

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on June 30, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also
Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Andrea Pfennig, Department of Commerce
Members of the Press

Governor Burgum called the Industrial Commission meeting to order at 9:00 a.m. and the Commission took up the Renewable Energy Program business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the Renewable Energy Fund Financial Report as follows:

Renewable Energy Development Fund
Financial Statement
2015-2017 Biennium
June 30, 2017 Industrial Commission Meeting

	<u>Cash Balance</u>
July 1, 2015 Balance	\$ 3,496,859.75
Revenues from Resources Trust Fund	\$ 3,000,000.00
Other Revenues through May 31, 2017	\$ 6,254.89
Returned cash	\$ 331.40
Expenditures through May 31, 2017	<u>\$(2,013,880.06)</u>
Cash Balance as of May 31, 2017	\$ 4,489,565.98
Outstanding Administrative Commitments (<i>estimate</i>)	\$(44,384.96)
Outstanding Project Commitments as of May 31, 2017	<u>\$(2,478,480.88)</u>
Uncommitted dollars as of May 31, 2017	\$ 1,966,700.14

Renewable Energy Development Fund
Continuing Appropriation Authority
2015-2017 Biennium

July 1, 2015 Balance of Uncommitted Dollars	\$ 2,470,113.85
Transfer from Resources Trust Fund for 2015-2017 Biennium	\$ 3,000,000.00
Interest Income (Estimated)	\$ 5,000.00
Income from Project Applications (Estimated)	\$ 1,500.00
Returned Commitments	<u>\$ 331.40</u>
	\$ 5,476,945.25
Administrative Commitments	\$(120,000.00)
Commitments 2015-2017	<u>\$(3,390,000.00)</u>
	\$ 1,966,945.25

57-51.1-07. Allocation of moneys in Oil Extraction Tax Development Fund states the following:

Five percent of the amount credited to the Resources Trust Fund must be transferred no less than quarterly into the Renewable Energy Development Fund, not to exceed three million dollars per biennium.

Renewable Energy Development Fund (54-63-04, N.D.C.C.) – Continuing appropriation. The Renewable Energy Development Fund is a special fund in the state treasury. All funds in the Renewable Energy Development Fund are appropriated to the Industrial Commission on a continuing basis for the purpose of carrying out and effectuating this chapter. Interest earned by the Fund must be credited to the Fund.

In response to a question, Ms. Fine indicated that for the 2017-2019 biennium the program will continue to receive \$3,000,000 but the percentage was adjusted resulting in the Fund receiving its dollars at a slower pace--it will probably take a full year before the cap of \$3,000,000 is reached.

Ms. Andrea Pfennig, Department of Commerce, discussed the Renewable Energy Council recommendation on the following Grant Round application:

R-033-A - Dickinson Renewable Diesel; Submitted by Tesoro Refining & Marketing Company; Principal Investigator: Tesoro Refining & Marketing Company; Project Duration: 3+ years; Total Project Costs: \$3,500,000; Amount Requested: \$500,000 This project will retrofit the 8,000 BPD Diesel Hydrotreater (DHT) and other equipment at the Dakota Prairie Refinery to co-process renewable feedstocks (e.g., vegetable oils such as soy or distillers corn oil) into renewable diesel. The project will enable co-processing of up to 5% (16,800 gallons/day) of renewable feedstocks. Even though Tesoro indicated a 3 year duration on the project they are anticipating that the conventional/renewable diesel blend will be marketed locally by the end of 2017.

Commissioner Goehring indicated that he is excited about this project and the opportunities it will provide for agriculture producers.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application “Dickinson Renewable Diesel” and authorize the Industrial Commission Executive Director to execute an agreement with Tesoro Refining & Marketing Company to provide a total of Industrial Commission Renewable Energy Program funding in an amount not to exceed \$500,000. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Pfennig reviewed the following proposed policy revisions memorandum:

RE: Proposed amendment to Renewable Energy Program Policies

As you may recall the Renewable Energy Council recently recommended on a funding request that provisions be included in the contract that set out a process for the Program to receive a payback on its funding. On that particular request you directed that Jay Schuler, Andrea Pfennig and I work together to develop the payback terms. We did that work and also drafted those terms to be considered by the Council and Commission as policy revisions.

On June 26, we discussed the draft policy revisions with the Council and the Council unanimously recommended that the following amendment be made to the Renewable Energy Program policies:

REC – 1.02 Definitions. As used in these policies:

1. “Applicant” means any person or entity applying to the Commission for a grant from the Renewable Energy Development Fund.
2. “Application” means the written document that is submitted to the Commission by an applicant seeking a grant from the Fund.

3. "Commission" means the North Dakota Industrial Commission or its representative.
4. "Contract" means the signed agreement between the Commission and Grantee which describes the rights and duties of the Commission and Grantee with regard to the program.
5. "Council" means the Renewable Energy Council as appointed by the Governor.
6. "Fund" means the Renewable Energy Development Fund available to the Commission to provide funding for the Program and as authorized in NDCC 54-63.
7. "Grant" means the monetary award made by the Commission under the Program.
8. "Grantee" means a successful applicant for a grant from the Fund.
9. ["Loan" means the monetary award made by the Commission under the Program.](#)
- 9-10. "Program" means the Program administered by the Commission to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal, and renewable hydrogen through research, development, demonstration and commercialization, demonstrate to the general public the importance of the state renewable energy industry, to encourage and promote the wise and efficient use of renewable energy and materials or products, to develop the state's renewable energy resources, and to support research and educational activities concerning the renewable energy and materials or products industries.
- ~~10-11.~~ "Technical Advisor" means the Department of Commerce with whom the Commission will enter into a contract to provide technical assistance.
- ~~11-12.~~ "Technical Reviewers" mean independent technical reviewers selected by the Commission to review the merits of applications.

REC – 3 MAXIMUM GRANT AMOUNT AND MATCHING FUND REQUIREMENT

REC – 3.01 Maximum Grant [or Loan](#) Amount

REC – 3.02 Matching Funds

REC – 3.01 Maximum grant [or loan](#) amount. Grants [or loans](#) may be of any amount up to a maximum of \$500,000. The Council may award ~~multi-grants~~ [multiple grants or loans](#) for different phases of a project, provided appropriate benchmarks are in place and earlier phases have been deemed successful by the Council and Commission.

REC – 3.02 Matching funds. A grant [or loan](#) may not exceed fifty percent of the total project cost. Commission funding must be matched with industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials, or services). In-kind services may not exceed fifty percent of the total Commission funding amount. The value of in-kind match funding must be verified with appropriate documentation. Documentation demonstrating the matching funds, including letters of commitment from other funding sources, must be submitted to the Commission within sixty days of the approval of an application by the Commission, or within any additional time granted by the Commission. The Commission's approval is contingent upon receiving this documentation. If it is not received, the approval lapses and no [grant-funding](#) may be made. Any grants, loans, or other financial assistance must be matched on a dollar-for-dollar basis. A higher priority will be given to those applications having private industry investment equal to at least 50% or more of total cost.

REC – 5.06 Disbursements of funds. Funds will be disbursed only after a contract has been executed. All disbursements will be made according to the schedule in the contract. Disbursements may be withheld if the Commission deems the grantee has not complied with these policies or the contract.

[If an entity receives more than \\$1,000,000 in funding within a five year period through the Renewable Energy Program all future funding requests will be in the form of a loan. If the company moves out of state or sells the](#)

technology developed with Renewable Energy Program funding to an out-of-state entity, the entire amount of the funding must be repaid with 4% interest at the time of the awardee's relocation or the sale of the technology.

A successful awardee has the following options for loan terms:

Option 1.

Loan to be made with a 0% interest rate until such time as the entity has sales that exceed \$5 million in any one year. At that time a 10-year loan with a 4% interest rate or current rate will be established until the loan is paid in full.

Option 2

Loan to be made with a 0% interest rate until such time as the entity is profitable for 2 consecutive years. At that time a 10-year loan with a 4% interest rate or current rate will be established until the loan is paid in full.

The Council did direct that the contract include provisions of what form of documentation must be provided so the Commission could determine whether the entity met the thresholds outlined in the loans -- for example, audited financial statements, certified financial statements, etc. I am still working on exactly what form that documentation should take.

If an entity (other than the Energy and Environmental Research Center or a North Dakota University or College) receives more than \$1,000,000 in funding within a five year period through the Renewable Energy Program all future funding requests will be in the form of a loan.

Ms. Fine distributed a handout that listed the total funding that had been received by different entities since this program was established. She noted that when she presented the policy revisions to the Council she verbally indicated that the repayment revisions do not apply to the Energy and Environmental Research Center or a North Dakota University or College. So what is before the Commission today are the revisions as adopted by the Council including the provision regarding the EERC and North Dakota University System entities.

Ms. Fine, Ms. Pfennig and the Commission discussed whether or not it was appropriate to have a 4% interest rate on those projects that are successful and are operating in North Dakota. Should this be a revolving grant program (no interest) versus a revolving loan program that requires an interest payment? If the entity leaves the state or sells their product to another entity outside of North Dakota it may be appropriate to have an interest cost in addition to the repayment of the funding.

