,000** was distributed to K-12 and public higher education in 2021.
- **\$1,605 per-pupil**, per-year funding was provided for K-12 students in 2021.
- A staff of just 30 manages all assets under the discretion of the Board.
- As established in the North Dakota Constitution, the NDDTL is self-funded and does not receive state general funds.

THANK YOU FOR YOUR INTEREST!

Jodi Smith, Commissioner

North Dakota Department of Trust Lands

land.nd.gov

701.328.2800