

**NORTH DAKOTA NATURAL RESOURCES TRUST**  
**Board of Directors Meeting**  
**Ramkota Hotel, Bismarck, North Dakota**  
**May 3, 2007**

The spring meeting of the North Dakota Natural Resources Trust (Trust) Board of Directors started at 8:30 a.m., Thursday, May 3, at the Ramkota Hotel, Bismarck, North Dakota. Attending the meeting were Directors Dick Kroger, Bruce Adams, Duane Liffbrig, Scott Peterson, and Genevieve Thompson. Director Jack Olin was absent. Roger Rostvet, North Dakota Game and Fish Department, attended for Terry Steinwand, ex-officio member. Trust employees Keith Trego, Terry Allbee, Merle Bennett, and Linda Roeder were present. Others attending the meeting were Merri Mooridian, Garrison Diversion Conservancy District; Laura Ackerman, State Water Commission; Dan Devlin, SEI, Inc.; Angela Magstad, *Water Magazine*; Rhonda Mahlum and Lynelle Rude Ussatis, Mahlum and Goodhart, PC.

**Thursday, May 3, 2007**

Dick Kroger called the meeting to order at 8:30 a.m., and we took roll call. Dick called for a motion “**to approve the consent agenda**” (December 2006 minutes). Scott Peterson moved and Bruce Adams seconded. A voice vote was taken and the motion carried 5-0.

Keith Trego asked to add an update on managing the account of the Northern Great Plains Joint Venture (NGPJV) and a cooperative agreement with Acciona Wind Energy to the agenda. These items were entered into the report section.

**Recommendations/Special Reports**

Keith Trego updated the Board on the Conservation Agriculture research paper that was published in the *Renewable Agriculture and Food Systems* journal. This is the last of the articles to be published.

In Karen Kreil’s absence, Keith gave an update on biomass. A grant proposal was made to the US Department of Agriculture under the Conservation Innovation Grant Program. The proposal was to model the landscape around a biomass energy plant; how to deal with the natural resources and still maintain all the conservation values. We requested \$300,000 USDA dollars with a \$300,000 match from other partners. Another grant is pending with the Bush Foundation.

The biomass study plots are going well at the research centers around the state.

The Great Plains Institute has been doing a lot of work with alternative energy, mainly biomass. On May 2, Keith attended a meeting in Minneapolis organized by the Institute. One of the key players was Great River Energy. They are very interested in cellulosic ethanol and doing the right thing for conservation concerns. Discussion included the possibility of partnering with utility and conservation groups on a pilot project that would site a plant and build components around it to meet everyone’s concerns.

Merle Bennett reported on the Sullivan Tract and the Confluence project. There is a lot of oil and gas activity on the Sullivan property and adjoining areas. The Trust is heavily involved with the oil and pipeline rights-of-way and easements on the property. Once all the follow-up work is completed, the land will be turned over to the ND Game and Fish Department upon the governor's approval.

Eight landowners in the oxbow area are interested in selling their property, and talks with them continue. The issue of sovereign lands is a concern and nothing further can be done until that issue is resolved through the State Water Commission.

Keith Trego reported on the farm bill. The most recent concern in the conservation community is budget dollars. The support for conservation programs remains very strong with lots of interest in CRP, WRP, and CSP. The renewable energy issue in relationship to the farm bill will probably be dealt with in an energy title, although that's not clear yet. FSA is re-evaluating all their rental rates. That should be done in the next month or two. All data is out on re-enrollment and extensions of CRP. This can be found on their web site. In North Dakota, 70-80 percent decided to enroll or extend their contracts.

A new program has come out called "SAFE" (CP38). This is a wildlife practice where a state can focus on one or more geographic areas or special interest species within that state. The total set-aside acreage for this program is 500,000 acres. North Dakota was allocated 27,000 acres with the possibility of getting more.

Scott Peterson brought Keith's six performance accountability factors to the Board for their approval. Genevieve Thompson moved **"to approve the performance evaluation accountability factors for 2007."** Bruce Adams seconded. A voice vote was called and the motion carried 5-0.

Keith Trego updated the Board on the Wachter easement. Keith handed out a map showing the five phases. Phase III closed last spring. In May of last year the Phase IV application was submitted to NRCS. Currently the easement is on hold because of the new appraisal process mandated for the conservation programs by the federal government. This is known as the 'Yellow Book Appraisal.' This process has reduced the value of easements that are offered to producers in this and other programs where some of the appraisals come out to a zero value. The appraiser's preliminary value for Phase V was determined to be so low the landowners felt they could not work with the reduced numbers.

Keith briefed the Board on the Eberts Ranch project. In October 2006 the Forest Service closed on one-third of the property. On April 25, 2007, they had closed on the remaining two-thirds of the property, which concluded the project. The Forest Service is currently working on selling public lands in other areas to equal the Eberts project acreage. A stipulation put on the

sale of these lands is to sell to the lease holders before it goes to public auction. The project took seven years to complete and freed up 23,000 acres. Discussion followed.

The Sickler property is listed with Wally Owen, a Medora realtor. The asking price for this piece of land is \$650,000. The National Park Service's legal opinion denying access to the property is supported by previously upheld US Supreme Court cases (*Southern Utah Wilderness Alliance v. Bureau of Land Management* 425 F.3d 735 (10<sup>th</sup> Cir. 2005) ("SUWA"), *United States v. Garfield County*, 122 F. Supp. 2d 1201, 1217, n.23 (D. UT 2000), and *Sierra Club v. Hodel* 848 F.2d 1068, 1081, 1083 (10<sup>th</sup> Cir. 1988) (rev'd on other grounds) ("Hodel").