The Commission directed that Ms. Fine and Ms. Pfennig incorporate the points discussed and bring the policy revisions back to the next Industrial Commission meeting.

Ms. Pfennig and Ms. Fine reviewed the following memorandum and discussed the contract conditions that were placed on the funding for the Packet Digital projects on May 1.

RE: Contract terms

The Industrial Commission on May 1 at the recommendation of the Renewable Energy Council awarded funding to Packet Digital as follows:

“that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application “Portable Solar Array Modules” and authorize the Industrial Commission Executive Director to execute an agreement with Packet Digital to provide a total of Industrial Commission Renewable Energy Program funding in an amount not to exceed \$500,000 with the contingency that the Executive Director include in that agreement provisions requiring funds be paid back if Packet Digital reaches a certain level of success.”

“that the Industrial Commission accepts the recommendation of the Renewable Energy Council to increase the funding for the project “Solar Soaring Power Manager Phase III” and authorize the Industrial Commission Executive Director to execute an amendment to Contract R028-38 increasing the funding by \$125,000 which brings the total to an amount not to exceed \$500,000 with the contingency that the Executive Director include in the amendment provisions requiring funds be paid back if Packet Digital reaches a certain level of success.”

The Commission further directed that I work with Commissioner Schuler on the exact contract terms. Commissioner Schuler, Andrea Pfennig and I worked on provisions that provided for a loan structure of financing should an entity receive more than \$1,000,000 in a five-year period. (The Commission is considering those provisions in their policy discussion at the June 30 IC meeting.) The loan options were provided to Terri Zimmerman with Packet Digital. She initially indicated that she would go with Option 1 but after further deliberation countered that she was willing to agree to a 0% loan structure. Her position is that when she submitted her application she was not aware that the Council/Commission was considering a loan rather than a grant.

Commissioner Schuler has indicated that his preference is to include the 4% interest rate (or current interest rate) in the award. However, he also stated that he understands her position that she was not told that these types of terms might be imposed on the funding. He indicated that he would be supportive of whatever the Commission determined was fair - the award with the 4% (or current interest rate) or a 0% loan (the Program would receive all their funding back but without any interest earnings). He asked that I present this to the Commission.

What are the Commission’s wishes?

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the terms for the repayment on the Packet Digital funding of \$500,000 for the “Portable Solar Array Modules” project and the \$125,000 amendment to the “Solar Soaring Power Manager Phase III” project be at 0% interest as part of a revolving grant program. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Renewable Energy Program business, Governor Burgum adjourned this portion of the meeting at 9:16 a.m. and the Commission took up Department of Mineral Resources business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Held on June 30, 2017 beginning at 9:00 a.m.
Governor's Conference Room
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Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Lynn Helms, DMR
Bruce Hicks, DMR – Oil and Gas Division
Alison Ritter, DMR – Oil and Gas Division
Hope Hogan, Attorney General's Office
Ed Murphy, DMR – Geological Survey
Ron Ness, ND Petroleum Council
Lawrence Bender, Fredrickson & Byron
Jan Swenson, Badlands Alliance
Robert Fimbres, Tribal Safety Program
Aron Abbey, TAT Tribal Safety Regulation and Compliance
Lyda Jade Robertson, TSRC of MHA
Rylan Baker, TSRC of MHA
Members of the Press

Governor Burgum called the Department of Mineral Resources portion of the Industrial Commission meeting to order at 9:16 a.m. following completion of Renewable Energy Program business.

Mr. Lynn Helms, Department of Mineral Resources Director, discussed the extension of the Inactive Well Waiver and Non-Completed (NC) Waiver Programs. He stated three reasons for recommending a 6 month extension:

- Price - oil prices are currently below \$50.00 and it is anticipated they will remain so for the foreseeable future;
- Drought conditions in western North Dakota. By extending these two programs it will potentially provide some relief for fresh water demand. For example if a non-completed well waiver expires an operator is forced to fracture a well and that is an eight to ten million gallon demand for water. By being able to continue the waiver the fracturing of the well can be postponed and the need for the water delayed; and
- Shortage of hydraulic fracturing crews.

Commissioner Goehring stated his support for the extension because of the drought situation in central and western North Dakota. This will allow some additional time and take some pressure off the demand for water.

In response to a question regarding how many wells are under the two waivers, Mr. Helms said he did not have the inactive well waiver number. There are 61 wells on NC waivers right now. There will likely be 75 to 100 wells that will reach the end of their NC waiver status and either have to fracture or request a waiver between now and the end of the year – less than 200 if the extension is granted for the next six months.

Mr. Helms noted that he was not recommending any modifications to the policies; they are working well. There have been some wells that the field inspectors and operators found where there was too much pressure on the well and it wasn't safe to leave the wells in NC status so those waivers were revoked and the wells were temporarily abandoned or they were fractured. What is being recommended today is an extension for six months.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission directs the Oil and Gas Division staff to extend the Inactive Well Waiver and Non-Completed

Well Waiver policies according to the following guidance through December 31, 2017 due to persistent low oil prices, drought conditions and labor shortage.

General Guidelines for Inactive Well - Waiver

Policy Goal:

The North Dakota Industrial Commission (NDIC) is charged with "fostering, ... encouraging, and ... promoting the development, production, and utilization of the *state's* natural resources of oil and gas in the state in such a manner as will prevent waste." The Commission is promulgating this Policy to prevent waste.

North Dakota Century Code (NDCC) § 38-08-04 (1) (l) and North Dakota Administrative Code (NDAC) § 43-02-03-55 (1) define what constitutes abandonment of a well and the operator's obligation to plug such a well and reclaim its site.

NDAC § 43-02-03-55 (3) was drafted to give the operator of an abandoned well sufficient time either to restore production or plug and reclaim the well.

Inactive Well – Waiver (IAW) Status may only be given to wells that have met the following criteria.

1. Proposed IAW Approval Procedure

1. The operator must submit a Sundry Notice – Form 4 intent to request a waiver to plug and reclaim an abandoned well pursuant to NDAC § 43-02-03-55 Part (3). The request must include:
 - a. Documentation of why the well is currently in an inactive or abandoned status.
 - b. A statement that the well is uneconomic to produce at current crude oil prices.
 - c. A statement that wellhead equipment complies with NDAC §§ 43-02-03-28 and 43-02-03-29 with regard to subsurface pressure control and well and lease equipment in good working order.
 - d. The current casing and tubing pressure.
 - e. If the well was in abandoned status (AB – had not produced for a continuous 12 month period) prior to January 1, 2016, document why the well was not brought into compliance prior to that date.
2. A file review and review of the field activity system must be performed.

2. IAW Extension Requirements

1. The operator must submit for approval an annual request to extend the IAW status by including an updated sundry with the information required above in items (a) through (d).

3. Revocation of IAW Status

1. Reason for IAW no longer valid.
2. Consideration of mineral/landowner/field inspector concerns.
3. Removal of any production or injection equipment.

4. Access to Well Sites

Reasonable access to IAW well sites must be maintained.

Note: The foregoing are guidelines only and may be altered for good cause to meet specific conditions.

Reference

Requirements of NDAC § 43-02-03-55

1. *The removal of production equipment or the failure to produce oil or gas, or the removal of production equipment or the failure to produce water from a source well, for one year constitutes abandonment of the well. The removal of injection equipment or the failure to use an injection well for one year constitutes abandonment of the well. The failure to plug a stratigraphic test hole within one year of reaching total depth constitutes abandonment of the well. The removal of treating plant equipment or the failure to use a treating plant for one year constitutes abandonment of the treating plant. An abandoned well must be plugged and its site must be reclaimed and an abandoned treating plant must be removed and its site must be reclaimed, pursuant to sections 43-02-03-34 and 43-02-03-34.1.*

3...*the director may also waive the duty to plug and reclaim an abandoned well for any other good cause found by the director. If the director exercises this discretion, the director shall set a date or circumstance upon which the waiver expires.*

General Guidelines for Not Completed - Waiver of Wells

Policy Goal:

The North Dakota Industrial Commission (NDIC) is charged with "fostering, ... encouraging, and ... promoting the development, production, and utilization of the *state's* natural resources of oil and gas in the state in such a manner as will prevent waste." The Commission is promulgating this Policy to prevent waste.

North Dakota Century Code (NDCC) § 38-08-04 (1) (1) and North Dakota Administrative Code (NDAC) § 43-02-03-55 (1) define what constitutes abandonment of a well and the operator's obligation to plug such a well and reclaim its site.

NDAC § 43-02-03-55 (2) was drafted to give the operator of an abandoned well sufficient time either to restore production or plug and reclaim the well.

This Policy does nothing to change the existing text or application of NDAC § 43-02-03-55 (2) to a well which has previously produced oil or gas.

NDAC § 43-02-03-55 (3) and this policy are drafted to eliminate the waste which would otherwise occur by application of NDAC § 43-02-03-55 (2) to horizontal Bakken wells for which completions have been deferred.

Not Completed – Waiver (NCW) Status may only be given to wells that have been drilled but whose casing has not yet been perforated (i.e. the well is incapable of producing oil or gas because completion operations have not yet been performed).

1. Proposed NCW Approval Procedure

1. The operator must submit a Sundry Notice – Form 4 intent to request a waiver to plug and reclaim an abandoned well pursuant to NDAC § 43-02-03-55 Part (3). The request must include:
 - a. A current well bore schematic that identifies the dimensions and depths of casing, tubing, liner(s) and frac string installed in the well; completion design for the well; type and density of all fluids in the well in the intermediate casing and frac string; and wellhead equipment.

- b. Documentation that a successful pressure test was performed which adequately tested the integrity of the intermediate casing and packer element utilized to isolate the intermediate casing-production liner annulus from the intermediate casing to a minimum pressure of one thousand five hundred pounds per square inch [10,342 kilopascals] gauge.
 - c. Documentation that a successful negative pressure test of the production liner was performed. The pressure must have been bled off and a flow check performed. If no flow was observed the integrity of the liner below the liner hanger will be considered proven.
 - d. A cement evaluation log or the intermediate casing cementing job report.
 - e. Statement that wellhead equipment complies with NDAC §§ 43-02-03-28 and 43-02-03-29.
 - f. Proposed procedure to perform a NDIC witnessed surface pressure/flow test on the surface casing, the intermediate casing and frac string. Operator must notify the NDIC Field Inspector 48 hours prior to performing test. If pressure is present, the operator must relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup.
2. The Field Inspector should witness and document the initial surface pressure/flow test in the database and notify the Bismarck office via email of failed tests. The operator is required to file a sundry notice reporting the work done.
 3. A file review must be performed.

2. Subsequent Report of NCW Procedures

1. The operator must submit for approval a subsequent report of the NCW procedures and request for a waiver to plug and reclaim an abandoned well pursuant to NDAC § 43-02-03-55 (3) being sure to include date and results of flow test.
2. Ensure NDIC Field Inspector was properly notified of surface pressure/flow test.
3. NCW status approved for one year. The director may extend a well's NCW status beyond one year.
4. A file review must be performed.

3. NCW Extension Requirements

1. The operator must submit for approval an annual request to extend the NCW status. The director may extend a well's NCW status beyond one year.
An annual surface pressure/flow test should be witnessed by a NDIC Field Inspector. The operator must notify the NDIC Field Inspector 48 hours prior to performing test. If pressure is present, the operator must relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup.
2. The NDIC Field Inspector must witness and document the annual surface pressure/flow test in the database and notify the Bismarck office via email of failed tests.
3. Documentation of quarterly inspections and surface pressure/flow tests with results. If no such tests were performed, that should be indicated also. Operator must provide the name of the NDIC Field Inspector and date notified of unwitnessed flow tests.
4. A file review must be performed.

4. Inspections & Monitoring Requirements

1. The NDIC Field Inspector must witness and document the initial surface pressure/flow test in the database and notify the Bismarck office via email of failed tests.
2. Well must be inspected by the operator at least once per quarter for pressure or leakage on the surface casing, the intermediate casing and frac string. If pressure is present, the operator must notify the

NDIC immediately, relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup. If the NDIC Field Inspector is unable to witness the test, the operator must notify the NDIC Field Inspector of the results of the test and the NDIC Field Inspector will document the results in the database. If the NDIC Field Inspector witnesses the surface pressure/flow test, it should be documented in the database and the Bismarck office notified via email of failed tests. Note the operator must report the results and the respective inspection dates from the inspections and flow tests on any request to extend the NCW status.

3. Operator must perform an annual NDIC witnessed surface pressure/flow test on the surface casing, the intermediate casing and frac string. Operator must notify the NDIC Field Inspector 48 hours prior to performing test. If pressure is present, the operator must relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup.

4. The NDIC Field Inspector must witness and document the annual surface pressure/flow test in the database and notify the Bismarck office via email of failed tests.

5. Any pressure or leakage discovered by the operator must be reported to the NDIC immediately.

5. Revocation of NCW Status

1. Failure of surface pressure/flow test.
2. Fails inspection and monitoring requirements in part 4 above.
3. Reason for NCW no longer valid.
4. Consideration of mineral/landowner/field inspector concerns that are in the well file and field inspector notes in RBDMS.

6. Access to Well Sites

Reasonable access to NCW well sites must be maintained.

7. Other

Upon notice from the NDIC that a well drilled on a multi-well pad has met the definition of what constitutes abandonment of the well, the operator may apply for additional time to NCW or TA the well by documenting the date that each well drilled on the multi-well pad during continuous drilling operations reached total depth. The commission may grant an extension of the Not Completed (NC) well status to one year following the date the last well drilled on the multi-well pad during continuous drilling operations reached total depth.

Note: The foregoing are guidelines only and may be altered for good cause to meet specific conditions.

Reference

Requirements of NDAC § 43-02-03-55

1. The removal of production equipment or the failure to produce oil or gas, or the removal of production equipment or the failure to produce water from a source well, for one year constitutes abandonment of the well. The removal of injection equipment or the failure to use an injection well for one year constitutes abandonment of the well. The failure to plug a stratigraphic test hole within one year of reaching total depth constitutes abandonment of the well. The removal of treating plant equipment or the failure to use a treating plant for one year constitutes abandonment of the treating plant. An abandoned well must be plugged and its site must be reclaimed and an abandoned treating

plant must be removed and its site must be reclaimed, pursuant to sections 43-02-03-34 and 43-02-03-34.1.

3....the director may also waive the duty to plug and reclaim an abandoned well for any other good cause found by the director. If the director exercises this discretion, the director shall set a date or circumstance upon which the waiver expires.

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Bruce Hicks, Assistant Director, Oil and Gas Division, presented the Oil and Gas Division Quarterly Report. (A copy of the report is available in the Commission files.)

**1st QUARTER REPORT
JAN-FEB-MAR 2017**

Statistics	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Permitting:					
Permits Received	227	162	253	248	240
Rec'd in AOI: PP 2.01	0	0	0	0	0
Permits issued in PP 2.01	0	0	0	0	0
Denied/Relocated: PP 1.01	1	4	0	6	6
Stips: PP 1.02	38	39	41	25	44
Permits Issued	204	173	248	193	218
YTD Permits (new permits only)	204	377	625	818	218
Approval Time (days)	33	19	11	10	14
Drilling:					
Rig Count	41	28	32	37	41
Well count:					
Producing	13,071	13,161	13,312	13,438	13,559
Enhanced Recovery	576	582	561	538	574
SWD	450	448	433	423	426
Waiting on Completion	945	903	861	807	689
Production:					
Barrels of Oil per Day	1,117,916	1,038,740	993,908	1,006,526	1,014,454
MCFD	1,643,960	1,641,676	1,650,386	1,671,450	1,666,841
Gas Capture	89%	90%	89%	88%	91%
Unit Oil	5%	5%	6%	5%	5%
Horizontal Well Oil	97%	96%	95%	95%	95%
Prices:					
ND Sweet Flint Hills (\$/barrel)	\$21.94	\$34.30	\$34.09	\$37.94	\$40.46
ND Northern Border Gas (\$/MCF)	\$1.57	\$1.70	\$2.44	\$2.60	\$2.57
Geophysical:					
Water Well Complaints received	0	1*	1*	0	2*
Inspection and Enforcement					
Inspections	52,906	52,791	46,226	41,002	48,526
Rigs-weekly goal	110%	124%	130%	162%	136%
UIC-monthly goal	108%	105%	92%	119%	92%
Well/Facility/OilCond-monthly goal	83%	85%	73%	91%	77%
Problems Encountered	1,185	1,079	886	614	500
Resolved <30 days (verbal)	62%	59%	63%	67%	53%

Resolved <180 days (written)	29%	11%	6%	16%	14%
Complaints	1	1	0	3	0
Investigations Ongoing	0	0	0	0	0
Oil & Gas Research Fund	\$11,692,274	\$11,993,322	\$11,001,024	\$10,405,887	\$7,999,688
Reservoir Data Fund	\$445,917	\$509,871	\$528,345	\$549,887	\$547,067
Abandoned Well Restoration Fund	\$12,297,585	\$12,593,671	\$13,479,073	\$14,556,411	\$15,658,720
Cash Bond Restoration Fund	\$1,034,258	\$1,378,260	\$1,382,009	\$1,393,132	\$1,503,074
Cash Bond Total	\$15,185,000	\$15,737,000	\$15,087,000	\$14,117,000	\$13,867,000
Surety Bond Total	\$50,859,000	\$50,717,000	\$52,947,000	\$53,397,000	\$54,362,000

Mr. Hicks noted that the rig count was 41 rigs for the quarter. However the count was 59 as of today and production is over one million barrels a day.