Terry Allbee updated the Board on Kenner Marsh. The plan was to enroll the property in WRP and eventually turn it over to the ND Game and Fish Department (NDGFD). As the preliminary title work began in 2007, some red flags were raised by Natural Resources Conservation Service (NRCS). One of them is the Grand Harbor Watershed project. We had completed a conservation easement with NRCS in December 1995. The easement provided water storage on the property in exchange for some upper watershed mitigation. The local and regional NRCS offices did research and found the easement they held was too similar to the Wetland Reserve Program (WRP) easement, and they couldn't buy the same right twice. The Trust was notified in March 2007 that the property was not eligible to be enrolled in WRP. The staff will need to re-evaluate the project before transferring to the game and fish, or find another program to enroll it in.

The Maple River property in Dickey County was the number two ranked application for the 2006 WRP program. The appraisal was completed in October 2006 at a value for WRP of \$386,000. An Option Agreement to Purchase was started in October, which started NRCS to do a preliminary title search on the abstracts. A legal boundary survey was conducted in November 2006. That same month the Trust, NRCS, and NDGFD completed a field review for conservation/restoration plans of the uplands and wetlands, as well as removal of buildings, fences, trees, and rock piles. Old buildings were burned out in January 2007, and Dakota Valley Electric removed one-half mile of electrical line to the farmstead. Keith signed the Warranty Easement Deed in March and in April the deed was recorded. Also in April the Trust and NDGFD coordinated with the current renters on crop selection and residue management for grass seeding in the upcoming year. NRCS sent the final review to their regional office. The land transfer needs to be completed after the governor's approval is received. Discussion followed.

Discussion returned to Kenner Marsh. Duane Liffbrig suggested to Chairman Kroger the staff look to see if there is a US Fish and Wildlife easement on the property. If there isn't an easement, we could get one.

Terry reviewed the Bureau of Reclamation 2007 and 2008 budgets. The continuing resolution increased the State MR&I to \$5,000,000 and decreased the Red River Study to \$2,151,000. The 2007 allocation for the Trust is \$358,000. In 2008 the Red River Study budget

reduces to \$211,000. The State MR&I is reduced to \$3,439,000. The Trust will receive \$158,000 in 2008.

Linda Roeder completed the Strategic Plan and placed it on the Trust's web site. The Board has the choice of having a copy printed for them, printing their own copy, or reading it from the web site.

Terry Allbee updated the Board on the NGPJV and ND Natural Resources Trust (NRT) agreement. The Trust has agreed to manage a business checking account and money market account for the NGPJV. Terry will manage account activities and provide reports.

Terry Allbee talked about the Acciona Wind Energy company he has been dealing with this spring. Two beginning farmer contracts will be directly affected by the wind towers. Acciona wanted to know what they could do so they wouldn't disrupt the agreements with the Trust and could help the landowners at the same time. After several staff meetings, the staff developed a plan for compensation for placement of the wind towers on these contracts, as well as any Trust projects they place their towers on in the future. Acciona agreed to the proposal and is willing to give the Trust \$25,000-\$50,000 over a ten-year period in order to have a blanket agreement in the areas for future wind tower placement that have a Trust project agreement on them. In exchange, we would use those dollars to do other conservation projects. A question and answer period followed. Board members discussed concerns of the Trust getting into regulatory and other issues. The majority of the Board agreed that this was a mitigation situation and that staff should proceed.

Keith Trego discussed the Trust's outreach approach. The Trust has had a newsletter for many years and some articles within the *Water Magazine* and other magazines. Keith reviewed a comparison sheet by absolute cost and by cost per reader for continuing with the newsletter versus combining it in the *Water Magazine*. Keith's recommendation is to do our work in the magazine and discontinue our newsletter. Do our annual report in the spring issue of the *Water Magazine* with articles in three additional issues in a year. Discussion followed. Duane Liffrog moved and Bruce Adams seconded **“to follow Keith's recommendation for four issues in the *Water Magazine* on a one-year experimental basis; review it after a year.”** A roll call vote was taken. Duane Liffrog - yes; Scott Peterson - yes; Genevieve Thompson - no; Bruce Adams - yes; and Dick Kroger - yes. Motion carried 4-1. Dick asked the staff for an analysis at the spring board meeting. He also suggested the staff think of other things we can do for outreach.

Dan Devlin, SEI, Inc., reviewed the Trust portfolios with the Board. The first quarter was profitable. Growth stayed even with value. The Trust portfolios had positive relative returns and very strong positive absolute returns. A question and answer period followed Dan's review/report. The Board will review asset allocations at the July meeting. The full report is on file at the Trust office.

Lynelle Rude Ussatis and Rhonda Mahlum, Mahlum and Goodhart, P.C., reviewed the 2006 Audit Report with the Board. There were no problems with the audit. This report is on file at the Trust office in Bismarck.

Chairman Kroger called for election of officers. Duane Liffbrig moved “**that the nominations cease and the secretary be instructed to cast the unanimous ballot for the current officers.**” Genevieve seconded the motion. A voice vote was called and the motion carried 5-0.

The Board was invited by Paul Nyren at the Central Grasslands Research Center to tour the center during the July meeting.

Chairman Kroger called for a motion to adjourn. Duane Liffbrig moved and Genevieve Thompson seconded “**to adjourn.**” A voice vote was called and the motion carried 5-0.

Submitted by /s/ Keith Trego Dated 7/27/2007  
Keith Trego, Executive Director

Approved by /s/ Richard Kroger Dated July 27, 2007  
Richard Kroger, President