Mr. Hicks also pointed out that the Department had received two complaints regarding seismic activity. He explained the process the agency follows in dealing with these complaints and the investigation that takes place each time an inquiry or complaint is received. In this instance the individual filing the complaint is satisfied with what the agency found in doing the investigation and was happy with what the staff had done and indicated his appreciation for the agency staff looking into it.

Mr. Hicks stated that even though the Division is down 6 FTE's in the field they still managed to have almost 50,000 inspections in the first quarter which is a healthy number. It was noted that the number of problems encountered in the field are decreasing. This is partly because you have more problems when batteries are first being constructed. When the operators are adding additional wells on those existing batters there are fewer problems encountered. Mr. Helms said this is a real positive; we are seeing a strong downward trend in violations or problems in the field.

There was discussion regarding the investigations statistics and which investigations are included - formal versus informal in-house investigations.

Mr. Hicks reviewed the gas capture statistics and indicated the level is currently at 91 percent which is well over the 85 percent capture goal the Commission set. In November of 2018 that goal will go up to 88 percent. There are some concerns of whether that goal can be met. Industry is currently putting in looping lines, additional compressors and constructing new gas plants. However, there is increased GOR in certain areas so there is more gas that is coming out of every barrel being produced. Once the wells become more mature there is more gas breaking out in the reservoir resulting in an increase in the GOR. The staff is closely monitoring this and will keep the Commission up to date on this matter. Mr. Helms said the staff meets periodically with the gas gathering companies and just finished meeting with 13 companies with one more meeting scheduled. The staff has heard quite a bit from the industry about the gas capture plans for these areas where they are experiencing higher gas oil ratios and they are going to struggle, they think, to maintain this capture percentage.

Mr. Hicks reviewed the statistics on the production of gas. Gas sales are increasing which is keeping the flaring flat so that percentage is going down every month.

In response to questions about the value of gas, Mr. Hicks and Mr. Helms discussed that in many instances the oil operator has to pay the gas company to take the gas. Currently at the wellhead the value is zero. The cost of gathering and processing is equal to the value of the gas and the liquids. In some cases -- like ethane--the value is a negative because the cost to transport it to Kansas or Texas is more than the value of the ethane.

Mr. Hicks noted in his report that there were no wells being permitted on public lands in the Areas of Interest. It has been well over a year since there was a permit requested in the Areas of Interest. He stated the Division may see an increase in this number with the increased interest in drilling along Lake Sakakawea.

Mr. Hicks reviewed the complaint as follows:

COMPLAINTS										
Case No.	Respondent	Complaint Date	Penalty Proposed	Reasonable Fees and Expenses Proposed	Collected	Suspended Penalty				
						Amount Suspended	Justification	Suspended Period	Same or Similar Violation Committed	
24891	Gadeco, LLC	02/2016	TO BE DETERMINED	\$822		Case dismissed violations consolidated in Case 25462				Yes
25067	Gadeco, LLC	05/2016	TO BE DETERMINED	\$294		Case dismissed violations consolidated in Case 25462				Yes
25414	Alturus Energy, LLC	10/2016	TO BE DETERMINED	\$508		Received Answer Consent Agreement consideration Requested \$140,000 in additional bonding				Yes
25462	Gadeco, LLC	11/2016	TO BE DETERMINED	\$2,202		OAH Hearing Requested Consent Agreement consideration				Yes
25517	Strike Oil, Inc.	11/2016	\$21,875	\$202		ICO 28052 (Default) for Full Penalty (Filed judgment in District Court)				Yes
25566	Rick Aalund	05/2017	TO BE DETERMINED	\$1,086		Complaint Served				No
25840	Henry Hill Oil Services, LLC	06/2017	TO BE DETERMINED	\$288		Complaint Served				No
25927	Apollo Resources LLC	06/2017	TO BE DETERMINED	\$5,297		Complaint Served				No
25928	Marsha Azar	06/2017	TO BE DETERMINED	\$1,949		Complaint Served				No

Mr. Helms gave an update on Senate Bill 2134:

- The RFP was published ahead of schedule.
- Proposal submission deadline was June 27.

- Two proposals received.
- The proposals will be evaluated with the intention to bring a recommendation to the Commission on July 18 for selecting a contractor.

The Commission and Mr. Helms discussed the small number of proposals--the evaluation team will look carefully at the two proposals to make sure they are qualified to do this work; the proposals are from firms here in the state and he believes they should be qualified. In response to a question, Mr. Helms indicated that he thought the restrictions in the law limited the number of firms that were eligible to submit proposals. He said it is possible the evaluation committee would recommend that the Commission go back out again requesting proposals.

Mr. Helms said there is a lot of activity at the Division with the re-fractures and requests for drilling permits. They have shifted staff back from production auditing into the permitting group to keep up with the requests.

In response to a question regarding the 59 rigs – going back over the years and now they are drilling wells so much faster, do we have a wells drilled per month, Mr. Helms said yes and he will add it to future quarterly reports. That information is currently reported on their website – the number of wells spud and the number of wells drilling and also the completions. Those 59 drilling rigs are equivalent to 118 rigs five years ago so that number doesn't have the same meaning that it did five years ago. The staff is expecting that number to drop after July and August. One company in particular increased their rig activity well above what they had projected to do this year and they are expecting to cut back to two or three rigs after some of the rig contracts expire. That number is going to drop back down but the number of wells spud is actually very high considering there are only 59 rigs operating.

Being no further Department of Mineral Resources business, Governor Burgum adjourned this portion of the meeting at 9:40 a.m. and the Commission took up Housing Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on June 30, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Jolene Kline, Housing Finance Agency
Max Wetz, Housing Finance Agency
Pat Nagel, Housing Finance Agency
Members of the Press

Governor Burgum called the Housing Finance Agency portion of the Industrial Commission meeting to order at 9:40 a.m. following completion of Department of Mineral Resources business.

Ms. Jolene Kline, Housing Finance Agency Executive Director, discussed the HFA Advisory Board recommendation regarding the proposed FY 2017 Helping HAND grant awards as follows:

RE: 2017 Helping HAND Grant Approval

The NDHFA Advisory Board recommends the Industrial Commission approve the FY 2017 Helping HAND grants as follows:

Applicant	Community	Amount
Community Action Partnership Regions 1 & 8 Combined	Dickinson/Williston	17,381
Community Action Partnership - Minot Region	Minot	20,434
Dakota Prairie Community Action Agency	Devils Lake	17,164
Red River Valley Community Action	Grand Forks	25,757
Southeastern ND Community Action Agency	Fargo	46,417
Community Action Region VI	Jamestown	13,207
Community Action Program Region VII, Inc.	Bismarck	33,841
Subtotal - CA Agencies		\$174,201
Trenton Indian Service Area	Trenton	7,333
Turtle Mountain Band of Chippewa	Belcourt	7,333
Spirit Lake Tribal Housing	Fort Totten	7,333
Subtotal - Tribal Housing		\$ 21,999
Lake Agassiz Habitat for Humanity	Fargo	3,000
Subtotal - Habitat for Humanity		\$ 3,000
Rebuilding Together Fargo/Moorhead Area	Fargo	800
Subtotal - Non-Profits		\$ 800
Total		\$200,000

Funding from Agency earnings for grants is considered an expenditure in the Agency budget. In order to meet the requirements of the Legislative budget cuts, the Helping HAND grant program was reduced from \$250,000 to \$200,000. The proposed award of funds is consistent with Program Criteria as well as established set-asides for Community Action agencies (distributed by poverty level amongst seven agencies); tribal entities (six tribal entities with a maximum of \$7,333 per entity); Habitat for Humanity chapters (four affiliates with a maximum of \$3,000 per affiliate) and eligible non-profits (Rebuilding Together Bismarck/Mandan Area, Rebuilding Together

Fargo/Moorhead Area and Camp of the Cross Ministries-Dream Catchers with a maximum of \$800 per non-profit). The previously approved eligible entities of Standing Rock Sioux Tribe, Sisseton-Wahpeton Oyate, Habitat for Humanity Northern Lights, Red River Valley Habitat for Humanity, Rebuilding Together Bismarck/Mandan Area and Camp of the Cross Ministries/Dream Catchers did not apply for 2017 funds. In addition, Fergus Falls Area Habitat for Humanity has withdrawn from the program as they have changed their geographic area and no longer service Richland County in North Dakota. Three Affiliated Tribes is currently ineligible to participate in the Helping HAND program due to outstanding audit issues.

Just under \$6 million of Agency earnings has been awarded to date under this program to leverage the cost of needed repairs to ensure a safe environment for households as well as aid Habitat for Humanity affiliates.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Housing Finance Agency Advisory Board and approve the FY 2017 Helping HAND grants in the amount of \$200,000 as follows:

Southeast ND Community Action Agency, Fargo	\$46,417
Community Action Program Region VII Inc., Bismarck	\$33,841
Red River Valley Community Action, Grand Forks	\$25,757
Community Action Partnership, Minot	\$20,434
Community Action Partnership, Dickinson/Williston	\$17,381
Dakota Prairie Community Action Agency, Devils Lake	\$17,164
Community Action Region VI, Jamestown	\$13,207
Trenton Indian Service Area, Trenton	\$ 7,333
Turtle Mountain Band of Chippewa, Belcourt	\$ 7,333
Spirit Lake Tribal Housing, Fort Totten	\$ 7,333
Lake Agassiz Habitat for Humanity, Fargo	\$ 3,000
Rebuilding Together, Fargo/Moorhead	\$ 800

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

In response to questions at the last meeting, Ms. Kline presented information regarding the Housing Finance Agency's share of the homeownership purchase market as follows: (A complete copy of the report is available in the Commission files.)

Determining North Dakota Housing Finance Agency's share of the homeownership purchase market requires comparing our internal data on our mortgage portfolio to data required to be reported under the Home Mortgage Disclosure Act (HMDA) by financial institutions to the Consumer Financial Protection Bureau. We also examined Census data regarding homes with mortgage debt. The most current HMDA and Census data available is from 2015 so all numbers for NDHFA's portfolio also reflect that time period.

While HMDA reporting does not include first-time homebuyer status, we estimated our share of the potential market by applying our income and acquisition limits to the total loans made in that year. That calculation shows that NDHFA had a 22 percent penetration of the potential market in 2015. It should be noted that while we can control for income and loan amounts, not all of the "potential" market may truly be eligible borrowers under our program parameters, chiefly the requirement under FirstHome™ to not have owned a home in the past three years.

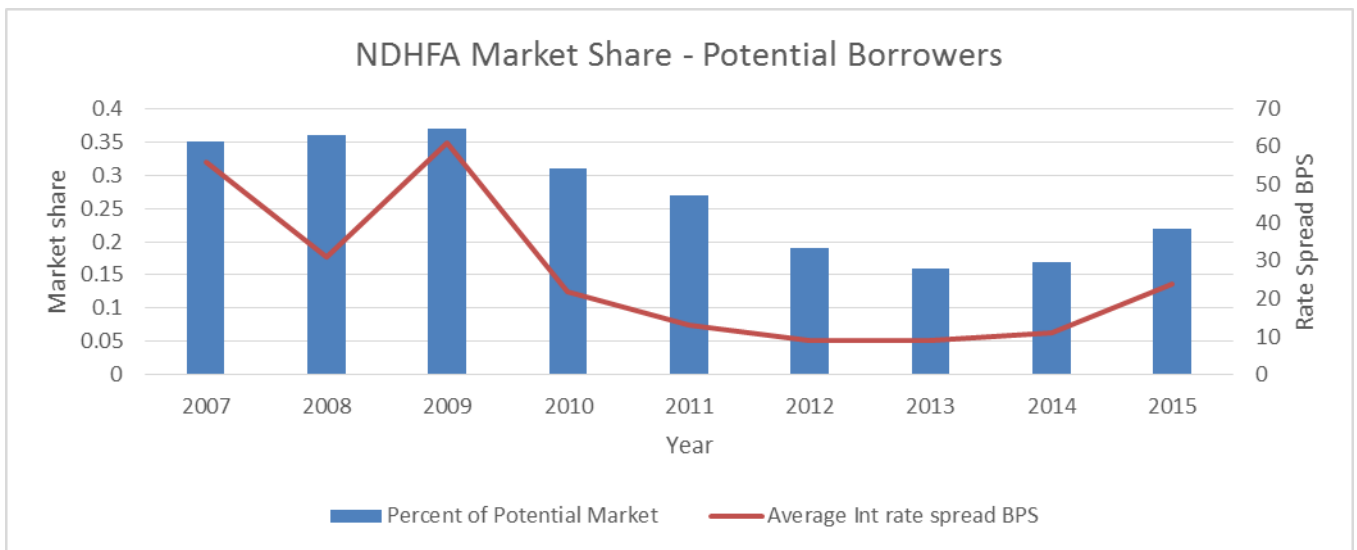
There is a pattern of use of our homeownership programs by borrowers and lenders dependent upon the interest rate spread between the conventional market and our programs. Compressed interest rates give

borrowers more option to use conventional financing. One of the factors that positively influences borrowers to use our programs is our down payment and closing cost assistance which is not available from any other source. In 2015, more than 61 percent of our borrowers utilized that feature. Please note that as the interest rate spread has grown our share of the market has also increased.

Looking at the entire mortgage market in North Dakota in 2015, our share of total loans made (8,694) stood at 13.9 percent.

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
Percent of Potential Market	35%	36%	37%	31%	27%	19%	16%	17%	22%
Average Int rate spread BPS	56	31	61	22	13	9	9	11	24
ND Total home purchase loans	7,023	6,515	6,520	6,465	6,371	7,947	8,493	8,634	8,694
NDHFA purchases	1,806	1,640	1,724	1,380	1,122	1,002	841	841	1,209
NDHFA share of total loans	25.7%	25.2%	26.4%	21.3%	17.6%	12.6%	9.9%	9.7%	13.9%

It is important to view these numbers in their historical context as well. Energy development, housing construction, incomes and home prices were rising significantly year-over-year in this time period putting pressure on the affordability of housing in general and first-time homebuyers in particular. Coupled with the low interest rate environment and the difficulty other states had in placing mortgage revenue bonds during that time, NDHFA continued to be a relevant and important home financing option for those who needed it. As the housing market has changed since 2015, we have seen increased utilization of our programs, especially our down payment and closing cost assistance. In 2016, NDHFA made more than 1,300 home loans.



Ms. Kline stated at the end of 2016 the Agency had 9,104 active loans. Under the First Home Program to date, they have done 41,159 loans totaling \$3.2 billion. The second map is for just 2016 and shows where the loans were made during the calendar year which is the 1,329 loans spread out by county. (A copy is available in the Commission files.)

Being no further Housing Finance Agency business, Governor Burgum adjourned this portion of the meeting at 9:46 a.m. and the Commission took up Outdoor Heritage Fund business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on June 30, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also
Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jim Melchior, OHF
Members of the Press

Governor Burgum called the Outdoor Heritage Fund portion of the Industrial Commission meeting to order at 9:46 a.m. following completion of Housing Finance Agency business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary, presented the Outdoor Heritage Fund (OHF) Financial Report as follows: (A copy of the complete financial report is available in the Commission files.)

Outdoor Heritage Fund (294)
Financial Statement - Cash Balance
2013-2015 Biennium

	<u>Cash Balance</u>
July 1, 2013 Balance	\$ 0.00
Interest Revenue through June 30, 2015	\$ 8,181.72
Revenues through June 30, 2015	\$18,641,972.92
Grant Expenditures through June 30, 2015	\$ (2,386,247.96)
Administrative Expenditures through June 30, 2015	<u>\$ (90,034.88)</u>
	\$16,173,871.80

Outdoor Heritage Fund (294)
Financial Report - Cash Balance
2015-2017 Biennium
June 30, 2017 Industrial Commission Meeting

	<u>Cash Balance</u>
July 1, 2015 Balance	\$16,173,871.80
Interest Revenue through May 31, 2017	\$ 18,360.44
Revenues through June 19, 2017	\$19,071,595.92
Grant Expenditures through May 31, 2017	\$ (8,445,733.08)
Administrative Expenditures through May 31, 2017	<u>\$ (87,587.74)</u>
	\$26,730,507.34
Outstanding Administrative Expenses	\$ (62,412.26)
Outstanding Project Commitments as of May 31, 2017	<u>\$(17,804,101.65)</u>
Balance	\$ 8,863,993.43

54-17.8-02 North Dakota Outdoor Heritage Fund – Continuing appropriation

There is created a North Dakota Outdoor Heritage Fund that is governed by the Commission. Any money deposited in the Fund is appropriated on a continuing basis to the Commission for the purposes of this chapter. Interest earned by the Fund must be credited to the Fund. The Commission shall keep accurate records of all financial transactions performed under this chapter.

57-51-15. Outdoor Heritage Fund - Deposits.

First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the State Treasurer who shall: ...

(f) Credit eight percent of the amount available under this subsection to the North Dakota Outdoor Heritage Fund, but not in an amount exceeding twenty million dollars in a state fiscal year and not in an amount exceeding forty million dollars per biennium; ...

Mr. Jim Melchior, Outdoor Heritage Fund Advisory Board Chairman, discussed the Outdoor Heritage Fund Advisory Board's Grant Round 9 recommendations for ten projects in the total amount of \$1,817,927.15 as follows: (Copies of the applications are available in the Commission files.)

1. GR9-001 - Blickensderfer Dam Repair - Hettinger County Water Resource District - \$11,700 - Directive C - **Funding Recommendation \$11,700**
2. GR9-006 - Southwest Grazing Lands Improvement Project - Pheasants Forever, Inc. \$232,083 - Directive B - **Funding Recommendation - \$216,900**
3. GR9-008 - Kathryn Dam Repurposing Project - Barnes County Water Resources District - \$161,423.60 - Directive C - **Funding Recommendation - \$159,505**
4. GR9-009 - Community Gathering Place Phase I: Playground Equipment & Amenities; Phase II: Basketball Court Refurbishment - City of Flaxton - \$28,650 - Directive D - **Funding Recommendation - \$6,673**
5. GR9-010 - Pheasant Lake Fishing Access/Shoreline Restoration Phase 2 - Dickey County Park Board - \$21,500 - Directive A - **Funding Recommendation - \$21,500**
6. GR9-011 - Red River Riparian Program - Phase 6 - Red River Regional Council - \$584,200 - Directive B - **Funding Recommendation - \$584,200**
7. GR9-012 - Water Storage and Grass Seeding - North Dakota Natural Resources Trust - \$292,500 - Directive C - **Funding Recommendation \$67,500**
8. GR9-013 - Cover Crop & Livestock Integration Project - Ducks Unlimited, Inc. - \$625,394.90 - Directive B - **Funding Recommendation \$625,394.90**
9. GR9-014 - Give Me Back My Acres - Towner County Soil Conservation District - \$3,334.25 - Directive B - **Funding Recommendation \$3,334.25**
10. GR9-015 - Grand Forks County Prairie Management Toolbox - Audubon Dakota & North Dakota Natural Resources Trust - \$121,220 - Directive C - **Funding Recommendation - \$121,220**

Mr. Melchior indicated that the Board considered 14 applications totaling \$2.5 million and is recommending funding on 10 applications in the total amount of \$1,817,927.15. Mr. Melchior reviewed each of the project recommendations as follows:

- Blickensderfer Dam Repair - Hettinger County - Repair and armoring of the Blickensderfer Dam including reshaping the eroded area and placement of rock rip-rap to protect the embankment from further erosion. There were no contingencies on the recommended funding of \$11,700;
- Southwest Grazing Lands Improvement Project - Installation of grazing systems to promote rotational grazing on approximately 6,000 acres of private lands. Grazing systems will include cross fencing, pipelines and watering facilities and grass plantings. The contingencies placed on this funding of \$216,900 include no funding for salaries, all the improvements be at a minimum of 60/40 cost share and no incentive payments to landowners;
- Kathryn Dam Repurposing Project (Barnes County) - Removal of the Kathryn Dam and abutments and construction of a series of rock riffles upstream of the existing dam footprint. Channel banks in the immediate project vicinity would be stabilized and restored with vegetation. Angler access and recreational opportunities will be improved. He indicated that the funding requested was reduced as the law limits the amount that is to be paid to outside consultants. Recommended funding level is \$159,505.

- Community Gathering Place Phase I: Playground Equipment & Amenities Phase II: Basketball Court Refurbishment for the City of Flaxton. Request was for playground equipment and the installation of basketball court and backboards. The Board is only recommending funding for the playground equipment in the amount of \$6,673. This is the 25% funding level for playground equipment that is allowed by law.
- Pheasant Lake Fishing Access/Shoreline Restoration Phase 2 - This project will include shoreline restoration and excess sediment removal, installation of erosion barrier and riprap and construction of an earthen fishing pier. He indicated there were no contingencies on this funding. Recommended funding level is \$21,500 - no contingencies.
- Red River Riparian Program - Phase 6 - This project includes cost share assistance for 60% of total costs related to implementation of certain best management practices to restore, protect and employ effective management of riparian areas as well as livestock and farmland along the Red River riparian corridor. The primary goal is to improve water quality. Recommended funding is \$584,200 with no contingencies.
- Water Storage and Grass Seeding - The project as proposed was to assist landowners with a one-time water storage incentive and cost share for seeding cropland acres to grass with priority given to acres that have the characteristic of annual agricultural cropping inputs with low or no crop productivity. Goal was to restore 700 surface acres of wetlands and to seed 1,125 acres to grass. The Board recommendation was to fund only the grass seeding component of this project in the amount of \$67,500. Commissioner Goehring noted that this is consistent with what is being done in other similar programs.
- Cover Crop & Livestock Integration Project - This project provides a 60% cost share for cover crop implementation and grazing infrastructure necessary for livestock integration on cropland on more than 5,280 acres in southeast ND and enhances an additional 1,900 acres of grassland. Recommended funding level is \$625,394.90. The contingencies were that all the improvement costs be shared at a minimum of 60/40 and no incentive payments be made to landowners.
- Give Me Back My Acres - (Towner County) This project involves the seeding of a specific cover crop on a maximum of 40 salinity acres (2.5 acres maximum per producer). Recommended funding level is \$3,334.25 with no contingencies.
- Grand Forks County Prairie Management Toolbox - This project provides funding for native prairie restoration (200 acres) invasive woody vegetation removal (10,000 acres) and grazing system support (3,000 acres) for private landowners in the Grand Forks County Prairie. Recommended funding level is \$121,220 with no contingencies.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendations of the Outdoor Heritage Fund Advisory Board and approves funding of the following ten projects in the total amount of \$1,817,927.15 and authorizes the Industrial Commission Executive Director to enter into contracts with the applications as noted below:

1. **“Blickensderfer Dam Repair” - Hettinger County Water Resource District - \$11,700**
2. **“Southwest Grazing Lands Improvement Project” - Pheasants Forever, Inc. - \$216,900 with the contingencies that there is no funding for salaries, all the improvement costs to be cost shared with a minimum cost share of 40% by the recipient and no incentive payments to landowners**
3. **“Kathryn Dam Repurposing Project” - Barnes County Water Resources District - \$159,505 with the contingency that funding is limited to 10% for engineering costs.**
4. **“Community Gathering Place Phase I: Playground Equipment & Amenities; Phase II: Basketball Court Refurbishment” - City of Flaxton - \$6,673 for playground equipment.**
5. **“Pheasant Lake Fishing Access/Shoreline Restoration Phase 2” - Dickey County Park Board - \$21,500.**
6. **“Red River Riparian Program - Phase 6” - Red River Regional Council - \$584,200.**
7. **“Water Storage and Grass Seeding” - North Dakota Natural Resources Trust - \$67,500 with the contingency that the monies are to be used for grass seeding only -- no incentive payments.**

8. **“Cover Crop & Livestock Integration Project” - Ducks Unlimited, Inc. - \$625,394.90 with the contingencies that all the improvement costs to be cost shared with a minimum cost share of 40% by the recipient and no incentive payments to landowners.**
9. **“Give Me Back My Acres” - Towner County Soil Conservation District - \$3,334.25**
10. **“Grand Forks County Prairie Management Toolbox” - Audubon Dakota & North Dakota Natural Resources Trust - \$121,220.**

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

There was discussion regarding the projects that were not funded--Double Ditch project had sufficient funding because the bids came in lower than anticipated so the funding was not needed from the Outdoor Heritage Fund; Hay Creek Bank Stabilization in Bismarck; Jamestown Park request for a Sensory Garden which included a double vaulted restroom which met the definition of a building and for a building they had to have a comprehensive conservation plan and they did not have such a plan.

Mr. Melchior noted that one area that isn't always clear is when an application involves an existing facility. Is the Commission being asked to fund maintenance (which is prohibited in the law) or is it an improvement? This is something the Board has had to deal with each grant round.

Ms. Fine discussed the OHF Advisory Board recommendations regarding proposed amendment to OHF Application form as follows:

RE: Amendment to Outdoor Heritage Fund (OHF) Application

On June 26, 2017 the OHF Advisory Board recommended to the Industrial Commission that the following language be included in the OHF Application form:

If you are requesting funding for fencing, please note that the Board/Commission's preference is for a minimum cost share of 40% by the recipient. Please include detailed information on the type of fencing to be installed, whether funding is requested for boundary fencing, new or replacement of existing fencing, and/or cross fencing.

Ms. Fine and Mr. Melchior noted that the Board had been asked to provide more clarity on the funding of fencing. Although this change does not state what fencing costs will be funded it does require the applicant to provide more information on the type of fencing so the Board can make a determination in each situation. In response to a question Mr. Melchior indicated that in some instances the Board has recommended funding for boundary fencing but not in all cases. Funding for boundary fencing has been approved in one application where lands were coming out of CRP and boundary fencing was needed to enhance the land for grazing.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and includes the following language in the OHF Application Form:

If you are requesting funding for fencing, please note that the Board/Commission's preference is for a minimum cost share of 40% by the recipient. Please include detailed information on the type of fencing to be installed, whether funding is requested for boundary fencing, new or replacement of existing fencing, and/or cross fencing.

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine discussed the OHF Advisory Board recommendation regarding future application deadlines for 2017 - 2019 as follows:

RE: Outdoor Heritage Fund (OHF) Application Deadlines

On June 26, 2017 the OHF Advisory Board recommended to the Industrial Commission that the following Application Deadlines be established:

November 1, 2017; April 1, 2018; October 1, 2018; May 1, 2019 and November 1, 2019

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and establishes the following application deadlines:

November 1, 2017

April 1, 2018

October 1, 2018

May 1, 2019

November 1, 2019

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine indicated that the Commission had received a letter from the Stutsman County Soil Conservation District with some suggestions about improving the program and requesting more clarity from the Board and Commission on their funding decisions. She indicated that the Board had discussed the letter at their meeting earlier in the week and she would be working on a response.

Being no further Outdoor Heritage Fund business, Governor Burgum adjourned this portion of the meeting at 10:19 a.m. and the Commission took up Western Area Water Supply Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on June 30, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Lt. Governor Brent Sanford
Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Jaret Wirtz, Western Area Water Supply Authority
Cory Chorne, AE2S
Bob Harms
Members of the Press

Governor Burgum called the Western Area Water Supply Authority portion of the Industrial Commission meeting to order at 10:19 a.m. following completion of Outdoor Heritage Fund business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary, presented the Western Area Water Supply Authority May Financial Report and Debt Reduction Report as follows: (A complete copy of the report is available in the Commission files.)

RE: Western Area Water Supply Authority - Industrial Sales - May, 2017 & Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWS) financial information for the month of May, 2017.

Page 1 prepared by the Bank of North Dakota, reflects debt service payments through the month of May, 2017. In May interest was paid on the two BND loans and two Water Commission loans and principal was paid on the \$40 million BND loan.

The next 3 pages (pages 2, 3 & 4) I prepared based on the information provided by WAWS staff reflecting May revenues and expenses and net income. There was one principal payment made in May that is highlighted in yellow. Net income for the month of May was \$56,102.92 before making the principal payments. No baseline sales payments were paid because there was insufficient cash to make that payment. **WAWS's auditors were in conducting the audit for 2016 and have now indicated that we should no longer treat these payments as a deferred asset.** When you include the baseline payment expense the net income for the month of May is **-\$343,879.17**. (As you will recall from the overall Debt Service spread sheet the breakeven sales monthly number is \$871,750 without the baseline sales payments. With WAWS sales for the month of May being \$690,914.61 they were under that number by \$180,835.39.)

Page 5 is the balance sheet prepared by WAWS staff as of May 31, 2017. As noted on the Balance Sheet the Accounts Receivables are \$1,651,970.25 which is included in the assets of \$6,600,337.38. The Balance Sheet still includes a Deferred Expense line item as an asset for the 2016 baseline sales payments but the 2017 baseline sales payments are not included in that line item. The liabilities include, within the accounts payable line item, the 2016 baseline sales payments amount plus the 2017 baseline sales payments. **This is the second balance sheet you have seen in 2017 with negative total equity because in previous months we had been including the baseline payments as a deferred expense asset as per the instructions of the auditor.**

If you have questions I will be available to review the numbers. Jaret Wirtz will be at the meeting to respond to questions regarding the sales during the month of May and comment on the activity level during June.

Mr. Jaret Wirtz, WAWS Executive Director, indicated that the trend has changed and WAWS water sales have increased--in just one month water sales have turned around. He indicated that some of this is due to the drought conditions and there are fewer water sources available for the oil industry. In addition more frack crews are

working and the wells are in the Watford City and Williston areas. The amount of water used to frack every well is also increasing. In some instances a frack job will required water from more than one source. There are frack jobs where there is a private water supplier along with WAWS. It appears that WAWS can't contract any more water through at least August and into September--it is all contracted out. There will be increased revenues which is good, especially when WAWS is starting to make payments on the new restructured BND loan.

There was discussion about the baseline sales payments, why there is a requirement to make these payments when some of these communities would not have been making any sales if they had not joined WAWS, how it is being treated on the balance sheet, the benefits that WAWS has brought to the communities even if they are not receiving any baseline sales--communities able to grow, quality water, water availability, etc. Mr. Wirtz noted that it is WAWS intention that if there are some good months the communities would be paid their proportionate share of the sales. This gives the communities an incentive to work with WAWS in the selling of water at the depots and moving water through their communities.

Ms. Fine presented a memorandum regarding water rates as follows:

RE: House Bill No. 1020 language on Water Rates

House Bill 1020 from the 2017 Legislation Session had the following language regarding Water Rates:

Section 24

Section 61-40-11 of the North Dakota Century Code is amended and reenacted as follows:

61-40-11. Water rates.

~~The authority shall develop an industrial water depot and lateral retail rate and present the rate to the industrial commission for approval. Any industrial water depot and lateral rate adjustment must have approval of the industrial commission before going into effect~~ The Industrial Commission may authorize the Authority to contract at competitive, floating, market rates for industrial water depot and lateral retail sales. The Authority shall provide a report on the rates to the Commission and Legislative Management's Water Topics Overview Committee on a regular basis. The authority shall develop domestic water rates that must include all costs for operation, maintenance, and operating and capital reserves, and debt repayment of all infrastructure managed or constructed by the Authority, with the exception of the costs identified in Section 61-40-10 which are paid for by industrial water depot and lateral sales.

It is my recommendation, based on the language in House Bill 1020, that the **Industrial Commission effective July 1, 2017 authorizes the Western Area Water Supply Authority (Authority) to enter into contracts at competitive, floating, market rates for industrial water depot and lateral retail sales. Further that the Authority report to the Commission on a monthly basis the average industrial water rate for the prior month.**

In addition to the monitoring the Commission will be doing with the monthly reporting I would note that N.D.C.C. 61-40-10 (3) provides:

The state water commission shall approve the planning, location, and water supply contracts of any authority depots, laterals, taps, turnouts, and risers for industrial sales for oil and gas exploration and production after July 1, 2013.

Also all contracts must include language that domestic water needs must be met first. Here is an excerpt from one of the WAWS contracts:

In the event there is a shortage of water in the system at this Service Location, the Authority may reduce the water delivered to Customer if necessary to satisfy needs of domestic water providers for domestic purposes before supplying any water for industrial purposes. Domestic water supply needs will always be a priority over industrial water supply needs, and the supply of industrial water approved pursuant to this agreement is subject to reduction if domestic needs exceed water supply.

This action would meet the directive of the 2017 Legislature and allow WAWS to conduct business to meet their debt obligations while at the same time fulfilling their statutory mission to develop a system that meets the domestic water needs of western North Dakota.

Mr. Wirtz provided the following charts and discussed with the Commission the data contained on the charts: (Copies of the charts are available in the Commission files.)

2015 WAWSA Industrial Water Sales Overview (numbers reflect all water sold at \$.84 a gallon - \$23 million of gross revenue)

2016 WAWSA Industrial Water Sales Overview (\$11.4 million in gross revenue even with some price allowances being approved later in the year - average sale price \$.78 when the market was at \$.50/\$.55 - water sold primarily for maintenance)

3.6% Frack Market Share (2016) in Williams and McKenzie Counties (2.2% Statewide)

Western Area Water Supply Project - 2016 WAWSA Industrial Water Sales Summary with map

2017 WAWSA Industrial Water Sales Budget (forecast)

Direct Connects @ \$20.00/1,000 Gallons (\$.84/barrel)

YTD Totals through May, 2017

2017 WAWSA Industrial Water Sales Projection at Reduced Sales Price (average price \$.64 a barrel)

100% Increase Over 2016 Direct Connect Sales @ \$11.90/1,000 Gallons (\$.50/barrel)

YTD Totals through May 2017

2017 WAWS Industrial Water Sales Projection at Reduced Sales Price

200% Increase Over 2016 Direct Connect Sales @ \$11.90/1,000 Gallons (\$.50/barrel)

YTD Totals through May 2017

WAWSA Industrial Volumetric Water Demand

WAWSA Domestic Volumetric Water Demand

WAWSA Total Volumetric Water Demand

Considerable discussion took place on the following points:

- Pricing/water rates
- Cost of production/reimbursement rates established by the Commission annually
- Market Share (began dropping in 2015 and in 2016 dropped to 10% statewide or 14% in their service area.)
- Competitive rates
- Pricing incentives that have been approved over the past 3 years
- Location of drilling and how that impacts the costs for transportation
- Percentage of water sold for frack jobs compared to percentage of water sold for maintenance water.
- Potential sales of waste water - previously no demand for it as there is plenty of fresh water. Now that has changed. After treatment the quality of this water is good. Needs to be "rebranded" - reuse water. Anticipate reuse water from the communities to be sold through WAWS. Limited volume is available.
- Need for flexibility -- availability, location, weather, demand, time of year, other issues can impact the price. Need to have a floating price that can be negotiated on a case by case basis.
- Average price with increased sales is still above the market and doesn't undercut prices.

- Volume of water needed on a wellsite requires partnerships with private water sellers especially the farmers and ranchers.

In response to a question, Mr. Wirtz stated that the \$.84 price was established when WAWS was created -- it was the price that was being charged by the communities and it was generally the current market. There was a lot of demand and the supply was limited. That number has become the benchmark price.

Mr. Wirtz stated that the purpose of having a floating, flexible rate is not to undercut the market or drive the price down. It is to increase sales so WAWS is able to pay its debt. He noted that they are partnering more and more with the private industry. Their biggest competitor is buying water from WAWS right now and putting the WAWS water in their lines and selling it at a higher price downstream--they are transferring the water right to the well site. That buyer will look at the economics and if next month they have sufficient water from their own source or another source they will stop purchasing WAWS water. WAWS is not in the business of transferring water to the well sites. WAWS is a wholesaler of water.

Commissioner Goehring indicated that he did not believe that government or public entities should be competing with the private sector. He thought there could be a balance if WAWS would only be a wholesaler. Mr. Wirtz indicated that is what WAWS does -- it does not deliver water to the well sites. He indicated that is what they do on the domestic side as well. They are a wholesaler of water to the local jurisdiction and the local jurisdictions are responsible for getting the water to the consumer. Either the City or the Rural Water District is responsible for sending the bills and making sure the water gets to the end user.

Mr. Wirtz noted the demand for domestic water has continued to grow. That is a good thing because it shows that communities are growing--families are moving out of apartments into homes where they have a higher water demand. He expected domestic use to go way up with warmer weather. He reviewed the amount of water that is available on the WAWS system. He stated that in comparison to other water systems, WAWS is able to operate at a higher level year round--other systems are built for their peak season capacity and then their water sales drop off in the winter months. WAWS generally has a purchaser for their water capacity year round.

In response to a question, Mr. Wirtz stated they do not have a specific pricing structure other than what Ms. Fine has recommended. Every month the Commission will be able to monitor the average price per barrel and if there needs to be an adjustment, the Commission will be able to set more parameters on the pricing.

Ms. Fine stated that the draft motion before the Commission provides the flexibility that the Legislature has directed and includes provisions for the Commission to be able to monitor the sales and pricing.

Commissioner Goehring noted that the Commission is put in a difficult position because as the Board of Directors for the Bank of North Dakota they do not want to do harm to companies that are Bank customers.

Governor Burgum commented that he looks at the market share and WAWS has only a small portion of the market--they are not setting the price and, in fact, have been selling at higher prices. It is his belief that WAWS has actually helped the private water sellers because WAWS kept the price high. He agreed that the Commission has to balance between their role as the Bank's Board of Directors and the need to repay the debt so that cost of this infrastructure doesn't fall on the taxpayer. Within that balancing as long as WAWS has the low market share he was willing to vote as it is written and let WAWS try to find the right spot where they can sell water at the market price for wholesale and the buyer can still make money. In the current market with the drought situation WAWS may be able to assist the private water sellers in helping them fill their contracts.

Commissioner Goehring indicated market share should be one gauge that the Commission considers but not the only one because there are a number of factors of why WAWS might be the seller. He is supportive of WAWS being more of a wholesaler.

It was noted that WAWS also has to report to the Water Topics Committee on a monthly basis so there will be another entity looking at the numbers. Governor Burgum pointed out that floating means up and down and not just down so if WAWS has the opportunity to move up from the previously approved \$.45 price the Commission would be supportive of that.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Industrial Commission Executive Director and, based on the language in House Bill 1020 effective July 1, 2017, authorizes the Western Area Water Supply Authority (Authority) to enter into contracts at competitive, floating, market rates for industrial water depot and lateral retail sales. Further that the Authority report to the Commission on a monthly basis the average industrial water rate for the prior month. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine presented a memorandum regarding reimbursement rates for waste water as follows:

RE: Reimbursement Rate Amendment

On December 8, 2016 the Industrial Commission, in accordance with §61-40-10(1)(b), directed the Western Area Water Supply Authority (Authority) to reimburse the Authority and its member entities from the Industrial Account for the cost of delivery of potable or nonpotable water sold from the industrial water depots and laterals for the year 2017. At that time it was not anticipated that there would be wastewater sales from Watford City and the City of Williston so no reimbursement rates were determined.

The Authority has requested that the Commission establish a reimbursement rate for wastewater as they anticipate having these wastewater sources (Watford City and Williston) available for industrial sales. Their recommended reimbursement rate is \$1.20 (\$k/gal).

After discussions with Mr. Wirtz and reviewing the other reimbursement rate it is my recommendation that the Commission amend the 2017 Industrial Reimbursement Rates by location as follows:

Watford City reuse water	\$1.20 (\$k/gal)
City of Williston reuse water	\$1.20 (\$k/gal)

It was moved by Commissioner Goehring and seconded by Attorney General Goehring that the Industrial Commission accepts the recommendation of the Industrial Commission Executive Director and amends the 2017 Industrial Reimbursement Rates by location as follows:

Watford City reuse water	\$1.20 (\$k/gal)
City of Williston reuse water	\$1.20 (\$k/gal)

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Wirtz indicated that they didn't include any other communities at this time because they don't have the supply or the demand for the reuse water but if that changes they will bring back a recommendation at that time.

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Ms. Fine reported that the WAWS Study Advisory Committee has begun their work and will be holding their first meeting next week.

Being no further Western Area Water Supply Authority business, Governor Burgum adjourned the meeting at 11:13 a.m. and took up State Mill business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on June 30, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office

Governor Burgum called the State Mill portion of the Industrial Commission meeting to order at 11:13 a.m. following completion of Western Area Water Supply Authority business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary, discussed a request for authorization to make the year-end transfers of State Mill Profits as follows:

RE: State Mill transfers

North Dakota Century Code § 54-18-19 and 54-18-21 state the following:

Transfer of North Dakota mill and elevator profits to general fund. The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

Annual transfer. Within thirty days after the conclusion of each fiscal year, the industrial commission shall transfer five percent of the net income earned by the state mill and elevator association during that fiscal year to the agricultural products utilization fund.

Mill management is planning to close their books on July 21 and is proposing to make the transfers no later than July 26. Therefore, we are requesting that the Industrial Commission authorize the transfer of 50% of the Mill FY 2017 profits to the General Fund and the 5% of net income to the Agricultural Products Utilization Fund utilizing unaudited numbers by no later than July 26 with Mill management reporting the amount of the transfers to the Commission at their August meeting.

We would propose the following action by the Commission:

It was moved by ___ and seconded by ___ that the State Mill is authorized to transfer five percent of the net income earned by the Mill for fiscal year 2017 to the Agricultural Products Utilization Fund (APUF) and transfer to the General Fund 50% of the annual earnings and undivided profits of the Mill after any transfers to other state agricultural-related programs as per the request of the Office of Management and Budget Director noting that the transfers will be based on unaudited year-end results and reserving the right to adjust the transfer numbers once the year-end results have been audited. Further that Mill management reports the amount of the transfers to the Commission at their August meeting.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the State Mill is authorized to transfer five percent of the net income earned by the Mill for fiscal year 2017 to the Agricultural Products Utilization Fund (APUF) and transfer to the General Fund 50% of the annual earnings and undivided profits of the Mill after any transfers to other state agricultural-related programs as per the request of the Office of Management and Budget Director noting that the transfers will be based on unaudited year-end results and reserving the right to adjust the transfer numbers once the year-end results have been audited. Further that Mill management reports the amount of the transfers to the Commission at their August meeting.

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In response to a question regarding the 50% profits and if there was a specific dollar amount the Legislature was looking for, Ms. Fine said there was not a specific number. The statute required the 5% and 50% transfers. For the 2017-2019 biennium those percentages change for just one biennium to 5% and 75%.

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further State Mill business, Governor Burgum adjourned this portion of the meeting at 11:15 a.m. and the Commission took up Bank of North Dakota business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on June 30, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office

Governor Burgum called the Bank of North Dakota portion of the Industrial Commission meeting to order at 11:15 a.m. following completion of North Dakota Mill business.

Commissioner Goehring informed the other Commission members that he will be holding meetings in western and central North Dakota with farmers, ranchers and bankers in the next couple of months to discuss the impacts of the drought. He will be asking the Bank of North Dakota to allow someone to accompany him because there are going to be some serious issues that need to be discussed with the local lending institutions. He is going to ask the lending institutions if there is anything that they think the Bank of North Dakota could provide to assist them as they work with the borrowers. There may be a need to modify the previous disaster loan program or something new and bring it to the Commission for their consideration. Commissioner Goehring stated that he is getting a lot of calls not only from the farmers and ranchers but from the bankers.

Governor Burgum requested that Ms. Fine contact the Bank President and have his team put together a report on the Bank's loan exposure relative to the drought map for agriculture, agriculture lending and agriculture equipment manufacturing.

Attorney General Stenehjem indicated that he had no concerns about someone from the Bank accompanying the Commissioner when he has his meetings.

The Commission members discussed the concerns they have been hearing from farmers and ranchers--there are a lot of families that are under stress because of the drought.

Commissioner Goehring indicated that the recent Farm Financial Stability Program ended up primarily assisting borrowers in the eastern part of the state. This year's focus will need to be on western and central North Dakota. He said there is value in getting everybody--the farmer, rancher and the banker--in the same room to identify the needs and discuss ways the Bank and the Commission can help.

Governor Burgum thanked the Commissioner for his leadership in identifying ways that the State can help in dealing with the impacts of the drought.

Commissioner Goehring noted that he has received tremendous support from the federal administration in lifting federal restrictions. There is still more to do but he has appreciated their prompt response to his requests for assistance.

Being no further Industrial Commission business, Governor Burgum adjourned the meeting at 11:20 a.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary