

**1999 HOUSE APPROPRIATIONS**

**HB 1015**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1015

House Appropriations Committee  
Government Operations Division

Conference Committee

Hearing Date January 12, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-1.0
1		x	0-1.0
2	x		0-1.0
2		x	0-1.0
3	x		0-21.1

Committee Clerk Signature *Roxanne Kone*

Minutes:

A BILL FOR AN ACT TO PROVIDE AN APPROPRIATION FOR DEFRAYING THE EXPENSES OF THE STATE INDUSTRIAL COMMISSION AND THE AGENCIES UNDER THE MANAGEMENT OF THE STATE INDUSTRIAL COMMISSION; TO PROVIDE A CONTINUING APPROPRIATION; TO AUTHORIZE TRANSFERS; AND TO DECLARE AN EMERGENCY.

Summary of Hearing:

John Hoeven, Bank of North Dakota President (See attached testimony in Industrial Commission binder).

John Hoeven: There are five major line items in our operating expenses. First one is salaries and wages on page 2(\$1,065,718). We are requesting 3% per annum and another 1% to meet market demand. We are seeing pressure on our loan officers wages and our data processors. The second line item is operating expenses on page 3(575,971). The overall increase in operating expenses is 6%, or 3% annum. The third line item is equipment on page 3(954,000). Primarily we are budgeting for replacement of office equipment, office furniture, and computer hardware replacements. The fourth line item is capital improvements on page 4(\$165,000). Lastly, the contingency line on page 4. The governor's office or OMB reduced the budget to \$1.5 million. We are requesting \$2 million.

Mike Strobel, State Mill President and General Manager (See attached testimony in Industrial Commission binder).

Budget request is \$20,690,134. Increase of \$1.25 million or 6.4% over the prior budget. More than 38% of increase is for repairs, maintenance, and operating supplies to keep mills running at full capacity. Wages and benefits account for 28%. Total employment is expected to remain at 124 full time employees.

Discussion on proposal of mill expansion.

Tom Tudor, Municipal Bond Bank Executive Director (See attached testimony in Industrial Commission binder).

(20.0) Rep. Byerly: Are you the agency that issues the requests for bonds out to the public? For example; UND?

(20.2) Tom Tudor: For UND, those are handled through the Building Authority. We issue, with the approval of the Industrial Commission. We issue under the capitol financing program, SRFs, things with Meryll Lynch. (Refer to testimony for detail on different types of bonds issued)

(30.6) Rep. Gulleson: When you get dollars from the federal government for Clean Water Act or the Drinking Water Act, how much money do they send you?

(31.0) Tom Tudor: It is a 80-20 federal/state match. The political subdivision will submit a loan statement request to the Health Department. They will then review that. It will then go to the bank.

Karlene Fine, Industrial Commission Executive Director (See attached testimony in Industrial Commission binder).

(46.8) Rep. Byerly: Do you handle the administration of those local matches with universities and agencies? Do you make sure they make the payments to you? And are we on track with those?

(47.0) Karlene Fine: I'm the one who does the billing for them. I've never had one of the universities or agencies not pay their payment on time.

Lynn Helms, Oil and Gas Division Director (See attached testimony in Industrial Commission binder).

Points covered:

- Plan to expand web site for electronic transfer of data to industry, other agencies, and the public as well as electronic filing of forms.

- Plan to convert paper files and field inspector data recording systems to electronic format.
- Need to upgrade engineering and geology hardware and software systems.

John Bluemle, State Geologist (See attached testimony in Industrial Commission binder).  
Rep. Gulleason: Do you collect any revenue? For mapping?

John Bluemle: No, we do not. We do collect a fee for permits that are issued for geothermal work.

John Dwyer, Lignite Research Council Chairman (See attached testimony in Industrial Commission binder).

Discussion on Great Plains status.

(5.0) Rep. Carlisle: On page 11 of your testimony under your proposed budget for administration(\$400,000), is this cost high or low?

(5.1) John Dwyer: It is a very low percentage of the program. You are looking at about 300 million in research projects and programs. It is a bargain.

(8.0) Rep. Byerly: The amount for the budget is \$10.5 million?

(8.1) John Dwyer: Yes, basically it would be appropriating money from the trust fund.

Pat Fricke, Housing Finance Agency Executive Director (See attached testimony in Industrial Commission binder).

(15.0) Rep. Carlisle: How many homes in the Grand Forks area received home loans concerning the flood?

(15.2) Pat Fricke: Under the targeted disaster area, we have processed 228 loans in the Grand Forks area for the targeted disaster area types. When the flood occurred, the agency activities dramatically changed in that we were able to attain federal legislation to allow the use of proceeds for non-first time home buyers. As a result of that legislation, we have implemented those rules in seven counties. That temporary authorization has expired now as of December 31st. So we will go back to our normal loan demand.

There was no opposition to the bill.  
Closed hearing on HB 1015.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

*Jan 21, 99*

Date			
Tape Number	Side A	B Side	Meter #
1	x		0-59.8
1		x	0-9.5
Committee Clerk Signature <i>Roxanne Kohl</i>			

Minutes:

### House Bill 1015

A BILL FOR AN ACT TO PROVIDE AN APPROPRIATION FOR DEFRAYING THE EXPENSES OF THE STATE INDUSTRIAL COMMISSION AND THE AGENCIES UNDER THE MANAGEMENT OF THE STATE INDUSTRIAL COMMISSION; TO PROVIDE A CONTINUING APPROPRIATION; TO AUTHORIZE TRANSFERS; AND TO DECLARE AN EMERGENCY.

General Discussion took place on January 21, 1999 regarding proposed amendments #98015.0101 to House Bill 1015.

1A: 1.6 Representatives Tollefson and Huether briefly discussed the State Mill and Elevator Association. Both Representatives discussed travel expense line, repair line, professional fees line, and the special union contract with employees.

1A: 10.0 Motion by Rep. Tollefson to amend operating expenses by \$200,000. Rep. Huether 2nd the motion. Motion was carried by a voice vote.

General Discussion

Page 2

House Appropriations Government Operations

January 21, 1999

1A: 11.0 Discussion on Bank of North Dakota. Several questions concerning the intent of computer purchase in relationship with the Information Services Division. OMB briefly discussed operation of computer main frame of Bank of North Dakota.

1A: 22.7 Motion by Rep. Poolman to delete Section 13, page 1. Rep. Carlisle 2nd the motion. Motion was carried by a voice vote.

1A: 23.6 Discussion on Housing Finance Agency FTEs. OMB showed graphs concerning rising number of loans granted due to Grand Forks flood.

1A: 38.8 Motion by Rep. Poolman to delete one additional position. Rep. Tollefson 2nd the motion. Motion was carried by a voice vote.

Representative Tollefson will carry the bill.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date January 29, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-38.1
Committee Clerk Signature		<i>Roxanne Kohl</i>	

Minutes:

Chairman Byerly opened the discussion on House Bill 1015.

Proposed Amendments (#98015.0102) were discussed.

**1A: 5.7 Rep. Gulleason** commented that she felt the FTE Museum Specialist should be funded and not removed from the bill. Rep. Byerly replied that the only drawback is that it is a general fund position.

**1A: 7.1 Lynn Helms, Oil & Gas Division Director** was on hand to answer questions for the committee.

He briefly commented that in terms of prioritization the Data Processing Coordinator is far more important than the Data Entry position. He also noted they would give up recurring items for the GIS system.

**1A: 25.8** Discussion on Housing Finance section of bill.  
Briefly discussed removal of three FTEs.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 3, 1999			
Tape Number	Side A	B Side	Meter #
1	x		2.8-54.8
1		x	0-5.5
Committee Clerk Signature		<i>Roxanne Kone</i>	

Minutes:

**1A: 2.8 Chairman Byerly** opened the discussion on House Bill 1015.

**1A: 11.0** Discussion on Museum Specialist position. Currently it is listed as a temporary position that has been held for eight years. Comments from OMB on temporary funding and Coal Geologist Funding.

**1B: 2.9** Committee proposed further amendments to Legislative Council: Industrial Commission (Subdivision 1): took out Input Operator, GIS Specialist, Loan Officer, removed item 4, removed item 9, reduced item 5 by 30% (equipment), decrease item 6 by \$44,000, removed \$23,760 item 8, operating expense \$31,000 reduction. Bank of North Dakota (Subdivision 2): Took out one vacant position \$95,329. Salary adjustments will also be amended.

**1B: 4.3 Rep. Poolman** made a motion to move the amendments. Rep. Tollefson 2nd the motion. On a Roll Call Vote the amendments were adopted.



## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 11, 1999			
Tape Number	Side A	B Side	Meter #
3	x		0.2-19.4
Committee Clerk Signature <i>Paulette Gussinas</i>			

### Minutes:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the state industrial commission; to provide a continuing appropriation; to authorize transfers; and to declare an emergency.

**0.2 Chairman Dalrymple** opened committee work on HB 1015.

**.9 Rep. Tollefson** introduced the amendment .0103 for the bill.

**8.8 Rep. Tollefson** moves to pass amendment .0103, 2nd by Rep. Poolman. The motion carries.

**9.3 Rep. Delzer** moves to further amend, 2nd by Rep. Timm. The motion fails.

**13.2 Rep. Byerly** moves to further amend, 2nd by Rep Carlson. The motion 12 yes, 8 no, 0 absent.

**15.9 Rep. Tollefson** moves as a do pass as amended, 2nd by Rep. Guleson. The vote was 19 yes, 1 no, 0 absent. Rep. Tollefson will carry the bill to the house floor.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1015

Page 1, line 13, replace "5,961,526" with "5,763,062"

Page 1, line 14, replace "1,807,134" with "1,785,534"

Page 1, line 15, replace "198,100" with "160,570"

Page 1, line 20, replace "34,604,967" with "34,347,373"

Page 1, line 22, replace "20,790,137" with "20,532,543"

Page 2, line 5, replace "1,500,000" with "2,000,000"

Page 2, line 6, replace "27,467,999" with "27,967,999"

Page 2, line 9, replace "6,600,000" with "7,600,000"

Page 2, line 12, replace "9,100,000" with "10,100,000"

Page 2, line 22, replace "2,972,577" with "2,775,802"

Page 2, line 27, replace "23,931,307" with "23,734,532"

Page 2, line 28, replace "29,890,137" with "30,632,543"

Page 2, line 29, replace "85,904,270" with "86,207,495"

Page 2, line 30, replace "115,794,407" with "116,840,038"

Page 3, line 9, replace "54-17.3" with "54-17.2"

Page 5, after line 14, insert:

**"SECTION 13. LEGISLATIVE INTENT - COMPUTER PURCHASE.** It is the intent of the fifty-six legislative assembly that the Bank of North Dakota be authorized to conduct a feasibility study, in consultation with the information services division, on whether it is cost-effective for the Bank to purchase its own computer processing system. If it is determined by the Bank to be cost-effective, the Bank is authorized to purchase the system during the biennium beginning July 1, 1999, and ending June 30, 2001, from funds available in its contingency line item."

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 405 - INDUSTRIAL COMMISSION

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,961,526	(\$198,464)	\$5,763,062
Operating expenses	1,807,134	(21,600)	1,785,534
Equipment	198,100	(37,530)	160,570
Grants	10,450,000		10,450,000
Administrative contingency	10,000		10,000
Bond payments	15,891,168		15,891,168
Geophysical exploration	<u>287,039</u>		<u>287,039</u>
Total all funds	\$34,604,967	(\$257,594)	\$34,347,373
Less special funds	<u>13,814,830</u>		<u>13,814,830</u>
General fund	\$20,790,137	(\$257,594)	\$20,532,543
FTE	66.00	(3.00)	63.00

Detail of House changes to the executive budget include:

	REMOVE DATA PROCESSING COORDINATOR FTE	REMOVE MUSEUM SPECIALIST FTE	REMOVE GIS FTE	DECREASE OPERATING EXPENSES	DECREASE EQUIPMENT FUNDING	TOTAL HOUSE CHANGES
Salaries and wages	(\$68,879)	(\$66,010)	(\$63,575)			(\$198,464)
Operating expenses				(\$21,600)		(21,600)
Equipment					(\$37,530)	(37,530)
Grants						
Administrative contingency						
Bond payments						
Geophysical exploration						
Total all funds	(\$68,879)	(\$66,010)	(\$63,575)	(\$21,600)	(\$37,530)	(\$257,594)
Less special funds						
General fund	(\$68,879)	(\$66,010)	(\$63,575)	(\$21,600)	(\$37,530)	(\$257,594)
FTE	(1.00)	(1.00)	(1.00)			(3.00)

House changes narrative:

This amendment removes three of the five new FTE positions (\$198,464) and the related operating expenses (\$21,600). In addition, this amendment decreases information technology equipment funding by 30 percent.

DEPARTMENT 471 - BANK OF NORTH DAKOTA

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$14,527,399		\$14,527,399
Operating expenses	10,835,600		10,835,600
Equipment	500,000		500,000
Capital improvements	105,000		105,000
Contingency	1,500,000	\$500,000	2,000,000
PACE	6,600,000	1,000,000	7,600,000
Ag PACE	1,500,000		1,500,000
Beginning farmer	<u>1,000,000</u>		<u>1,000,000</u>
Total all funds	\$36,567,999	\$1,500,000	\$38,067,999
Less special funds	<u>27,467,999</u>	<u>500,000</u>	<u>27,967,999</u>
General fund	\$9,100,000	\$1,000,000	\$10,100,000
FTE	178.50	0.00	178.50

Detail of House changes to the executive budget include:

	INCREASE PACE FUNDING	INCREASE CONTINGENCY FUNDING	TOTAL HOUSE CHANGES
Salaries and wages			
Operating expenses			
Equipment			
Capital improvements			
Contingency		\$500,000	\$500,000
PACE	\$1,000,000		1,000,000

Ag PACE			
Beginning farmer			
Total all funds	\$1,000,000	\$500,000	\$1,500,000
Less special funds		<u>500,000</u>	<u>500,000</u>
General fund	\$1,000,000	\$0	\$1,000,000
FTE			0.00

House changes narrative:

This amendment increases the general fund support for the PACE program by \$1,000,000 and provides \$500,000 in the contingency line item for the possible purchase of a computer processing system. The amendment also adds a section of legislative intent providing that the Bank study the feasibility of purchasing its own computer processing system and if it is determined to be cost-effective, that the Bank purchase its own computer processing system.

DEPARTMENT 473 - HOUSING FINANCE AGENCY

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,972,577	(\$196,775)	\$2,775,802
Operating expenses	2,570,690		2,570,690
Equipment	75,000		75,000
Grants	18,213,040		18,213,040
Contingency	<u>100,000</u>		<u>100,000</u>
Total all funds	\$23,931,307	(\$196,775)	\$23,734,532
Less special funds	<u>23,931,307</u>	<u>(196,775)</u>	<u>23,734,532</u>
General fund	\$0	\$0	\$0
FTE	36.00	(2.00)	34.00

Detail of House changes to the executive budget include:

	REMOVE SALARY EQUITY FUNDING	REMOVE ACCOUNT BUDGET SPEC FTE	REMOVE NEW UNDESIGNATED FTE	TOTAL HOUSE CHANGES
Salaries and wages	(\$8,771)	(\$69,875)	(\$118,129)	(\$196,775)
Operating expenses				
Equipment				
Grants				
Contingency				
Total all funds	(\$8,771)	(\$69,875)	(\$118,129)	(\$196,775)
Less special funds	<u>(8,771)</u>	<u>(69,875)</u>	<u>(118,129)</u>	<u>(196,775)</u>
General fund	\$0	\$0	\$0	\$0
FTE		(1.00)	(1.00)	(2.00)

House changes narrative:

This amendment removes the salary equity funding for elected and appointed officials and removes two of the five new FTE positions.

January 28, 1999

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1015

Page 1, line 13, replace "5,961,526" with "5,763,062"

Page 1, line 14, replace "1,807,134" with "1,785,534"

Page 1, line 15, replace "198,100" with "160,570"

Page 1, line 20, replace "34,604,967" with "34,347,373"

Page 1, line 22, replace "20,790,137" with "20,532,543"

Page 2, line 16, replace "8,034,814" with "7,834,814"

Page 2, line 19, replace "20,690,134" with "20,490,134"

Page 2, line 22, replace "2,972,577" with "2,759,633"

Page 2, line 27, replace "23,931,307" with "23,718,363"

Page 2, line 28, replace "29,890,137" with "29,632,543"

Page 2, line 29, replace "85,904,270" with "85,491,326"

Page 2, line 30, replace "115,794,407" with "115,123,869"

Page 3, line 9, replace "54-17.3" with "54-17.2"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**DEPARTMENT 405 - INDUSTRIAL COMMISSION**

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,961,526	(\$198,464)	\$5,763,062
Operating expenses	1,807,134	(21,600)	1,785,534
Equipment	198,100	(37,530)	160,570
Grants	10,450,000		10,450,000
Administrative contingency	10,000		10,000
Bond payments	15,891,168		15,891,168
Geophysical exploration	<u>287,039</u>		<u>287,039</u>
Total all funds	\$34,604,967	(\$257,594)	\$34,347,373
Less special funds	<u>13,814,830</u>		<u>13,814,830</u>
General fund	\$20,790,137	(\$257,594)	\$20,532,543
FTE	66.00	(3.00)	63.00

Detail of House changes to the executive budget include:

	REMOVE DATA PROCESSING COORDINATOR FTE (50% OIL AND GAS AND 50% GEOLOGICAL SURVEY)	REMOVE MUSEUM SPECIALIST FTE (GEOLOGICAL SURVEY)	REMOVE GEOGRAPHIC INFORMATION SPECIALIST FTE (40% OIL AND GAS AND 60% GEOLOGICAL SURVEY)	DECREASE OPERATING EXPENSES	DECREASE EQUIPMENT FUNDING	TOTAL HOUSE CHANGES
Salaries and wages	(\$68,879)	(\$66,010)	(\$63,575)			(\$198,464)
Operating expenses				(\$21,600)		(21,600)
Equipment					(\$37,530)	(37,530)
Grants						
Administrative contingency						
Bond payments						
Geophysical exploration						
Total all funds	(\$68,879)	(\$66,010)	(\$63,575)	(\$21,600)	(\$37,530)	(\$257,594)
Less special funds						
General fund	(\$68,879)	(\$66,010)	(\$63,575)	(\$21,600)	(\$37,530)	(\$257,594)
FTE	(1.00)	(1.00)	(1.00)	0.00	0.00	(3.00)

House changes narrative:

This amendment removes three of the five new FTE positions (\$198,464) and the related operating expenses (\$21,600). In addition, this amendment decreases information technology equipment funding by 30 percent.

DEPARTMENT 473 - HOUSING FINANCE AGENCY

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,972,577	(\$212,944)	\$2,759,633
Operating expenses	2,570,690		2,570,690
Equipment	75,000		75,000
Grants	18,213,040		18,213,040
Contingency	100,000		100,000
Total all funds	\$23,931,307	(\$212,944)	\$23,718,363
Less special funds	23,931,307	(196,775)	23,734,532
General fund	\$0	(\$16,169)	(\$16,169)
FTE	36.00	(3.00)	33.00

Detail of House changes to the executive budget include:

	REMOVE SALARY EQUITY FUNDING	REMOVE ACCOUNT BUDGET SPEC FTE	REMOVE NEW UNDESIGNATED FTE	REMOVE HOUSING PROGRAM SPECIALIST I POSITION	TOTAL HOUSE CHANGES
Salaries and wages	(\$8,771)	(\$69,875)	(\$118,129)	(\$16,169)	(\$212,944)
Operating expenses					
Equipment					
Grants					
Contingency					
Total all funds	(\$8,771)	(\$69,875)	(\$118,129)	(\$16,169)	(\$212,944)
Less special funds	(8,771)	(69,875)	(118,129)		(196,775)
General fund	\$0	\$0	\$0	(\$16,169)	(\$16,169)
FTE	0.00	(1.00)	(1.00)	(1.00)	(3.00)

House changes narrative:

This amendment removes the salary equity for elected and appointed officials and removes three of the five new FTE positions.

DEPARTMENT 475 - MILL AND ELEVATOR ASSOCIATION

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$12,355,320		\$12,355,320
Operating expenses	8,034,814	(\$200,000)	7,834,814
Contingency	250,000		250,000
Agriculture promotion	50,000		50,000

Total all funds	\$20,690,134	(\$200,000)	\$20,490,134
Less special funds	<u>20,690,134</u>	<u>(200,000)</u>	<u>20,490,134</u>
General fund	\$0	\$0	\$0
FTE	124.00	0.00	124.00

Detail of House changes to the executive budget include:

	REDUCE MAINTENANCE AND REPAIR	TOTAL HOUSE CHANGES
Salaries and wages		
Operating expenses	(\$200,000)	(\$200,000)
Contingency		
Agriculture promotion		
Total all funds	(\$200,000)	(\$200,000)
Less special funds	<u>(200,000)</u>	<u>(200,000)</u>
General fund	\$0	\$0
FTE	0.00	0.00

House changes narrative:

Reduce operating expenses for a reduction in maintenance and repair funding.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1015

Page 1, line 13, replace "5,961,526" with "5,742,657"

Page 1, line 14, replace "1,807,134" with "1,742,594"

Page 1, line 15, replace "198,100" with "132,520"

Page 1, line 19, replace "287,039" with "245,102"

Page 1, line 20, replace "34,604,967" with "34,214,041"

Page 1, line 21, replace "13,814,830" with "13,677,333"

Page 1, line 22, replace "20,790,137" with "20,536,708"

Page 2, line 1, replace "14,527,399" with "14,298,824"

Page 2, line 6, replace "27,467,999" with "27,239,424"

Page 2, line 9, replace "6,600,000" with "6,000,000"

Page 2, line 12, replace "9,100,000" with "8,500,000"

Page 2, line 15, replace "12,355,320" with "12,390,674"

Page 2, line 16, replace "8,034,814" with "7,834,814"

Page 2, line 19, replace "20,690,134" with "20,525,488"

Page 2, line 22, replace "2,972,577" with "2,733,217"

Page 2, line 27, replace "23,931,307" with "23,691,947"

Page 2, line 28, replace "29,890,137" with "29,036,708"

Page 2, line 29, replace "85,904,270" with "85,134,192"

Page 2, line 30, replace "115,794,407" with "114,170,900"

Page 3, line 9, replace "54-17.3" with "54-17.2"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 405 - INDUSTRIAL COMMISSION

HOUSE - This amendment makes the following changes:



	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,961,526	(\$218,869)	\$5,742,657
Operating expenses	1,807,134	(64,540)	1,742,594
Equipment	198,100	(65,580)	132,520
Grants	10,450,000		10,450,000
Administrative contingency	10,000		10,000
Bond payments	15,891,168		15,891,168
Geophysical exploration	<u>287,039</u>	<u>(41,937)</u>	<u>245,102</u>
Total all funds	\$34,604,967	(\$390,926)	\$34,214,041
Less special funds	<u>13,814,830</u>	<u>(137,497)</u>	<u>13,677,333</u>
General fund	\$20,790,137	(\$253,429)	\$20,536,708
FTE	66.00	(3.00)	63.00

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	REMOVE DATA INPUT OPERATOR FTE (OIL AND GAS)	REMOVE GEOGRAPHIC INFORMATION SPECIALIST FTE (40% OIL AND GAS, 60% GEOLOGICAL SURVEY)	REMOVE LOAN OFFICER FTE (MUNICIPAL BOND BANK)	REMOVE INCREASES RELATED TO NEW FTE POSITIONS
Salaries and wages	(\$78,119)	\$18,247		(\$63,575)	(\$71,662)	
Operating expenses						(\$33,540)
Equipment						(7,000)
Grants						
Administrative contingency						
Bond payments						
Geophysical exploration	<u>(2,770)</u>	<u>570</u>	<u>(\$39,737)</u>			
Total all funds	(\$80,889)	\$18,817	(\$39,737)	(\$63,575)	(\$71,662)	(\$40,540)
Less special funds	<u>(9,724)</u>	<u>2,566</u>	<u>(39,737)</u>		<u>(71,662)</u>	<u>(18,940)</u>
General fund	(\$71,165)	\$16,251	\$0	(\$63,575)	\$0	(\$21,600)
FTE	0.00	0.00	(1.00)	(1.00)	(1.00)	0.00

	DECREASE INFORMATION TECHNOLOGY EQUIPMENT FUNDING FOR LAPTOPS, WORKSTATIONS, AND NETWORK SERVER	REMOVE TEMPORARY SALARY FUNDING FOR COAL GEOLOGIST (GEOLOGICAL SURVEY)	DECREASE FUNDING FOR LEASE PAYMENTS DUE TO PROJECTED SAVINGS	DECREASE INFORMATION TECHNOLOGY EQUIPMENT FUNDING BY 30%	TOTAL HOUSE CHANGES
Salaries and wages		(\$23,760)			(\$218,869)
Operating expenses			(\$31,000)		(64,540)
Equipment	(\$44,000)			(\$14,580)	(65,580)
Grants					
Administrative contingency					
Bond payments					
Geophysical exploration					<u>(41,937)</u>
Total all funds	(\$44,000)	(\$23,760)	(\$31,000)	(\$14,580)	(\$390,926)
Less special funds					<u>(137,497)</u>
General fund	(\$44,000)	(\$23,760)	(\$31,000)	(\$14,580)	(\$253,429)
FTE	0.00	0.00	0.00	0.00	(3.00)

DEPARTMENT 471 - BANK OF NORTH DAKOTA

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$14,527,399	(\$228,575)	\$14,298,824
Operating expenses	10,835,600		10,835,600
Equipment	500,000		500,000
Capital improvements	105,000		105,000
Contingency	1,500,000		1,500,000
PACE	6,600,000	(600,000)	6,000,000
Ag PACE	1,500,000		1,500,000
Beginning farmer	<u>1,000,000</u>		<u>1,000,000</u>
Total all funds	\$36,567,999	(\$828,575)	\$35,739,424
Less special funds	<u>27,467,999</u>	<u>(228,575)</u>	<u>27,239,424</u>
General fund	\$9,100,000	(\$600,000)	\$8,500,000

FTE 178.50 (1.00) 177.50

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	REMOVE VACANT ACCOUNT BUDGET SPECIALIST III FTE	REDUCE PACE FUNDING	TOTAL HOUSE CHANGES
Salaries and wages	(\$185,708)	\$52,462	(\$95,329)		(\$228,575)
Operating expenses					
Equipment					
Capital improvements					
Contingency					
PACE				(\$600,000)	(600,000)
Ag PACE					
Beginning farmer					
Total all funds	(\$185,708)	\$52,462	(\$95,329)	(\$600,000)	(\$828,575)
Less special funds	<u>(185,708)</u>	<u>52,462</u>	<u>(95,329)</u>		<u>(228,575)</u>
General fund	\$0	\$0	\$0	(\$600,000)	(\$600,000)
FTE	0.00	0.00	(1.00)	0.00	(1.00)

DEPARTMENT 473 - HOUSING FINANCE AGENCY

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,972,577	(\$239,360)	\$2,733,217
Operating expenses	2,570,690		2,570,690
Equipment	75,000		75,000
Grants	18,213,040		18,213,040
Contingency	<u>100,000</u>		<u>100,000</u>
Total all funds	\$23,931,307	(\$239,360)	\$23,691,947
Less special funds	<u>23,931,307</u>	<u>(239,360)</u>	<u>23,691,947</u>
General fund	\$0	\$0	\$0
FTE	36.00	(3.00)	33.00

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	DELAY MARKET SALARY ADJUSTMENT TO JANUARY 1, 2001	REMOVE NEW ACCOUNT BUDGET SPECIALIST FTE	REMOVE NEW UNDESIGNATED FTE	REMOVE NEW HOUSING PROGRAM SPECIALIST I FTE
Salaries and wages	(\$38,400)	\$10,050	(\$6,837)	(\$69,875)	(\$118,129)	(\$16,169)
Operating expenses						
Equipment						
Grants						
Contingency						
Total all funds	(\$38,400)	\$10,050	(\$6,837)	(\$69,875)	(\$118,129)	(\$16,169)
Less special funds	<u>(38,400)</u>	<u>10,050</u>	<u>(6,837)</u>	<u>(69,875)</u>	<u>(118,129)</u>	<u>(16,169)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	(1.00)	(1.00)	(1.00)

	TOTAL HOUSE CHANGES
Salaries and wages	(\$239,360)
Operating expenses	
Equipment	
Grants	
Contingency	
Total all funds	(\$239,360)
Less special funds	<u>(239,360)</u>
General fund	\$0
FTE	(3.00)

House changes narrative:

In addition to the two percent annual salary increases, funding is included to provide the director with a market equity salary increase of \$312.67 per month for the final six months of the biennium.

DEPARTMENT 475 - MILL AND ELEVATOR ASSOCIATION

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$12,355,320	\$35,354	\$12,390,674
Operating expenses	8,034,814	(200,000)	7,834,814
Contingency	250,000		250,000
Agriculture promotion	50,000		50,000
Total all funds	\$20,690,134	(\$164,646)	\$20,525,488
Less special funds	<u>20,690,134</u>	<u>(164,646)</u>	<u>20,525,488</u>
General fund	\$0	\$0	\$0
FTE	124.00	0.00	124.00

Detail of House changes to the executive budget includes:

	REDUCE MAINTENANCE AND REPAIR	ADJUST HEALTH INSURANCE COST	TOTAL HOUSE CHANGES
Salaries and wages		\$35,354	\$35,354
Operating expenses	(\$200,000)		(200,000)
Contingency			
Agriculture promotion			
Total all funds	(\$200,000)	\$35,354	(\$164,646)
Less special funds	<u>(200,000)</u>	<u>35,354</u>	<u>(164,646)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

Date: 2.3.99  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1015

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS AS AMENDED ADOPT AMENDMENTS

Motion Made By POOLMAN Seconded By Gulleson

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	✓				
Ron Carlisle	✓				
Ben Tollefson	✓				
Robert Huether	✓				
Pam Gulleson	✓				
Jim Poolman	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Rep. Tollefson

If the vote is on an amendment, briefly indicate intent:

Date: 2/11/99  
 Roll Call Vote #: 1

**1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1015**

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number ?

Action Taken reduce \$6,000 Adopt further Amend.

Motion Made By Byerly Seconded By Carlson

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple		X	Nichols		X
Vice-Chairman Byerly	X		Poolman		X
Aarsvold		X	Svedjan	X	
Bernstein	X		Timm	X	
Boehm	X		Tollefson		X
Carlson	X		Wentz	X	
Carlisle	X				
Delzer	X				
Gulleson	X				
Hoffner		X			
Huether		X			
Kerzman		X			
Lloyd	X				
Monson	X				

Total (Yes) 12 No 8

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 2/11/99  
 Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1015

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number ?

Action Taken amend further

Motion Made By Delzer Seconded By Timm

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple		X	Nichols		X
Vice-Chairman Byerly		X	Poolman		X
Aarsvold		X	Svedjan		X
Bernstein		X	Timm	X	
Boehm	X		Tollefson		X
Carlson	X		Wentz		X
Carlisle		X			
Delzer	X				
Gulleson		X			
Hoffner		X			
Huether		X			
Kerzman		X			
Lloyd		X			
Monson		X			

Total (Yes) 16 No 4

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 2/11/99  
Roll Call Vote #: /

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1015

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number 0103

Action Taken Adopt Amend.

Motion Made By Tollefson Seconded By Poolman

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple			Nichols		
Vice-Chairman Byerly			Poolman		
Aarsvold			Svedjan		
Bernstein			Timm		
Boehm			Tollefson		
Carlson			Wentz		
Carlisle					
Delzer					
Gulleson					
Hoffner					
Huether					
Kerzman					
Lloyd					
Monson					

Total (Yes) 20 No 0

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 2/11/99  
 Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1015

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass As Amended

Motion Made By Tollefson Seconded By Gulleson

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	X		Nichols	X	
Vice-Chairman Byerly	X		Poolman	X	
Aarsvold	X		Svedjan	X	
Bernstein	X		Timm	X	
Boehm	X		Tollefson	X	
Carlson	X		Wentz	X	
Carlisle	X				
Delzer		X			
Gulleson	X				
Hoffner	X				
Huether	X				
Kerzman	X				
Lloyd	X				
Monson	X				

Total (Yes) 19 No 1

Absent 0

Floor Assignment Tollefson

If the vote is on an amendment, briefly indicate intent:



**REPORT OF STANDING COMMITTEE**

**HB 1015: Appropriations Committee (Rep. Dalrymple, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1015 was placed on the Sixth order on the calendar.

Page 1, line 13, replace "5,961,526" with "5,742,657"

Page 1, line 14, replace "1,807,134" with "1,742,594"

Page 1, line 15, replace "198,100" with "132,520"

Page 1, line 19, replace "287,039" with "245,102"

Page 1, line 20, replace "34,604,967" with "34,214,041"

Page 1, line 21, replace "13,814,830" with "13,677,333"

Page 1, line 22, replace "20,790,137" with "20,536,708"

Page 2, line 1, replace "14,527,399" with "14,298,824"

Page 2, line 6, replace "27,467,999" with "27,239,424"

Page 2, line 9, replace "6,600,000" with "6,000,000"

Page 2, line 12, replace "9,100,000" with "8,500,000"

Page 2, line 15, replace "12,355,320" with "12,390,674"

Page 2, line 16, replace "8,034,814" with "7,834,814"

Page 2, line 19, replace "20,690,134" with "20,525,488"

Page 2, line 22, replace "2,972,577" with "2,733,217"

Page 2, line 27, replace "23,931,307" with "23,691,947"

Page 2, line 28, replace "29,890,137" with "29,036,708"

Page 2, line 29, replace "85,904,270" with "85,134,192"

Page 2, line 30, replace "115,794,407" with "114,170,900"

Page 3, line 9, replace "54-17.3" with "54-17.2"

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 405 - INDUSTRIAL COMMISSION

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,961,526	(\$218,869)	\$5,742,657
Operating expenses	1,807,134	(64,540)	1,742,594
Equipment	198,100	(65,580)	132,520

**REPORT OF STANDING COMMITTEE (410)  
February 17, 1999 11:37 a.m.**

**Module No: HR-32-3324  
Carrier: Tollefson  
Insert LC: 98015.0104 Title: .0300**

Grants	10,450,000		10,450,000
Administrative contingency	10,000		10,000
Bond payments	15,891,168		15,891,168
Geophysical exploration	<u>287,039</u>	<u>(41,937)</u>	<u>245,102</u>
Total all funds	\$34,604,967	(\$390,926)	\$34,214,041
Less special funds	<u>13,814,830</u>	<u>(137,497)</u>	<u>13,677,333</u>
General fund	\$20,790,137	(\$253,429)	\$20,536,708
FTE	66.00	(3.00)	63.00

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	REMOVE DATA INPUT OPERATOR FTE (OIL AND GAS)	REMOVE GEOGRAPHIC INFORMATION SPECIALIST FTE (40% OIL AND GAS, 60% GEOLOGICAL SURVEY)	REMOVE LOAN OFFICER FTE (MUNICIPAL BOND BANK)	REMOVE INCREASES RELATED TO NEW FTE POSITIONS
Salaries and wages	(\$78,119)	\$18,247		(\$63,575)	(\$71,662)	
Operating expenses						(\$33,540)
Equipment						(7,000)
Grants						
Administrative contingency						
Bond payments						
Geophysical exploration	<u>(2,770)</u>	<u>570</u>	<u>(\$39,737)</u>			
Total all funds	(\$80,889)	\$18,817	(\$39,737)	(\$63,575)	(\$71,662)	(\$40,540)
Less special funds	<u>(9,724)</u>	<u>2,566</u>	<u>(39,737)</u>		<u>(71,662)</u>	<u>(18,940)</u>
General fund	(\$71,165)	\$16,251	\$0	(\$63,575)	\$0	(\$21,600)
FTE	0.00	0.00	(1.00)	(1.00)	(1.00)	0.00

	DECREASE INFORMATION TECHNOLOGY EQUIPMENT FUNDING FOR LAPTOPS, WORKSTATIONS, AND NETWORK SERVER	REMOVE TEMPORARY SALARY FUNDING FOR COAL GEOLOGIST (GEOLOGICAL SURVEY)	DECREASE FUNDING FOR LEASE PAYMENTS DUE TO PROJECTED SAVINGS	DECREASE INFORMATION TECHNOLOGY EQUIPMENT FUNDING BY 30%	TOTAL HOUSE CHANGES
Salaries and wages		(\$23,760)			(\$218,869)
Operating expenses			(\$31,000)		(64,540)
Equipment	(\$44,000)			(\$14,580)	(65,580)
Grants					
Administrative contingency					
Bond payments					
Geophysical exploration					(41,937)
Total all funds	(\$44,000)	(\$23,760)	(\$31,000)	(\$14,580)	(\$390,926)
Less special funds					(137,497)
General fund	(\$44,000)	(\$23,760)	(\$31,000)	(\$14,580)	(\$253,429)
FTE	0.00	0.00	0.00	0.00	(3.00)

DEPARTMENT 471 - BANK OF NORTH DAKOTA  
HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$14,527,399	(\$228,575)	\$14,298,824
Operating expenses	10,835,600		10,835,600
Equipment	500,000		500,000
Capital improvements	105,000		105,000
Contingency	1,500,000		1,500,000
PACE	6,600,000	(600,000)	6,000,000
Ag PACE	1,500,000		1,500,000
Beginning farmer	<u>1,000,000</u>		<u>1,000,000</u>
Total all funds	\$36,567,999	(\$228,575)	\$35,739,424
Less special funds	<u>27,467,999</u>	<u>(228,575)</u>	<u>27,239,424</u>
General fund	\$9,100,000	(\$600,000)	\$8,500,000

FTE 178.50 (1.00) 177.50

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	REMOVE VACANT ACCOUNT BUDGET SPECIALIST III FTE	REDUCE PACE FUNDING	TOTAL HOUSE CHANGES
Salaries and wages	(\$185,708)	\$52,462	(\$95,329)		(\$228,575)
Operating expenses					
Equipment					
Capital improvements					
Contingency					
PACE				(\$600,000)	(600,000)
Ag PACE					
Beginning farmer					
Total all funds	(\$185,708)	\$52,462	(\$95,329)	(\$600,000)	(\$828,575)
Less special funds	<u>(185,708)</u>	<u>52,462</u>	<u>(95,329)</u>		<u>(228,575)</u>
General fund	\$0	\$0	\$0	(\$600,000)	(\$600,000)
FTE	0.00	0.00	(1.00)	0.00	(1.00)

DEPARTMENT 473 - HOUSING FINANCE AGENCY  
HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,972,577	(\$239,360)	\$2,733,217
Operating expenses	2,570,690		2,570,690
Equipment	75,000		75,000
Grants	18,213,040		18,213,040
Contingency	<u>100,000</u>		<u>100,000</u>
Total all funds	\$23,931,307	(\$239,360)	\$23,691,947
Less special funds	<u>23,931,307</u>	<u>(239,360)</u>	<u>23,691,947</u>
General fund	\$0	\$0	\$0
FTE	36.00	(3.00)	33.00

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	DELAY MARKET SALARY ADJUSTMENT TO JANUARY 1, 2001	REMOVE NEW ACCOUNT BUDGET SPECIALIST FTE	REMOVE NEW UNDESIGNATED FTE	REMOVE NEW HOUSING PROGRAM SPECIALIST I FTE
Salaries and wages	(\$38,400)	\$10,050	(\$6,837)	(\$69,875)	(\$118,129)	(\$16,169)
Operating expenses						
Equipment						
Grants						
Contingency						
Total all funds	(\$38,400)	\$10,050	(\$6,837)	(\$69,875)	(\$118,129)	(\$16,169)
Less special funds	<u>(38,400)</u>	<u>10,050</u>	<u>(6,837)</u>	<u>(69,875)</u>	<u>(118,129)</u>	<u>(16,169)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	(1.00)	(1.00)	(1.00)
	TOTAL HOUSE CHANGES					
Salaries and wages	(\$239,360)					
Operating expenses						
Equipment						
Grants						
Contingency						
Total all funds	(\$239,360)					
Less special funds	<u>(239,360)</u>					

**REPORT OF STANDING COMMITTEE (410)**  
**February 17, 1999 11:37 a.m.**

**Module No: HR-32-3324**  
**Carrier: Tollefson**  
**Insert LC: 98015.0104 Title: .0300**

General fund \$0  
 FTE (3.00)

House changes narrative:

In addition to the two percent annual salary increases, funding is included to provide the director with a market equity salary increase of \$312.67 per month for the final six months of the biennium.

DEPARTMENT 475 - MILL AND ELEVATOR ASSOCIATION  
 HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$12,355,320	\$35,354	\$12,390,674
Operating expenses	8,034,814	(200,000)	7,834,814
Contingency	250,000		250,000
Agriculture promotion	<u>50,000</u>		<u>50,000</u>
Total all funds	\$20,690,134	(\$164,646)	\$20,525,488
Less special funds	<u>20,690,134</u>	<u>(164,646)</u>	<u>20,525,488</u>
General fund	\$0	\$0	\$0
FTE	124.00	0.00	124.00

Detail of House changes to the executive budget includes:

	REDUCE MAINTENANCE AND REPAIR	ADJUST HEALTH INSURANCE COST	TOTAL HOUSE CHANGES
Salaries and wages		\$35,354	\$35,354
Operating expenses	(\$200,000)		(200,000)
Contingency			
Agriculture promotion			
Total all funds	(\$200,000)	\$35,354	(\$164,646)
Less special funds	<u>(200,000)</u>	<u>35,354</u>	<u>(164,646)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

**1999 SENATE APPROPRIATIONS**

**HB 1015**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. ENGROSSED HB 1015

Senate Appropriations Committee

Conference Committee

Hearing Date 2/24/99; 4/1/99

Tape Number	Side A	Side B	Meter #
3	60-end	0-end	
4	0-500		
4/1/99	1	4310-5840	
Committee Clerk Signature <i>Gaudia Anderson</i>			

Minutes:

**SENATOR NETHING:** Opened the hearing on engrossed HB 1015; a BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the state industrial commission; to provide a continuing appropriation; to authorize transfers; and to declare an emergency.

**KARLINE FINE:** Executive Director and Secretary for the Industrial Commission of ND, to present an overview of the Industrial Commission, and primarily to focus testimony on Subdivision 1 of Engrossed House Bill 1015 or Budget No. 405 (attachment - tape 3, side A 60-415).

**JOHN DWYER:** Chairman of the Lignite Research Council, to testify in support of HB 1015. He noted the Council is a joint partnership between the state and lignite industry. Environmental issues are not only a concern to the citizens of the state, but the industry as well. He also noted that each dollar in state funds has generated another five dollars in research funds. (attachment - LRD - tape 455-1350)

**SENATOR KRAUTER:** From \$13.4M to \$10.4M, is that because revenues are coming in less relating to the coal tax?

**JOHN DWYER:** On page 10, what you appropriated last time was \$13.4M, but there were projects that were funded during the present biennium, and there was also some carry-over obligations. So it is a cash flow reason. Production was pretty stable, but it was when the projects were funded over the biennium. The revenue is easy to figure - for every ton of coal, there is 10 cents a ton going into this fund. We roughly mined 30M tons, which is about \$30M of new revenue coming in each year.

**LYNN HELMS:** Director, Oil & Gas Division of the ND Industrial Commission presented an overview of his division. He noted the crisis the industry is currently in with depressed oil prices

at the levels of the 1930's. His testimony (attachment - Oil & Gas Division) also provides forms that are currently required and completed manually. He urged restoration of \$44,000 requested funding deleted by the house to facilitate technology upgrades. This will greatly enhance the capabilities of field persons and timely completion of forms. (tape 1370-3085)

**JOHN BLUEMLE:** State Geologist and Director of the ND Geological Survey presented an overview of operations, as well as a request for reinstatement of 2 FTEs - 1 for data processing and 1 for the museum. (attachment - Geological Survey) (tape 3095-5712)

**SENATOR KRAUTER:** Is there a schedule for the soils compilation and digitization program? (tape 4912)

**JOHN BLUEMLE:** We do have a plan, but I don't know which county comes first. We're doing them in the order as decided by the NRCS. We expect completion in 6-10 years.

**SENATOR ST. AUBYN:** The operating funds for the two positions - the museum specialist and the data processing coordinator. You're asking for restoration; however, as I read the bill the work is currently being done by others. What additional operating funds are going to be necessary?

**JOHN BLUEMLE:** The museum specialist position is set at \$5,000. I'll have to check that for you to get the specific work required. The data processing coordinator is to be able to assign duty to someone more qualified to do that work and to take the load off the geologist currently doing the work. (tape 5380)

**TOM TUDOR:** Executive Director, ND Municipal Bond Bank, presented clarification for reinstating the FTE requested in original bill, which has sufficient funding currently available for the position. (attachment - MBB) (tape 3, side A 5740-end; tape 3 side B 0-600)

**JOHN HOEVEN:** Bank of ND reviewed the earnings and undivided profits of the Bank to the General Fund are not included, but instead are included in SB 2015 which covers the OMB appropriation. He requested reinstatement of 1 FTE (page 3 of attachment - BND), and reinstatement of \$600,000 for the PACE program (page 5 of testimony). (tape side B 635-2480)

**SENATOR KRAUTER:** How will HB 1047 affect the farmer? (tape 2200)

**JOHN HOEVEN:** It will remain essentially the same. The separate fund is rolled into the bank. We won't have that option, so need the ability to have buy-down.

**MARK STROBEL:** President and General Manager of the ND Mill and Elevator, provided testimony (attachment - State Mill) in support of HB 1015, Budget 475. (tape 2485-end)

**SENATOR NETHING:** Did the House indicate why they reduced your funding?

**MARK STROBEL:** They indicated the reduction was on the repair side. We would like to keep \$200,000. However, it is a wash.

**SENATOR BOWMAN:** Explain the costs as related to your revenue. (tape 3400)

**MARK STROBEL:** Primarily we are running more cwt. We reflect what's happening in the wheat market based on the Minneapolis elevators. We are not taking dollars from farmers; rather increased efficiency is aiding our profitability. (tape 3670)

**SENATOR BOWMAN:** Couldn't we use these profits to give farmers an additional five cents per bushel rather than have this high a profit level?

**MARK STROBEL:** We don't purchase grain directly from farmers, we purchase it from the elevators whose prices are determined by others. We are trying to get as much money as possible for farming.

**PAT FRICKE:** ND Housing Finance Agency, indicated HFA's budget 473.0 of HB 1015 Section 1, Subdivision 5 covers revenues associated with housing programs administered by the HFA solely through Special Funds. HFA has not utilized general funds since its creation in 1980. Its mission is to make housing more affordable for ND's low to moderate income families. (attachment - HFA) (tape 3, side B 4402-end; tape 4, side A 0- 125)

**KARLINE FINE:** Provided a summary sheet. She indicated the \$600,000 the House removed from PACE funds was strictly to balance the budget. She also indicated additional funds will help the museum specialist make better use of his time.

**SENATOR NETHING:** Closed the hearing on engrossed HB 1015 (tape 4, side A 496)

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4/1/99      tape 1, A, 4310-5840

**SENATOR NETHING:** Reopened the hearing on engrossed HB 1015.

**PAUL KRAMER:** Explained the proposed amendment 98015.0301.

**SENATOR NAADEN:** Presented an overview of the bill and amendments, and moved do pass the amendment.

**SENATOR LINDAAS:** Seconded the motion.

**ROLL CALL:** Unanimous voice vote to do pass the amendment.

**SENATOR NAADEN:** Moved do pass engrossed HB 1015, as amended.

**SENATOR LINDAAS:** Seconded the motion.

**ROLL CALL:** 14 yeas; 0 nays; 0 absent & not voting.

**CARRIER: SENATOR NAADEN**

**SENATOR NETHING:** Closed the hearing on engrossed HB 1015.



Date: 4-1-99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. Engrossed HB 1015

Senate APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

✓ Legislative Council Amendment Number 98015.0301

Action Taken DO PASS

Motion Made By Senator NAADEN Seconded By Senator HOLMBERG

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman					
Senator Naaden, Vice Chairman					
Senator Solberg					
Senator Lindaas					
Senator Tallackson					
Senator Tomac					
Senator Robinson					
Senator Krauter					
Senator St. Aubyn					
Senator Grindberg					
Senator Holmberg					
Senator Kringstad					
Senator Bowman					
Senator Andrist					

Total (Yes) VOICE VOTE - UNANIMOUS No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment Senator \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 4-1-99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. Engrossed HB 1015

Senate APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

✓ Legislative Council Amendment Number 98015.0301

Action Taken DO PASS AS AMENDED

Motion Made By Senator NAADEN Seconded By Senator LINDAAS

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Senator NAADEN

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1015, as engrossed: Appropriations Committee (Sen. Nething, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1015 was placed on the Sixth order on the calendar.

Page 1, line 3, after the second semicolon insert "to provide for a report to the budget section;"

Page 1, line 13, replace "5,742,657" with "5,838,079"

Page 1, line 14, replace "1,742,594" with "1,756,894"

Page 1, line 15, replace "132,520" with "158,100"

Page 1, line 20, replace "34,214,041" with "34,349,343"

Page 1, line 21, replace "13,677,333" with "13,767,635"

Page 1, line 22, replace "20,536,708" with "20,581,708"

Page 2, line 1, replace "14,298,824" with "14,394,153"

Page 2, line 6, replace "27,239,424" with "27,334,753"

Page 2, after line 10, insert:

"Beginning entrepreneur loan guarantee program 10,000"

Page 2, line 12, replace "8,500,000" with "8,510,000"

Page 2, line 22, replace "2,733,217" with "2,921,221"

Page 2, line 27, replace "23,691,947" with "23,879,951"

Page 2, line 28, replace "29,036,708" with "29,091,708"

Page 2, line 29, replace "85,134,192" with "85,507,827"

Page 2, line 30, replace "114,170,900" with "114,599,535"

Page 5, after line 14, insert:

**"SECTION 13. PACE AND AG PACE FUND TRANSFERS.** Notwithstanding any other provision of law, the industrial commission may transfer any unobligated funds between the partnership in assisting community expansion fund and the agriculture partnership in assisting community expansion fund during the period beginning January 1, 2001, and ending June 30, 2001.

**SECTION 14. BUDGET SECTION REPORT ON HOME MORTGAGE FINANCE PROGRAMS.** The industrial commission and the Indian affairs commission shall report to the budget section regarding the status of home mortgage finance programs of the housing finance agency available within Indian reservations located within the state of North Dakota. Reports must be presented to the budget section at its first meeting of the 1999-2000 interim and subsequently thereafter as requested by the chairman of the budget section."

Page 5, line 16, after "fund" insert "and section 14"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 405 - INDUSTRIAL COMMISSION

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$5,961,526	\$5,742,657	\$95,422	\$5,838,079
Operating expenses	1,807,134	1,742,594	14,300	1,756,894
Equipment	198,100	132,520	25,580	158,100
Grants	10,450,000	10,450,000		10,450,000
Administrative contingency	10,000	10,000		10,000
Bond payments	15,891,168	15,891,168		15,891,168
Geophysical exploration	<u>287,039</u>	<u>245,102</u>		<u>245,102</u>
Total all funds	\$34,604,967	\$34,214,041	\$135,302	\$34,349,343
Less special funds	<u>13,814,830</u>	<u>13,677,333</u>	<u>90,302</u>	<u>13,767,635</u>
General fund	\$20,790,137	\$20,536,708	\$45,000	\$20,581,708
FTE	66.00	63.00	1.00	64.00

Detail of Senate changes to the House version includes:

	RESTORE MUNICIPAL BOND BANK LOAN OFFICER FTE	RESTORE TEMPORARY SALARY FUNDING FOR COAL GEOLOGIST	RESTORE A PORTION OF THE INFORMATION TECHNOLOGY EQUIPMENT FUNDING	RESTORE A PORTION OF THE OPERATING EXPENSES FOR THE NEW DATA PROCESSING FTE	TOTAL SENATE CHANGES
Salaries and wages	\$71,662	\$23,760			\$95,422
Operating expenses	11,640			\$2,660	14,300
Equipment	7,000		\$18,580		25,580
Grants					
Administrative contingency					
Bond payments					
Geophysical exploration					
Total all funds	\$90,302	\$23,760	\$18,580	\$2,660	\$135,302
Less special funds	<u>90,302</u>				<u>90,302</u>
General fund	\$0	\$23,760	\$18,580	\$2,660	\$45,000
FTE	1.00	0.00	0.00	0.00	1.00

DEPARTMENT 471 - BANK OF NORTH DAKOTA

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$14,527,399	\$14,298,824	\$95,329	\$14,394,153
Operating expenses	10,835,600	10,835,600		10,835,600
Equipment	500,000	500,000		500,000
Capital improvements	105,000	105,000		105,000
Contingency	1,500,000	1,500,000		1,500,000
PACE	6,600,000	6,000,000		6,000,000
Ag PACE	1,500,000	1,500,000		1,500,000
Beginning farmer	1,000,000	1,000,000		1,000,000
Beginning entrepreneur loan guarantee program			10,000	10,000
Total all funds	\$36,567,999	\$35,739,424	\$105,329	\$35,844,753
Less special funds	<u>27,467,999</u>	<u>27,239,424</u>	<u>95,329</u>	<u>27,334,753</u>
General fund	\$9,100,000	\$8,500,000	\$10,000	\$8,510,000
FTE	178.50	177.50	1.00	178.50

Detail of Senate changes to the House version includes:

	RESTORE ACCOUNT BUDGET SPECIALIST III FTE	ADD FUNDING FOR THE BEGINNING ENTREPRENEUR LOAN GUARANTEE PROGRAM	TOTAL SENATE CHANGES
Salaries and wages	\$95,329		\$95,329
Operating expenses			
Equipment			
Capital improvements			
Contingency			
PACE			
Ag PACE			
Beginning farmer			
Beginning entrepreneur loan guarantee program		\$10,000	10,000
Total all funds	\$95,329	\$10,000	\$105,329
Less special funds	<u>95,329</u>		<u>95,329</u>
General fund	\$0	\$10,000	\$10,000
FTE	1.00	0.00	1.00

Senate changes narrative:

The amendment also adds a section allowing for the transfer of any unobligated funds between the PACE fund and the Ag PACE fund during the period beginning January 1, 2001, and ending June 30, 2001.

DEPARTMENT 473 - HOUSING FINANCE AGENCY

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$2,972,577	\$2,733,217	\$188,004	\$2,921,221
Operating expenses	2,570,690	2,570,690		2,570,690
Equipment	75,000	75,000		75,000
Grants	18,213,040	18,213,040		18,213,040
Contingency	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Total all funds	\$23,931,307	\$23,691,947	\$188,004	\$23,879,951
Less special funds	<u>23,931,307</u>	<u>23,691,947</u>	<u>188,004</u>	<u>23,879,951</u>
General fund	\$0	\$0	\$0	\$0
FTE	36.00	33.00	2.00	35.00

Detail of Senate changes to the House version includes:

	RESTORE ACCOUNT BUDGET SPECIALIST I FTE	RESTORE PROGRAM DEVELOPMENT DIRECTOR FTE	TOTAL SENATE CHANGES
Salaries and wages	\$69,875	\$118,129	\$188,004
Operating expenses			
Equipment			
Grants			
Contingency			
Total all funds	\$69,875	\$118,129	\$188,004
Less special funds	<u>69,875</u>	<u>118,129</u>	<u>188,004</u>
General fund	\$0	\$0	\$0
FTE	1.00	1.00	2.00

Senate changes narrative:

The amendment also adds a section requiring the Industrial Commission to report to the Budget Section on Housing Finance Agency home mortgage finance programs available on North Dakota Indian reservations.

**1999 HOUSE APPROPRIATIONS  
CONFERENCE COMMITTEE**

**HB 1015**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1015

House Appropriations Committee

Conference Committee

Hearing Date April 6, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-32.2
Committee Clerk Signature <i>Roxanne Kone</i>			

Minutes:

Chairman Poolman opened the discussion on House Bill 1015.

**1A: 1.0 Rep. Poolman** said my understanding of the Ag Pace and Pace part of this deal is that there were unused funds in the Ag Pace program and can be transferred over to use for Pace. **Senator Naaden** replied it could go both ways. It doesn't take effect until January 1st, 2001. Just the last six months. We did that basically because we have \$350,000 in Ag Pace now that isn't used. We thought if it could be used either way and let it go both ways.

**1A: 2.1 Senator Holmberg** said we have a lot of interest in the Senate in that \$600,000 that you had removed from Pace because it was in our estimation quite a popular program. But by allowing the money to go either direction, we were comfortable that there probably would be enough money for usage in both programs in the end of the biennium. We wouldn't have to add any general fund money.

**1A: 2.6 Rep. Poolman** asked if the meat inspection money was in this bill. **Senator Naaden** said no.

**1A: 4.0 Rep. Poolman** asked about the changes regarding the Industrial Commission and the rationale behind them. **Senator Naaden** said: \$45,000 in enhancements, restore temporary coal geologist \$23,000, funds for operating expenses for new data processing coordinator, restore operating expenses for museum specialist, restore computer funding for information technologist, and half of the FTE for data processing. **Senator Holmberg** said restored the Municipal Bond Bank Loan official. It was all special funds.



**1A: 6.2 Rep. Poolman** asked about the Bank of North Dakota changes. **Senator Naaden** explained they put back the vacant FTE the House had removed. BND had explained they changed the position to a budget specialist and asked that it be restored.

**1A: 9.0 Rep. Poolman** asked about the Housing Finance changes. **Senator Naaden** said they added back two of the three positions because apparently they are busier than they have been and they needed the positions to handle the amount of activity. **Rep. Tollefson** said the House rationale of removing three of those people was the fact that this will slack off to a certain extent.

**1A: 13.4 Rep. Poolman** discussion with Karline Fine regarding GIS specialist position. Coal geologist is the one they need.

**1A: 14.9 Rep. Poolman** said he does not have a problem with the Bank of North Dakota position. They have performance numbers they have to hit and those are all on earnings of the bank.

**1A: 15.6 Senator Naaden** said the geologist survey of upgrade of equipment. I think we should find out how important that is. If it's not I have no problem with doing away with it, the IT equipment funding. I don't remember what it was for. **Karline Fine** said that we were so far behind in our technology that it was very important that we bring the programs in compliance of each other.

**1A: 18.7 Rep. Poolman** asked what is more important the IT funding or the coal geologist. **Karline Fine** replied the IT funding will get us up to speed with our computer unfortunately the coal geologist would do some economic development for the state and do research that is needed. I have a hard time saying which one is more important.

**1A: 20.9 Rep. Poolman** said the Municipal Bond Bank would be removed, restoration of operating expenses for the Data Processing FTE, remove \$8,580 dollars in IT funding which will be an add back of \$10,000. **Senator Naaden** said it doesn't do them much good to only have part of the money to do the job.

**1A: 22.4 Senator Holmberg** asked if there would be flexibility to find \$ in other places. **OMB** said the actual purchase of the computer would be under equipment. However, communication lines etc. would fall under operating. They have flexibility within both lines.

**1A: 23.6 Senator Holmberg** moved that the Senate RECEDE from its amendments and the bill be further amended by deleting the Municipal Loan Officer FTE, reduce the IT equipment funding by \$8,580 dollars, and reduce or delete the \$2,660 dollars for operating expenses. **Senator Naaden** seconded the motion. On a Voice Vote the motion carries.

**1A: 25.0** Further discussion on Municipal Bond Bank FTE. **OMB** commented the one position that they would like the most is the Municipal Bond Bank FTE. Because the work load is heavy

Page 3

House Appropriations Committee

Bill/Resolution Number 1015cc

Hearing Date April 6, 1999

there. They have a very small staff to begin with. They are willing to give up the other two but want the one for sure. It is their main priority. The position issues the bonds for the local political subdivisions. They have the new Federal/State Drinking Water Act that just came through. That is going to double the workload. **Rep. Poolman** said he would be perfectly happy with restoring the position and taking the other two.

**1A: 30.4 Senator Holmberg** moved to restore the Municipal Bond Bank Officer FTE with special funds and that we make no adjustments back into the Housing Finance Agency. **Rep. Tollefson** seconded the motion. On a Voice Vote the motion carried.

The meeting adjourned.

(Bill Number) 1015 (, as (re)engrossed):

Your Conference Committee

For the Senate:

SEN. NAADEN  
SEN. HOLMBERG  
SEN. TOMAC

For the House:

REP. POOLMAN  
REP. TOLLEFSON  
REP. GULLESON

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)  
723/724 725/726 5724/8726 5723/8725  
the (Senate/House) amendments on (SJ/HJ) page(s) 1184 - 1187

and place HB 1015 on the Seventh order.  
727

, adopt (further) amendments as follows, and place \_\_\_\_\_ on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed. 690/515

((Re)Engrossed) \_\_\_\_\_ was placed on the Seventh order of business on the calendar.

DATE: 4, 7, 99

CARRIER: \_\_\_\_\_

LC NO. 98015 . 0303 of amendment

LC NO. 98015 . 0300 of engrossment

Emergency clause added or deleted \_\_\_\_\_

Statement of purpose of amendment \_\_\_\_\_

(1) LC (2) LC (3) DESK (4) COMM.

**REPORT OF CONFERENCE COMMITTEE**

**HB 1015, as engrossed:** Your conference committee (Sens. Holmberg, Naaden, Tomac and Reps. Poolman, Tollefson, Gulleason) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1184-1187, adopt further amendments as follows, and place HB 1015 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1184-1187 of the House Journal and pages 1049-1051 of the Senate Journal and that Engrossed House Bill No. 1015 be amended as follows:

Page 1, line 3, after the second semicolon insert "to provide for a report to the budget section;"

Page 1, line 13, replace "5,742,657" with "5,838,079"

Page 1, line 14, replace "1,742,594" with "1,754,234"

Page 1, line 15, replace "132,520" with "149,520"

Page 1, line 20, replace "34,214,041" with "34,338,103"

Page 1, line 21, replace "13,677,333" with "13,767,635"

Page 1, line 22, replace "20,536,708" with "20,570,468"

Page 2, line 1, replace "14,298,824" with "14,394,153"

Page 2, line 6, replace "27,239,424" with "27,334,753"

Page 2, after line 10, insert:

"Beginning entrepreneur loan guarantee program 10,000"

Page 2, line 12, replace "8,500,000" with "8,510,000"

Page 2, line 28, replace "29,036,708" with "29,080,468"

Page 2, line 29, replace "85,134,192" with "85,319,823"

Page 2, line 30, replace "114,170,900" with "114,400,291"

Page 5, after line 14, insert:

**"SECTION 13. PACE AND AG PACE FUND TRANSFERS.** Notwithstanding any other provision of law, the industrial commission may transfer any unobligated funds between the partnership in assisting community expansion fund and the agriculture partnership in assisting community expansion fund during the period beginning January 1, 2001, and ending June 30, 2001.

**SECTION 14. BUDGET SECTION REPORT ON HOME MORTGAGE FINANCE PROGRAMS.** The industrial commission and the Indian affairs commission shall report to the budget section regarding the status of home mortgage finance programs of the housing finance agency available within Indian reservations located within the state of North Dakota. Reports must be presented to the budget section at its first meeting of the 1999-2000 interim and subsequently thereafter as requested by the chairman of the budget section."

Page 5, line 16, after "fund" insert "and section 14"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 405 - INDUSTRIAL COMMISSION

CONFERENCE COMMITTEE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	CONFERENCE COMPARISON TO SENATE VERSION
Salaries and wages	\$5,961,526	\$5,742,657	\$95,422	\$5,838,079	5,838,079	
Operating expenses	1,807,134	1,742,594	11,640	1,754,234	1,756,894	(\$2,660)
Equipment	198,100	132,520	17,000	149,520	158,100	(8,580)
Grants	10,450,000	10,450,000		10,450,000	10,450,000	
Administrative contingency	10,000	10,000		10,000	10,000	
Bond payments	15,891,168	15,891,168		15,891,168	15,891,168	
Geophysical exploration	<u>287,039</u>	<u>245,102</u>	<u>245,102</u>	<u>245,102</u>	<u>245,102</u>	
Total all funds	\$34,604,967	\$34,214,041	\$124,062	\$34,338,103	\$34,349,343	(\$11,240)
Less special funds	<u>13,814,830</u>	<u>13,677,333</u>	<u>90,302</u>	<u>13,767,635</u>	<u>13,767,635</u>	
General fund	\$20,790,137	\$20,536,708	\$33,760	\$20,570,468	\$20,581,708	(\$11,240)
FTE	66.00	63.00	1.00	64.00	64.00	0.00

Detail of Conference Committee changes to the House version includes:

	RESTORE MUNICIPAL BOND BANK LOAN OFFICER FTE	RESTORE TEMPORARY SALARY FUNDING FOR COAL GEOLOGIST	RESTORE A PORTION OF THE INFORMATION TECHNOLOGY EQUIPMENT FUNDING	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	\$71,662	\$23,760		\$95,422
Operating expenses	(\$2,660)	11,640		11,640
Equipment	(8,580)	7,000	\$10,000	17,000
Grants				
Administrative contingency				
Bond payments				
Geophysical exploration				
Total all funds	\$90,302	\$23,760	\$10,000	\$124,062
Less special funds	<u>90,302</u>			<u>90,302</u>
General fund	\$0	\$23,760	\$10,000	\$33,760
FTE	1.00	0.00	0.00	1.00

The amendment also adds a section requiring the Industrial Commission to report to the Budget Section on Housing Finance Agency home mortgage finance programs available on North Dakota Indian reservations.

DEPARTMENT 471 - BANK OF NORTH DAKOTA

CONFERENCE COMMITTEE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	CONFERENCE COMPARISON TO SENATE VERSION
Salaries and wages	\$14,527,399	\$14,298,824	\$95,329	\$14,394,153	\$14,394,153	
Operating expenses	10,835,600	10,835,600		10,835,600	10,835,600	
Equipment	500,000	500,000		500,000	500,000	
Capital improvements	105,000	105,000		105,000	105,000	
Contingency	1,500,000	1,500,000		1,500,000	1,500,000	
PACE	6,600,000	6,000,000		6,000,000	6,000,000	
Ag PACE	1,500,000	1,500,000		1,500,000	1,500,000	
Beginning farmer	1,000,000	1,000,000		1,000,000	1,000,000	
Beginning entrepreneur loan			10,000	10,000	10,000	

**REPORT OF CONFERENCE COMMITTEE (420)**  
**April 7, 1999 3:36 p.m.**

**Module No: HR-63-6749**

**Insert LC: 98015.0303**

guarantee program						
Total all funds	\$36,567,999	\$35,739,424	\$105,329	\$35,844,753	\$35,844,753	\$0
Less special funds	<u>27,467,999</u>	<u>27,239,424</u>	<u>95,329</u>	<u>27,334,753</u>	<u>27,334,753</u>	
General fund	\$9,100,000	\$8,500,000	\$10,000	\$8,510,000	\$8,510,000	\$0
FTE	178.50	177.50	1.00	178.50	178.50	0.00

Detail of Conference Committee changes to the House version includes:

	RESTORE ACCOUNT BUDGET SPECIALIST III FTE	ADD FUNDING FOR THE BEGINNING ENTREPRENEUR LOAN GUARANTEE PROGRAM	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	\$95,329		\$95,329
Operating expenses			
Equipment			
Capital improvements			
Contingency			
PACE			
Ag PACE			
Beginning farmer			
Beginning entrepreneur loan guarantee program		\$10,000	10,000
Total all funds	\$95,329	\$10,000	\$105,329
Less special funds	<u>95,329</u>		<u>95,329</u>
General fund	\$0	\$10,000	\$10,000
FTE	1.00	0.00	1.00

The amendment also adds a section allowing for the transfer of any unobligated funds between the PACE fund and the Ag PACE fund during the period beginning January 1, 2001, and ending June 30, 2001.

Engrossed HB 1015 was placed on the Seventh order of business on the calendar.

**1999 TESTIMONY**

**HB 1015 .**

LEGISLATIVE COUNCIL  
ANALYSIS OF LEGISLATIVE CHANGES  
AS OF FEBRUARY 18, 1999

FEBRUARY 19, 1999

BILL #/DEPARTMENT	LINE	EXECUTIVE BUDGET	HOUSE VERSION	HOUSE DIFF TO EXEC BUDGET	SENATE VERSION	SENATE DIFF TO EXEC BUDGET	DIFF BETWEEN HOUSE & SENATE
HB1015 INDUSTRIAL COMMISSION	SALARIES AND WAGE	5,961,526	5,742,657	218,869-	0	0+	0+
	OPERATING EXPENSE	1,807,134	1,742,594	64,540-	0	0+	0+
	EQUIPMENT	198,100	132,520	65,580-	0	0+	0+
	GRANTS	10,450,000	10,450,000	0+	0	0+	0+
	ADMINISTRATIVE CO	10,000	10,000	0+	0	0+	0+
	BOND PAYMENTS	15,891,168	15,891,168	0+	0	0+	0+
	GEOPHYSICAL EXPLO	287,039	245,102	41,937-	0	0+	0+
	TOTAL	34,604,967	34,214,041	390,926-	0	0+	0+
	SPECIAL FUNDS	13,814,830	13,677,333	137,497-	0	0+	0+
	GENERAL FUND	20,790,137	20,536,708	253,429-	0	0+	0+
405							
HB1015 BANK OF NORTH DAKOTA	SALARIES AND WAGE	14,527,399	14,298,824	228,575-	0	0+	0+
	OPERATING EXPENSE	10,835,600	10,835,600	0+	0	0+	0+
	EQUIPMENT	500,000	500,000	0+	0	0+	0+
	MAJOR IMPROVEMENT	105,000	105,000	0+	0	0+	0+
	CONTINGENCY	1,500,000	1,500,000	0+	0	0+	0+
	PACE FUND	6,600,000	6,000,000	600,000-	0	0+	0+
	AG PACE FUND	1,500,000	1,500,000	0+	0	0+	0+
	BEGINNING FARMER	1,000,000	1,000,000	0+	0	0+	0+
	TOTAL	36,567,999	35,739,424	828,575-	0	0+	0+
	SPECIAL FUNDS	27,467,999	27,239,424	228,575-	0	0+	0+
GENERAL FUND	9,100,000	8,500,000	600,000-	0	0+	0+	
471							
HB1015 HOUSING FINANCE AGENCY	SALARIES AND WAGE	2,972,577	2,733,217	239,360-	0	0+	0+
	OPERATING EXPENSE	2,570,690	2,570,690	0+	0	0+	0+
	EQUIPMENT	75,000	75,000	0+	0	0+	0+
	GRANTS	18,213,040	18,213,040	0+	0	0+	0+
	HFA CONTINGENCY	100,000	100,000	0+	0	0+	0+
	TOTAL	23,931,307	23,691,947	239,360-	0	0+	0+
473							
HB1015 N D HILL & ELEVATOR	SALARIES AND WAGE	12,355,320	12,390,674	35,354+	0	0+	0+
	OPERATING EXPENSE	8,034,814	7,834,814	200,000-	0	0+	0+
	AGRICULTURE PROMO	50,000	50,000	0+	0	0+	0+
	CONTINGENCY	250,000	250,000	0+	0	0+	0+
475							
475	TOTAL	20,690,134	20,525,488	164,646-	0	0+	0+
	SPECIAL FUNDS	20,690,134	20,525,488	164,646-	0	0+	0+
	GENERAL FUND	0	0	0+	0	0+	0+

budget analysis



LEGISLATIVE COUNCIL  
ANALYSIS OF LEGISLATIVE CHANGES  
AS OF FEBRUARY 18, 1999

BILL #/DEPARTMENT	LINE	EXECUTIVE BUDGET	HOUSE VERSION	HOUSE DIFF TO EXEC BUDGET	SENATE VERSION	SENATE DIFF TO EXEC BUDGET	DIFF BETWEEN HOUSE & SENATE
BILL TOTAL	TOTAL	115,794,407	114,170,900	1,623,507-	0	0+	0+
HB1015	SPECIAL FUNDS	85,904,270	85,134,192	770,078-	0	0+	0+
	GENERAL FUND	29,890,137	29,036,708	853,429-	0	0+	0+

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 405 - INDUSTRIAL COMMISSION

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,961,526	(\$218,869)	\$5,742,657
Operating expenses	1,807,134	(64,540)	1,742,594
Equipment	198,100	(65,580)	132,520
Grants	10,450,000		10,450,000
Administrative contingency	10,000		10,000
Bond payments	15,891,168		15,891,168
Geophysical exploration	<u>287,039</u>	<u>(41,937)</u>	<u>245,102</u>
Total all funds	\$34,604,967	(\$390,926)	\$34,214,041
Less special funds	<u>13,814,830</u>	<u>(137,497)</u>	<u>13,677,333</u>
General fund	\$20,790,137	(\$253,429)	\$20,536,708
FTE	66.00	(3.00)	63.00

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	REMOVE DATA INPUT OPERATOR FTE (OIL AND GAS)	REMOVE GEOGRAPHIC INFORMATION SPECIALIST FTE (40% OIL AND GAS, 60% GEOLOGICAL SURVEY)	REMOVE LOAN OFFICER FTE (MUNICIPAL BOND BANK)	REMOVE INCREASES RELATED TO NEW FTE POSITIONS
Salaries and wages	(\$78,119)	\$18,247		(\$63,575)	(\$71,662)	
Operating expenses						(\$33,540)
Equipment						(7,000)
Grants						
Administrative contingency						
Bond payments						
Geophysical exploration	<u>(2,770)</u>	<u>570</u>	<u>(\$39,737)</u>			
Total all funds	(\$80,889)	\$18,817	(\$39,737)	(\$63,575)	(\$71,662)	(\$40,540)
Less special funds	<u>(9,724)</u>	<u>2,566</u>	<u>(39,737)</u>		<u>(71,662)</u>	<u>(18,940)</u>
General fund	(\$71,165)	\$16,251	\$0	(\$63,575)	\$0	(\$21,600)
FTE	0.00	0.00	(1.00)	(1.00)	(1.00)	0.00

LEGISLATIVE COUNCIL  
ANALYSIS OF LEGISLATIVE CHANGES  
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	DECREASE INFORMATION TECHNOLOGY EQUIPMENT FUNDING FOR LAPTOPS, WORKSTATIONS, AND NETWORK SERVER	REMOVE TEMPORARY SALARY FUNDING FOR COAL GEOLOGIST (GEOLOGICAL SURVEY)	DECREASE FUNDING FOR LEASE PAYMENTS DUE TO PROJECTED SAVINGS	DECREASE INFORMATION TECHNOLOGY EQUIPMENT FUNDING BY 30%	TOTAL HOUSE CHANGES
Salaries and wages		(\$23,760)			(\$218,869)
Operating expenses			(\$31,000)		(64,540)
Equipment	(\$44,000)			(\$14,580)	(65,580)
Grants					
Administrative contingency					
Bond payments					
Geophysical exploration					(41,937)
Total all funds	(\$44,000)	(\$23,760)	(\$31,000)	(\$14,580)	(\$390,926)
Less special funds					(137,497)
General fund	(\$44,000)	(\$23,760)	(\$31,000)	(\$14,580)	(\$253,429)
FTE	0.00	0.00	0.00	0.00	(3.00)

DEPARTMENT 471 - BANK OF NORTH DAKOTA

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$14,527,399	(\$228,575)	\$14,298,824
Operating expenses	10,835,600		10,835,600
Equipment	500,000		500,000
Capital improvements	105,000		105,000
Contingency	1,500,000		1,500,000
PACE	6,600,000	(600,000)	6,000,000
Ag PACE	1,500,000		1,500,000
Beginning farmer	1,000,000		1,000,000
Total all funds	\$36,567,999	(\$828,575)	\$35,739,424
Less special funds	27,467,999	(228,575)	27,239,424
General fund	\$9,100,000	(\$600,000)	\$8,500,000
FTE	178.50	(1.00)	177.50

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	REMOVE VACANT ACCOUNT BUDGET SPECIALIST III FTE	REDUCE PACE FUNDING	TOTAL HOUSE CHANGES
Salaries and wages	(\$185,708)	\$52,462	(\$95,329)		(\$228,575)
Operating expenses					
Equipment					
Capital improvements					
Contingency					
PACE				(\$600,000)	(600,000)
Ag PACE					
Beginning farmer					
Total all funds	(\$185,708)	\$52,462	(\$95,329)	(\$600,000)	(\$828,575)
Less special funds	(185,708)	52,462	(95,329)		(228,575)
General fund	\$0	\$0	\$0	(\$600,000)	(\$600,000)
FTE	0.00	0.00	(1.00)	0.00	(1.00)

LEGISLATIVE COUNCIL  
ANALYSIS OF LEGISLATIVE CHANGES  
AS OF FEBRUARY 18, 1999

DEPARTMENT 473 - HOUSING FINANCE AGENCY

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,972,577	(\$239,360)	\$2,733,217
Operating expenses	2,570,690		2,570,690
Equipment	75,000		75,000
Grants	18,213,040		18,213,040
Contingency	100,000		100,000
Total all funds	\$23,931,307	(\$239,360)	\$23,691,947
Less special funds	<u>23,931,307</u>	<u>(239,360)</u>	<u>23,691,947</u>
General fund	\$0	\$0	\$0
FTE	36.00	(3.00)	33.00

Detail of House changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	DELAY MARKET SALARY ADJUSTMENT TO JANUARY 1, 2001	REMOVE NEW ACCOUNT BUDGET SPECIALIST FTE	REMOVE NEW UNDESIGNATED FTE	REMOVE NEW HOUSING PROGRAM SPECIALIST I FTE
Salaries and wages	(\$38,400)	\$10,050	(\$6,837)	(\$69,875)	(\$118,129)	(\$16,169)
Operating expenses						
Equipment						
Grants						
Contingency						
Total all funds	(\$38,400)	\$10,050	(\$6,837)	(\$69,875)	(\$118,129)	(\$16,169)
Less special funds	<u>(38,400)</u>	<u>10,050</u>	<u>(6,837)</u>	<u>(69,875)</u>	<u>(118,129)</u>	<u>(16,169)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	(1.00)	(1.00)	(1.00)
	TOTAL HOUSE CHANGES					
Salaries and wages	(\$239,360)					
Operating expenses						
Equipment						
Grants						
Contingency						
Total all funds	(\$239,360)					
Less special funds	<u>(239,360)</u>					
General fund	\$0					
FTE	(3.00)					

House changes narrative:

In addition to the two percent annual salary increases, funding is included to provide the director with a market equity salary increase of \$312.67 per month for the final six months of the biennium.

LEGISLATIVE COUNCIL  
ANALYSIS OF LEGISLATIVE CHANGES  
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FEBRUARY 19, 1999

## DEPARTMENT 475 - MILL AND ELEVATOR ASSOCIATION

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$12,355,320	\$35,354	\$12,390,674
Operating expenses	8,034,814	(200,000)	7,834,814
Contingency	250,000		250,000
Agriculture promotion	<u>50,000</u>		<u>50,000</u>
Total all funds	\$20,690,134	(\$164,646)	\$20,525,488
Less special funds	<u>20,690,134</u>	<u>(164,646)</u>	<u>20,525,488</u>
General fund	\$0	\$0	\$0
FTE	124.00	0.00	124.00

Detail of House changes to the executive budget includes:

	REDUCE MAINTENANCE AND REPAIR	ADJUST HEALTH INSURANCE COST	TOTAL HOUSE CHANGES
Salaries and wages		\$35,354	\$35,354
Operating expenses	(\$200,000)		(200,000)
Contingency			
Agriculture promotion			
Total all funds	(\$200,000)	\$35,354	(\$164,646)
Less special funds	<u>(200,000)</u>	<u>35,354</u>	<u>(164,646)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

Department 405 - Industrial Commission  
House Bill No. 1015

	FTE Positions	General Fund	Other Funds	Total
1999-2001 Executive Budget	66.00	\$20,790,137	\$13,814,830	\$34,604,967
1997-99 Legislative Appropriations	61.00	20,695,164	16,598,649	37,293,813
Increase (Decrease)	5.00	\$94,973	(\$2,783,819)	(\$2,688,846)

**Major Items Affecting Industrial Commission 1999-2001 Budget**

	General Fund	Other Funds	Total
1. Decreases bond payments from \$16,562,392 to \$15,891,168 due to various issues being retired and refinanced	(\$735,484)	\$64,260	(\$671,224)
2. Decreases lignite research grants from \$13,430,280 to \$10,450,000 due to decreased funding being available in the lignite research fund		(2,980,280)	(2,980,280)
3. Provides funding for the following 5 new FTE positions:			
1 FTE data processing coordinator II	68,879		68,879
1 FTE data input operator I (House removed)		39,737	39,737
1 FTE museum specialist I	66,010		66,010
1 FTE geographic information systems specialist (House removed)	63,575		63,575
1 FTE loan officer II (House removed)		71,662	71,662
4. Provides additional operating expenses associated with the 5 new FTE positions (House removed)	21,600	300	21,900
5. Provides increases in the following line items for the implementation of the agency's information technology plan:			
Operating expenses	45,000		45,000
Equipment (House reduced by \$14,580)	48,600	1,200	49,800
6. Provides additional funding for a local area network server and workstations and laptop computers for the field inspectors (House reduced by \$44,000)	76,500		76,500
7. Provides funding for the replacement of obsolete radios	4,500		4,500
8. Increases temporary salary funding (House removed)	23,760		23,760
9. Provides for the following increases in the Municipal Bond Bank due to increased workloads and an additional loan officer II position: (House removed)			
Operating expenses (House removed)		11,640	11,640
Equipment (House removed)		7,000	7,000
10. Decreases equipment funding for 95 percent budget	(49,800)		(49,800)
11. Provides inflationary increases in operating expenses	160,857	(9,471)	151,386
12. Decreases geophysical exploration funding		(12,146)	(12,146)

Department 471 - Bank of North Dakota  
House Bill No. 1015

	FTE Positions	General Fund	Other Funds	Total
1999-2001 Executive Budget	178.50	\$9,100,000	\$27,467,999	\$36,567,999
1997-99 Legislative Appropriations	178.50	5,918,600	25,930,649	31,849,249
Increase (Decrease)	0.00	\$3,181,400	\$1,537,350	\$4,718,750

**Major Items Affecting Bank of North Dakota 1999-2001 Budget**

	General Fund	Other Funds	Total
1. Increases the funding for the PACE fund from \$4,600,000 to \$6,600,000, with \$500,000 designated for technology PACE projects* (House reduced PACE program by \$600,000)	\$2,000,000		\$2,000,000
2. Increases the funding for the Ag PACE fund from \$397,100 to \$1,500,000	1,102,900		1,102,900
3. Increases the funding for the beginning farmer program from \$921,500 to \$1,000,000	78,500		78,500
4. Decreases capital improvement funding		(\$165,000)	(165,000)
5. Increases the contingency funding (to potentially be used for the purchase of Soo Line property on which part of the Bank of North Dakota is located, an E-commerce project, and remittance processing)		1,014,661	1,014,661
6. Decreases equipment funding		(954,000)	(954,000)
7. Provides for a 5.6 percent increase in operating expenses due in part to software purchases and software maintenance contracts		575,971	575,971

\* There is no specific language designating that a portion of the PACE funding be used for technology PACE projects.

Department 473 - Housing Finance Agency  
House Bill No. 1015

	FTE Positions	General Fund	Other Funds	Total
1999-2001 Executive Budget	36.00	\$0	\$23,931,307	\$23,931,307
1997-99 Legislative Appropriations	31.00	0	25,947,757	25,947,757
Increase (Decrease)	5.00	\$0	(\$2,016,450)	(\$2,016,450)

\* This amount has been adjusted to \$24,075,300.

**Major Items Affecting Housing Finance Agency 1999-2001 Budget**

	General Fund	Other Funds	Total
1. Provides for the following 5 new FTE positions:			
1 FTE housing program specialist II		\$72,834	\$72,834
1 FTE housing program specialist I (House removed)		16,169	16,169
1 FTE housing program technician I		57,774	57,774
1 FTE account/budget specialist I (House removed)		69,875	69,875
1 FTE budgeted - Pending classification (House removed)		118,129	118,129
2. Decreases the grants line item due to decreased federal funding		(4,114,280)	(4,114,280)
3. Increases the grants line item due to increased special funds		312,460	312,460
4. Increases the operating expenses line item due to program growth		1,356,014	1,356,014
5. Decreases the operating expenses line item due to reduced operating fees and services		(137,140)	(137,140)
6. Provides increased salaries and wages funding based on the Central Personnel Division's salary market study for elected and appointed officials (House delayed until January 1, 2001)		8,771	8,771

Department 475 - Mill and Elevator Association  
House Bill No. 1015

	FTE Positions	General Fund	Other Funds	Total
1999-2001 Executive Budget	124.00	\$0	\$20,690,134	\$20,690,134
1997-99 Legislative Appropriations	130.00	0	19,442,202	19,442,202
Increase (Decrease)	(6.00)	\$0	\$1,247,932	\$1,247,932

**Major Items Affecting Mill and Elevator Association 1999-2001 Budget**

	General Fund	Other Funds	Total
1. Removes 6 FTE positions not requested by the agency		(\$339,593)	(\$339,593)
2. Increases the operating expenses line item for travel (\$183,507), utilities (\$178,733), repairs (\$483,935), supplies (\$132,382), and professional development (\$11,338) (House reduced maintenance and repairs by \$200,000)		989,895	989,895
3. Increases salaries and wages for temporary, overtime, and shift salary funding		180,257	180,257

**Major Legislation Affecting the Industrial Commission, Bank of North Dakota, Housing Finance Agency, and Mill and Elevator Association**

House Bill No. 1047 provides for the transfer of the assets, liabilities, and fund equity of the beginning farmer revolving loan fund to the Bank of North Dakota.

House Bill No. 1057 provides that the Industrial Commission may not use the profits of the Bank for the financial support of the Mill and Elevator Association unless all members of the commission approve the transaction.

House Bill No. 1115 authorizes the Industrial Commission to issue, sell, and refund revenue bonds or evidences of indebtedness for the Mill and Elevator Association. The bonds may not constitute a debt of the state and are only payable from revenues generated from the Mill and Elevator. The bill also authorizes a renovation project at the Mill and Elevator and the issuance of evidences of indebtedness to finance the project. The cost of the renovation project may not exceed \$19,500,000.

House Bill No. 1476 provides \$1 million from the general fund to the Bank of North Dakota for the purpose of making loans to first-time investors so they may extend or vertically integrate their farm enterprises beyond traditional agriculture.

Senate Bill No. 2195 provides for the advance purchase of tuition credits, establishes a tuition account program at the Bank of North Dakota, and provides a continuing appropriation to the Bank of North Dakota of moneys in the tuition payment fund.

Senate Bill No. 2242 establishes a beginning entrepreneur loan guarantee program to be administered by the Bank of North Dakota and provides an appropriation to the Bank for administering the program.

Senate Bill No. 2414 provides a general fund appropriation of \$57,000 to the Bank of North Dakota for the purpose of administering, managing, promoting, and marketing the North Dakota higher education savings plan.

# Summary of Proposed Amendments to Engrossed House Bill 1015

## Section 1

### Subdivision 1

Salaries and wages	\$ 95,422*
Operating	\$ 22,940
Equipment	<u>\$ 65,580</u>
	<u>\$183,942</u>
Special Funds	\$ 90,302
General Fund	\$ 93,640

These amendments to Subdivision 1 include reinstatement of **General Fund** dollars as follows:

- \$23,760 Salaries to fund the temporary position for the Geologist I who would be primarily responsible for coal studies, etc. (Geological Survey);
- \$6,300 Operating funds for the shared position of Data Processing Coordinator for the Oil and Gas Division and Geological Survey;
- \$5,000 Operating funds for the Museum Specialist (Geological Survey);
- \$58,580 Equipment funds for the reinstatement of IT implementation and IT upgrades needed in the Oil and Gas Division and Geological Survey.

These amendments to Subdivision 1 include reinstatement of **Special Fund** dollars as follows:

- \$71,662 in Salaries; \$11,640 in Operating; and \$7,000 in Equipment for an additional FTE (SRF loan officer at an annual salary of \$25,968) in the Municipal Bond Bank office.

## Section 1

### Subdivision 2

Salaries and wages	<u>\$95,329*</u>
Special Funds	\$95,329

This amendment to Subdivision 2 would be to fund the Account Budget Specialist III position (annual salary of \$35,664) removed by the House.

## Section 1

### Subdivision 3

Partnership in assisting community expansion fund	<u>\$600,000</u>
General Fund	\$600,000

This amendment to Subdivision 3 would reinstate the total amount in the Executive Budget for PACE funding. (Reinstate to the \$6,600,000 level)

## Section 1

### Subdivision 5

Salaries and Wages	<u>\$204,173*</u>
Special Fund	\$204,173

This amendment would reinstate the 3 FTE positions cut by the House. The three FTE positions include Account Budget Specialist I (\$25,236 annual salary); Program Development Director (\$45,000 annual salary) and Housing Program Specialist I (\$24,132 annual salary anticipated to be hired 1/1/2001).

\*These amounts do not include the adjustments being made by the Legislature for health insurance and compensation.)



# INDUSTRIAL COMMISSION OF NORTH DAKOTA

Edward T. Schafer  
Governor

Heidi Heitkamp  
Attorney General

Roger Johnson  
Commissioner of Agriculture

**Testimony for House Bill No. 1015  
House Appropriations Committee  
Government Operations Division  
Karlene Fine, Executive Director and Secretary  
of the Industrial Commission  
January 12, 1999**

Mr. Chairman and members of the House Appropriations Committee, Government Operations Division, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. As you already know from the testimony you heard this morning House Bill 1015 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Commissioner of Agriculture. The Industrial Commission is responsible for overseeing the Bank of North Dakota, the State Mill, the Municipal Bond Bank, the Housing Finance Agency, oil and gas regulation and geophysical exploration regulation through its Oil and Gas Division, the Student Loan Trust, the Geological Survey and the various regulatory functions related to subsurface minerals, and the Lignite Research, Development and Marketing Program. In addition the Industrial Commission is the North Dakota Building Authority.

This afternoon I will primarily be focusing my testimony on Subdivision 1 of House Bill 1015 or Budget No. 405. Subdivision 1 includes the appropriations for the administrative office of the Industrial Commission as well as the Oil and Gas Division, Geological Survey, Municipal Bond Bank, Lignite Research, Development and Marketing Program and the lease (bond) payments for projects previously financed by the North Dakota Building Authority. Attached is a chart showing the various amounts for the different entities (Exhibit A). After I complete my testimony Tom Tudor, Executive Director for the Municipal Bond Bank will present his portion of the budget; followed by Lynn Helms, Director of the Oil and Gas Division; followed by John Bluemle, State Geologist, and last will be John Dwyer, Chairman of the Lignite Research Council, who will be testifying regarding the Lignite Research, Marketing and Development Program.

The administrative office for the Industrial Commission consists of two full-time employees. The administrative budget includes funding for these two positions along with the needed dollars for operating the office. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact

Industrial  
Commis-



Commission. Recently Governor Edward Schafer served as Chairman of this multi-state organization and he continues to speak on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry.

The administrative office budget request is \$297,888, exclusive of the Lignite Research Program and the lease payments. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this noted in Sections 4, 5, 6, 7, and 8 where authority is being requested for these agencies to transfer funds to the Industrial Commission.

To assist you in understanding the funding sources found in Subdivision 1, I have attached a separate exhibit (Exhibit B) with a breakdown of the funding. Looking at that you can see the funding sources for Subdivision 1 include the General Fund dollars, non-state funds (Job Service dollars, University System), Veterans' Home funds, transfers from the Industrial Commission agencies, Lignite Research Fund, Municipal Bond Bank funds and federal funds. No General Fund dollars are utilized for the operations of the administrative office.

Section 3 of House Bill 1015 includes language that would allow the Industrial Commission to utilize funds which may become available from bonds issued by the Commission under Chapters 4-36 and 54-17.2 and Section 54-17-25 upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing. An error was made in the preparation of this bill and an amendment is requested on line 9 of Page 3 as follows:

Page 3, line 9 replace "54-17.3" with "54-17.2"

Subdivision 1 includes the lease payments (bond payments) for the North Dakota Building Authority. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located at the State Penitentiary, Grafton Development Center, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, handicapped accessibility construction on the campuses, Southeast Human Services Center in Fargo and financing for the Veterans' Home in Lisbon. During the 97-99 biennium we completed the financing for projects authorized by the 1997 Legislature—University System projects: Bute Gym remodeling on the North Dakota State College of Science campus; Moore Hall renovations on the Minot State University campus; addition to the Ed James Wing of the Medical School on the University of North Dakota campus; and renovations on the Youth Correctional Center Gymnasium. The 1997 Legislature authorized one additional project on the North Dakota State University campus that was not financed during this current biennium. The projected lease

payments needed during the 1999-01 biennium as noted in the Capital Budget are as follows:

Bond Issue	Project Name	Amount
Year		
1990/93A	University System (all campuses)	\$ 4,726,079
1990/93A	State Penitentiary	\$ 1,012,999
1990/93A	Veterans' Home	\$ 271,018
1998B/91A/86	Developmental Center	\$ 497,777
1998B/91A/86	State Hospital	\$ 434,344
1998B/91A/86	State Penitentiary	\$ 949,050
1998B/92A	Southeast Human Services Center	\$ 589,427
1993B	Youth Correctional Center	\$ 71,945
1993B	Adjutant General	\$ 48,050
1993B	Job Service	\$ 345,330
1993B	University System	\$ 2,131,963
1995 A	University System	\$ 2,740,428
1998A	University System	\$ 1,041,355
1998A	Youth Correctional Center	\$ 255,799
1998C	University System	<u>\$ 775,604</u>
		\$15,891,168

The following non-General Fund sources will be utilized to pay a portion of these costs and are noted in Section 11 of House Bill 1015:

Job Service North Dakota	\$ 345,330
Veterans' Home	\$ 271,018
Human Services (federal funds)	\$ 131,331
University System (90/93A)	\$ 312,500
University System (93B)	\$ 42,500
University System (95A)	\$ 735,590
University System (98A)	<u>\$ 100,000</u>
	\$1,938,269

Since 1987 the Industrial Commission has been responsible for the Lignite Research, Development and Marketing Program. The funding for this program is shown in Subdivision 1 on line 16--Grants. John Dwyer, Chairman of the Lignite Research Council, is here to testify on this program later this afternoon.

Thank you for this opportunity to present testimony on the Industrial Commission budget. I'll be happy to try and answer any questions.

## 1999 - 2001 Industrial Commission Budget (as contained in House Bill 1015)

	Municipal			Geological	Total
	Administration	Bond Bank	Oil & Gas	Survey	
Salaries & Wages	179,896	346,882	3,433,620	2,001,128	5,961,526
Operating	106,492	282,560	906,073	512,009	1,807,134
Equipment	1,500	13,200	144,100	39,300	198,100
405 Lignite Research	10,450,000	0	0	0	10,450,000
405 Adm Contingency	10,000	0	0	0	10,000
405 Lease Payments	15,891,168	0	0	0	15,891,168
Geophysical Exploration	0	0	287,039	0	287,039
<b>Total</b>	<b>26,639,056</b>	<b>642,642</b>	<b>4,770,832</b>	<b>2,552,437</b>	<b>34,604,967</b>
General Fund	13,952,899	0	4,363,801	2,473,437	20,790,137
Federal Funds	0	0	119,992	79,000	198,992
Special Funds	12,686,157	642,642	287,039	0	13,615,838
<b>Total</b>	<b>26,639,056</b>	<b>642,642</b>	<b>4,770,832</b>	<b>2,552,437</b>	<b>34,604,967</b>

**House Bill 1015  
Subdivision One**

**Exhibit B**

**Breakdown of Funding Sources**

Lease (Bond) Payments: (Section 11)		
University System-Non-State Funds	1,190,590	
Job Service North Dakota	345,330	
Federal Funds/Southeast Human Service Center	131,331	
Veteran's Home	271,018	
<b>General Fund</b>	<b>13,952,899</b>	
	<hr/>	
	15,891,168	15,891,168
Transfer for Administrative Office (Sections 4,5,6,7 & 8)		
Mill & Elevator	66,473	
Bank of North Dakota	86,706	
Housing Finance Agency	57,803	
Municipal Bond Bank	20,231	
Student Loan Trust	66,675	
	<hr/>	
	297,888	16,189,056
Lignite Research Fund	10,450,000	26,639,056
Municipal Bond Bank Funds	642,642	27,281,698
<b>General Fund</b>		
<b>Oil and Gas Division</b>	<b>4,363,801</b>	
<b>Geological Survey</b>	<b>2,473,437</b>	
	<hr/>	
	6,837,238	34,118,936
Federal Funds		
Oil & Gas Division	119,992	
Geological Survey	79,000	
	<hr/>	
	198,992	34,317,928
Other Funds*	287,039	
(Land and Mineral Trust Fund)	<hr/>	
		34,604,967

\*For geophysical exploration program



# INDUSTRIAL COMMISSION OF NORTH DAKOTA

Edward T. Schafer  
Governor

Heidi Heitkamp  
Attorney General

Roger Johnson  
Commissioner of Agriculture

**Testimony for Engrossed House Bill No. 1015  
Senate Appropriations Committee  
Karlene Fine, Executive Director and Secretary  
of the Industrial Commission  
February 24, 1999**

Mr. Chairman and members of the Senate Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Engrossed House Bill 1015 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Commissioner of Agriculture. The Industrial Commission is responsible for overseeing the Bank of North Dakota, the State Mill, the Municipal Bond Bank, the Housing Finance Agency, oil and gas regulation and geophysical exploration regulation through its Oil and Gas Division, the Student Loan Trust, the Geological Survey and the various regulatory functions related to subsurface minerals, and the Lignite Research, Development and Marketing Program. In addition the Industrial Commission is the North Dakota Building Authority.

This afternoon I will primarily be focusing my testimony on Subdivision 1 of Engrossed House Bill 1015 or Budget No. 405. Subdivision 1 includes the appropriations for the administrative office of the Industrial Commission as well as the Oil and Gas Division, Geological Survey, Municipal Bond Bank, Lignite Research, Development and Marketing Program and the lease (bond) payments for projects previously financed by the North Dakota Building Authority. Attached is a chart showing the various amounts for the different entities (Exhibit A). The directors of these divisions will be presenting their testimony as I have indicated on the schedule.

The administrative office for the Industrial Commission consists of two full-time employees. The administrative budget includes funding for these two positions along with the needed dollars for operating the office. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. Recently Governor Edward Schafer served as Chairman of this multi-state organization and he continues to speak on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry.

The administrative office budget request is \$296,333, when you exclude the Lignite Research Program and the lease payments. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this noted in Sections 4, 5, 6, 7, and 8 where authority is being requested for these agencies to transfer funds to the Industrial Commission.

To assist you in understanding the funding sources found in Subdivision 1, I have attached a separate exhibit (Exhibit B) with a breakdown of the funding. Looking at that you can see the funding sources for Subdivision 1 include the General Fund dollars, non-state funds (Job Service dollars, University System local match, Veterans' Home funds), transfers from the Industrial Commission agencies, Lignite Research Fund, Municipal Bond Bank funds and federal funds. No General Fund dollars are utilized for the operations of the administrative office.

Section 3 of House Bill 1015 includes language that would allow the Industrial Commission to utilize funds which may become available from bonds issued by the Commission under Chapters 4-36 and 54-17.2 and Section 54-17-25 upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 includes the lease payments (bond payments) for the North Dakota Building Authority. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located at the State Penitentiary, Grafton Development Center, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, handicapped accessibility construction on the campuses, Southeast Human Services Center in Fargo and financing for the Veterans' Home in Lisbon. During the 97-99 biennium we completed the financing for projects authorized by the 1997 Legislature—University System projects: Bute Gym remodeling on the North Dakota State College of Science campus; Moore Hall renovations on the Minot State University campus; addition to the Ed James Wing of the Medical School on the University of North Dakota campus; and renovations on the Youth Correctional Center Gymnasium. The 1997 Legislature authorized one additional project on the North Dakota State University campus that was not financed during this current biennium. The projected lease payments needed during the 1999-01 biennium as noted in the Capital Budget are as follows:

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The following non-General Fund sources will be utilized to pay a portion of these costs and are noted in Section 11 of Engrossed House Bill 1015:

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University System (98A)	<u>\$ 100,000</u>
	\$1,938,269

Since 1987 the Industrial Commission has been responsible for the Lignite Research, Development and Marketing Program. The funding for this program is shown in Subdivision 1 on line 16--Grants. John Dwyer, Chairman of the Lignite Research Council, is here to testify on this program. Following the testimony of the agency directors I will provide you with a summary of the adjustments they are requesting to Engrossed House Bill 1015.

Thank you for this opportunity to present testimony on the Industrial Commission budget. I'll be happy to try and answer any questions.

**1999 - 2001 Industrial Commission Budget**  
**(as contained in Subdivision 1 of**  
**Section 1 of Engrossed House Bill 1015)**

	Municipal			Geological	Total
	Administration	Bond Bank	Oil & Gas	Survey	
Salaries & Wages	178,341	271,817	3,372,664	1,919,835	5,742,657
Operating	106,492	270,920	879,973	485,209	1,742,594
Equipment	1,500	6,200	86,100	38,720	132,520
405 Lignite Research	10,450,000	0	0	0	10,450,000
405 Adm Contingency	10,000	0	0	0	10,000
405 Lease Payments	15,891,168	0	0	0	15,891,168
Geophysical Exploration	0	0	245,102	0	245,102
<b>Total</b>	<b>26,637,501</b>	<b>548,937</b>	<b>4,583,839</b>	<b>2,443,764</b>	<b>34,214,041</b>
General Fund	13,952,899	0	4,219,045	2,364,764	20,536,708
Federal Funds	0	0	119,992	79,000	198,992
Special Funds	12,684,602	548,937	244,802	0	13,478,341
<b>Total</b>	<b>26,637,501</b>	<b>548,937</b>	<b>4,583,839</b>	<b>2,443,764</b>	<b>34,214,041</b>



**Engrossed House Bill 1015**  
**Subdivision One of Section One**  
**Breakdown of Funding Sources**

Exhibit B

Lease (Bond) Payments: (Section 11)		
University System-Non-State Funds	1,190,590	
Job Service North Dakota	345,330	
Federal Funds/Southeast Human Service Center	131,331	
Veteran's Home	271,018	
<b>General Fund</b>	<b>13,952,899</b>	
	<u>15,891,168</u>	15,891,168
Transfer for Administrative Office (Sections 4,5,6,7 & 8)		
Mill & Elevator	66,473	
Bank of North Dakota	86,706	
Housing Finance Agency	57,803	
Municipal Bond Bank	20,231	
Student Loan Trust	65,120	
	<u>296,333</u>	16,187,501
Lignite Research Fund	10,450,000	26,637,501
Municipal Bond Bank Funds	548,937	27,186,438
<b>General Fund</b>		
Oil and Gas Division	4,219,045	
Geological Survey	2,364,764	
	<u>6,583,809</u>	33,770,247
Federal Funds		
Oil & Gas Division	119,992	
Geological Survey	79,000	
	<u>198,992</u>	33,969,239
Other Funds*		
(Land and Mineral Trust Fund)	<u>244,802</u>	34,214,041

\*For geophysical exploration program

## HB 1015 Lignite R & D Program Funding

### I. Lignite Industry Update

#### A. Current Lignite Industry In North Dakota

- 30 million tons of lignite coal
  - ◆ Serves 2 million people with electricity
  - ◆ Serves 223,000 homes with SNG (Synthetic Natural Gas)
  - ◆ Produces 1,300 tons per day of agricultural fertilizer
- 18,000 people employed / each direct job means 5 indirect jobs

#### B. Annual Economic Contribution to North Dakota

- \$1.3 billion in business volume / each dollar spent multiplies into three dollars for our economy
- \$475 million in personal income
- \$60 million in state tax revenues

### II. What is the future for North Dakota's lignite industry?

#### A. Lignite exists in an extremely competitive market

- Competes against all MAPP utilities
  - ◆ Generation from various coals
  - ◆ Hydro
  - ◆ Nuclear
- Power exchanged on a cost-saving basis
- Power sold on ½ mill KWH margin (45 cents per ton for lignite)

#### B. Other major competition

- Montana & Wyoming subbituminous coal (higher quality)
  - Gascoyne mine / Big Stone Plant
  - Stanton Station / Leland Olds Station
- Canadian hydropower

#### C. Environmental issues impacting our competitiveness

- Proposed Kyoto Treaty limits CO<sub>2</sub> emissions to 7% below 1990 levels by 2008-2012 / Reduction of 5 million tons / **Solution:** Secure CO<sub>2</sub> credits / Improve efficiency
- EPA is considering regulations for air toxics (Nearly 200 new individual substances) **Solution:** Sound Science
- EPA has proposed new standards for Regional Haze and Nitrogen Oxide that penalize lignite / **Solution:** Recognize peculiar lignite qualities and good ND record (1 of only handful of clean air states)

#### D. Other regional factors impacting our competitiveness

- Emission Fees
- Carbon Taxes
- Restructuring
- De-regulation (Re-regulation)

Lignite  
R & D

**E. The Bottom Line**

- The future of North Dakota's lignite industry depends on our ability to use lignite....
  - ◆ More cleanly
  - ◆ More efficiently
  - ◆ More economically

**F. Why is lignite research, development and marketing important for our industry and our state?**

- Solve problems so we can maintain jobs, economic activity and tax revenue from present operations
  - ◆ Maintain competitive position
    - Cost effective reclamation
      - SPGM depth & yield
      - Mixing prime & nonprime top soils
    - Increase boiler efficiencies
      - Slagging & Fouling (Coal Quality Management System)
  - ◆ Preserve existing markets
    - NO<sub>x</sub> controls (2,000 megawatts impacted)
    - Externalities (artificial cost penalties)
    - Regional marketing plan
- Develop new uses and new markets for lignite that will create additional jobs, tax revenue and business volume
  - ◆ Improve boiler operations (reduce CO<sub>2</sub>, increase lignite use, increase generation)
  - ◆ Byproduct development (Great Plains, Coal Creek)
- Without R & D, opportunities for future lignite development are limited

**III. Development of the North Dakota Lignite R & D Program**

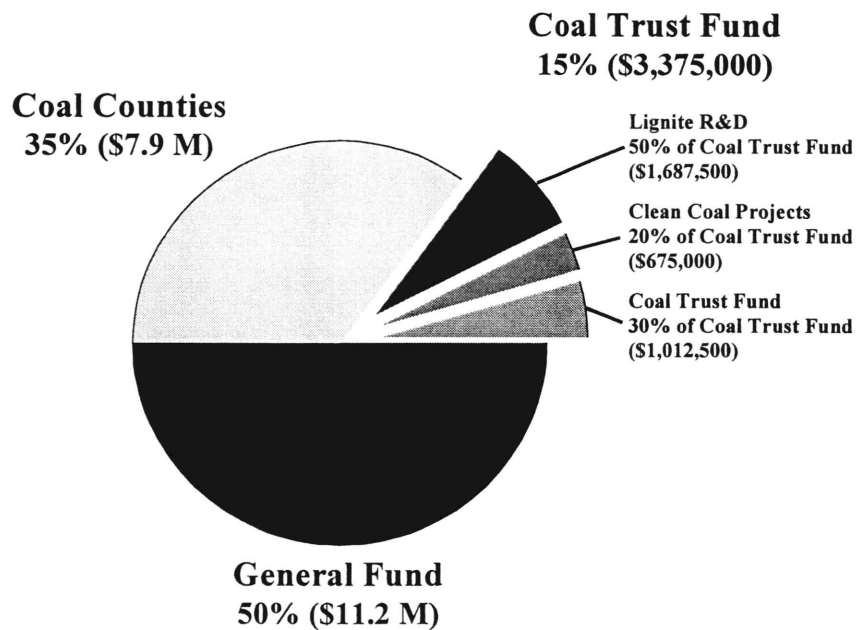
**A. History of Funding Authorization**

- 1987
  - ◆ 2-cent-per-ton R & D tax on lignite
  - ◆ Lignite Research Council created
- 1989
  - ◆ Constitutional amendment resolution passed by the legislature that provided for ½ of new coal trust fund revenue for lignite research, development and marketing
- 1990
  - ◆ Voters approved '89 lignite R & D constitutional amendment
- 1991
  - ◆ Legislature passes legislation implementing the constitutional amendment, providing the Industrial Commission with administrative responsibilities
- 1993
  - ◆ Legislature passed constitutional amendment resolution that provided an additional 20% of the coal trust fund for clean coal demonstration projects
- 1994
  - ◆ Voters approved '93 clean coal constitutional amendment
- 1995, 1997
  - ◆ Legislature fully funded R & D program

**B. Summary of R & D Funding (Page 3)**

## Summary of Lignite R&D Funding ND Coal Severance Tax Annual Revenue and Distribution

(Assumes 30 million tons of annual production)



<u>Summary of Annual Revenue</u>	
Lignite R&D (50% of Coal Trust Fund)	\$1,687,500
Clean Coal Projects (20% of Coal Trust Fund)	675,000
2 Cents per ton R&D tax	600,000
<b>Total Annual R&amp;D Revenue</b>	<b><u>\$2,962,500</u></b>

12/01/98

**C. What is the purpose of the R & D Program**

- Take advantage of lignite's strengths
  - ◆ Abundant
  - ◆ Reliable
  - ◆ Highly reactive
  - ◆ Demonstrated technology
- Focus activities in areas which
  - ◆ Preserve existing jobs and production
  - ◆ Create new production, products and economic growth
- Identify market driven projects which can be commercially demonstrated in the near-term
- Obtain investment from both private and public sector

**IV. How is North Dakota's R&D Program administered?**

**A. Partnership between the private and public sectors**

Private Sector

Mining Companies

Utilities

Cooperatives

Public Sector

North Dakota Legislature

Industrial Commission

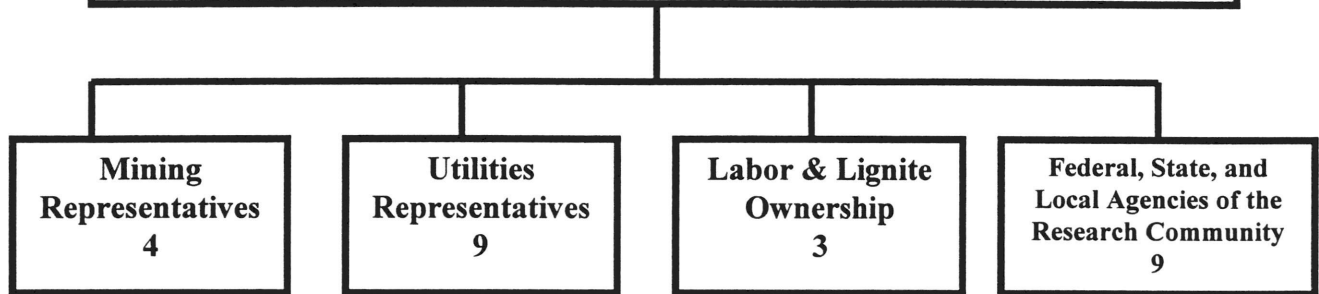
U.S. Department of Energy

Research Community

**B. Roles of Industrial Commission & Lignite Research Council**

- Industrial Commission
  - ◆ Administers research, development, and marketing program
    - Approves or disapproves research and development projects and activities
    - Accepts and distributes funds
    - Enters into contracts with project applicants
    - Administers projects, activities and programs
- Lignite Research Council is an advisory group
  - ◆ Provides advice on policy and guidelines
  - ◆ Provides recommendations on project funding
  - ◆ Members are representatives from the private and public sectors (page 5)

# Lignite Research Council



Lignite Energy Council	Cooperative Power*	IBEW	ND Geological Survey
Knife River Corporation	Dakota Gasification	ND Farmers Union	DOE/Federal Energy Technology Center
The North American Coal Corporation	Minnkota Power Cooperative	ND Farm Bureau	Legislators (2)
BNI Coal, Ltd.	Otter Tail Power		North Dakota Public Service Commission
	Northern States Power		ND State Health Dept.
	United Power Association*		UND/EERC
	Basin Electric Power Cooperative		Coal Conversion Counties
	Montana-Dakota Utilities Co.		Economic Development & Finance
	Minnesota Power		

\* New Executive Order Recognizing formation of Great River Energy (CP & UPA) expected in near future

**V. What is money used for and what are the benefits?**

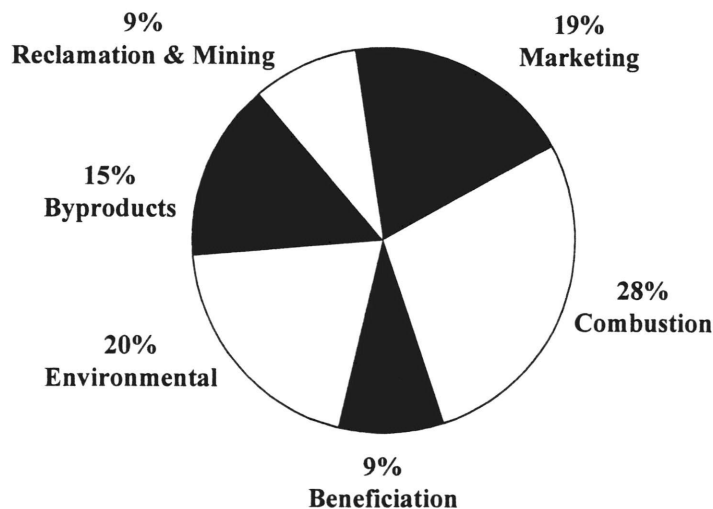
**A. Summary of R & D Programs**

- Three Primary Areas of Focus
  - ◆ **Research Projects**
    - 25% of available dollars
    - Private matching funds required
    - Focus on reclamation, combustion and non-combustion, environmental, and development activities
  - ◆ **Marketing Activities**
    - Nonmatching (\$500,000 proposed for biennium)
    - Strategy is to focus on byproduct development, specialty products, upgraded lignite, environmental issues and regional marketing
  - ◆ **Demonstration Projects**
    - 75% of available dollars / 37.5% single project limit
    - Private matching funds required
    - Focus on upgraded lignite, byproduct development, and advanced power generation

**B. Research Projects (25% of funding)**

*What is the money used for?*

**Small Research Project Funding**



**Total Funding \$4,888,712 (Since Inception)**

**B. Research Projects (25% of funding) (Cont.)**

*What are the research project benefits?*

- Byproduct Diversification at Great Plains (DGC) - Increases Plant Revenues
  - ◆ Cresylic Acid - Pesticides & copper wire enamel
  - ◆ Phenol - Plywood & chipboard
  - ◆ Naphtha - Solvents & gasoline additive
  - ◆ Catechols - Food flavoring & pharmaceuticals
  - ◆ Asphalt substitutes - Asphalt binders & tars
  - ◆ Agricultural Fertilizer - anhydrous ammonia and ammonium sulfate
  - ◆ Carbon dioxide - enhanced oil recovery
- Reclamation Projects Result in Cost-Effective Practices While Achieving Environmental Goals (NDSU)
  - ◆ Reducing amount of Suitable Plant Growth Material
  - ◆ Mixing Prime & Nonprime top soils
  - ◆ Management practices on reclaimed lands
- Combustion / Environmental Projects Help Solve Problems
  - ◆ Nitrogen oxide (NO<sub>x</sub>) controls (2,000 MW impacted)  
(Cyclone Users Group - Coyote, Leland Olds & Milton R. Young Stations)
    - WIN / WIN
  - ◆ Coal Quality Management Systems Increase Efficiencies
    - BNI/Minnkota Station (Microbeam Technologies)
    - Knife River Coal Mining/Coyote Station (EERC)



**C. Marketing Studies (Nonmatching; \$400,000 for present biennium)**

*What is the money used for?*

- Gasification Byproducts (DGC)
  - ◆ Catechols
  - ◆ Phenol products and chemicals
- Environmental/Marketing Projects
  - ◆ Air Toxic Studies (Hg – EERC, ND DOH, & MN)
  - ◆ Marketing survey (Market forces impacting lignite-based electricity)
  - ◆ Regional Marketing Plan (market coalitions and advertising)

*What are the marketing program benefits?*

- **Preservation of existing markets for lignite-produced electricity (MN Externality Example)**
  - ◆ Effective state and industry coalition formed to fight threats (State & industry)
  - ◆ Final artificial costs for carbon dioxide *reduced* from proposed \$25 per ton to “zero” for lignite power plants
  - ◆ Final artificial costs for criteria pollutants (SO<sub>2</sub>, CO<sub>2</sub>, NO<sub>x</sub>, etc.) *reduced* to zero per ton for lignite power plants
  - ◆ STATUS: Final Order issued by Minnesota Court of Appeals in August that recognizes North Dakota interests
- **Development and implementation of marketing plan to preserve and enhance use of lignite-produced electricity in region**
  - ◆ Messages
    - Lignite-produced electricity is clean
      - North Dakota one of handful of clean air states
      - Electrotechnologies benefit the environment
    - Lignite-produced electricity is good for the region’s economy
      - Businesses more competitive
      - Key part of economic development efforts
      - Four of top 25 low-cost power plants in U.S.
      - Cost about half that of national average

## D. Demonstration Projects

### *What is the money used for?*

- Anhydrous ammonia byproduct project (DGC)
- CO<sub>2</sub> pipeline for EOR
- Coal Creek Gypsum Plant
- Rear-Dumping Bucket
- Haulroad Byproduct Demonstration

### *What are the demonstration project benefits?*

#### **Anhydrous Ammonia**

- \$129 million anhydrous ammonia project at Great Plains/ND investment of \$12.2 million (loan & grant funds)
  - ◆ Byproduct diversification - produces 80% of North Dakota's '94 consumption (300,000 tons annually)
    - Anhydrous Ammonia – generated \$40 million in revenue in 1998; estimated production of 345,000 tons in 1999
    - Ammonium Sulfate – generated \$12.8 million in revenue in 1998; estimated production of 175,000 tons in 1999
  - ◆ 470 construction jobs (includes construction jobs for ammonium sulfate project) & 165 new permanent jobs (30 direct and 135 indirect)

#### **CO<sub>2</sub> Project**

- CO<sub>2</sub> for enhanced oil recovery
- Diversifies Great Plains revenue - Preserves existing production, jobs & tax revenue (7 million tons of coal/4,000 jobs/\$17.5 million in tax revenue)
  - ◆ Will continue to pursue other revenue sources:
    - Byproducts from pitch and tar oil
      - Cresylic Acid - pesticides and copper wire enamel
      - Phenol – products and chemicals
      - Catechols - food flavoring & pharmaceuticals

#### **Gypsum Plant**

- Use waste product (scrubber sludge) to produce 100,000 tons of by-product gypsum which is used for wallboard and soil amendment
- Reduces disposal costs and acreage needed for waste areas

**VI. How was \$13.4 million R&D appropriation allocated in present biennium ('97 to '99)?**

<u>1997 to 1999 Biennium</u>		<u>Amount (\$)</u>
Appropriated		\$13,430,280
Expended (Estimated)		
Research Activities	\$1,165,280	
Demonstration	\$7,500,000	
Marketing	\$400,000	
Administration	<u>\$400,000</u>	
Subtotal		<u>\$9,465,280</u>
Balance (Appropriated less expended Funds)		\$3,965,000
Additional Production (Over Projections - estimated)		<u>\$200,000</u>
Carry over (Balance plus Additional Production)		<u>\$4,165,000</u>

**VII. What is proposed for 1999 - 2001 Biennium for lignite R&D program?**

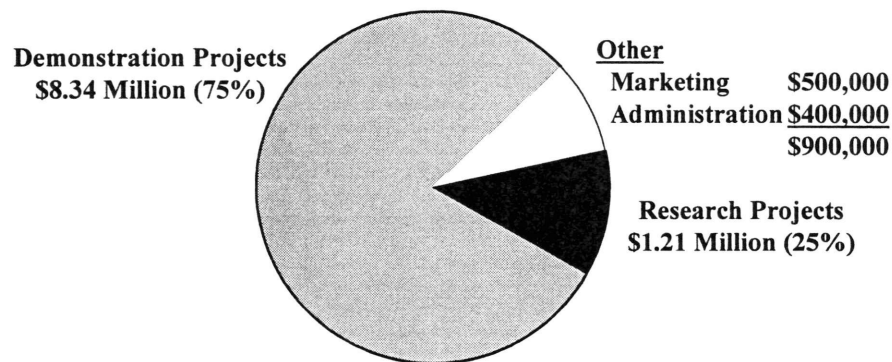
**A. Governor's Industrial Commission budget of \$10.45 million consists of:**

Carry over Funds		\$4,165,000
New Trust Fund Revenue (50% + 20%)		\$4,725,000
Two Cent per ton R&D Tax		\$1,200,000
Interest		<u>\$360,000</u>
<b>Total</b>		<b><u>\$10,450,000</u></b>

VII. What is proposed for 1999 - 2001 Biennium for lignite R&D program? (Cont.)

B. How will \$10,450,000 be allocated in '99 to '01 biennium?

## 1999-2001 Lignite R&D Proposed Appropriation



Total Amount = \$10,450,000

VIII. Summary

- Research Program - Each dollar in state funds has generated another five dollars in total research funds to solve critical challenges facing the industry, which enhances the environmental performance and efficiency in lignite power plants, results in cost-effective reclamation and leads to development of new products and markets;
- Marketing Program - Preserved lignite markets through partnership with North Dakota in the Minnesota externality proceedings, identified new markets for upgraded lignite or its byproducts, and developed a regional lignite marketing plan;
- Demonstration Program - Resulted in coal demonstration projects which have or will provide new markets for by-products (*anhydrous ammonia project, CO<sub>2</sub> project, gypsum project*); and
- Bottom Line - State's Lignite R & D Program has resulted in an *effective partnership* to preserve and enhance jobs, economic growth, and tax revenue for the benefit of industry, the research community, and our state.

**CLEAN COAL DEMONSTRATION PROJECTS (75%)**

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**PRODUCTION OF ANHYDROUS AMMONIA FROM  
NORTH DAKOTA LIGNITE DERIVED SYNTHESIS GAS**

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**Product Diversification**

**Anhydrous Ammonia - 345,000 tons per year**  
**Ammonium Sulfate - 175,000 tons per year**

**New Jobs**

***Construction Jobs - 470/yr (2-yrs)***  
**(During Construction of the Anhydrous Ammonia and Ammonium Sulfate Plants)**  
**(Direct Jobs - 235)**  
**(Indirect Jobs - 235)**  
***Permanent New Jobs - 165/yr***  
**(New Plant Direct Jobs - 30)**  
**(Indirect Jobs - 135)**

**Increased Coal Conversion Tax Revenues**

**Gasification Plant Byproducts - \$80,000 per year**

---

**Project Funding Participants**

**Anhydrous Ammonia**

<b>Dakota Gasification<sup>1</sup></b>	<b>\$116.7 Million</b>
<b>State of North Dakota (Lignite Research Fund)</b>	<b><u>\$12.3 Million</u></b>
<b>Anhydrous Ammonia Project</b>	<b>\$129.0 Million</b>

**Ammonia Sulfate Project**

<b>Dakota Gasification</b>	<b>\$80.0 Million</b>
<b>Department of Energy</b>	<b><u>\$25.0 Million</u></b>
<b>Ammonium Sulfate Project</b>	<b>\$105.0 Million</b>

**TOTAL COMBINED PROJECTS**

**\$234.0 Million**

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<sup>1</sup> Dakota Gasification funding includes \$23 million (\$16 million/anhydrous ammonia and \$7 million/ammonium sulfate) for rail cars to transport products to market.

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## CLEAN COAL DEMONSTRATION PROJECTS (75%)

---

### PRODUCTION OF GYPSUM FROM FLUE GAS DESULFURIZATION SLUDGE

---

Use of Coal Combustion Byproducts  
Gypsum ( $\text{CaSO}_4 \cdot 2\text{H}_2\text{O}$ ) - 100,000 Tons per Year

#### Markets

##### Wallboard

Two regional Wallboard Manufacturers  
Either can absorb 100,000 tons per year  
Price f.o.b. Coal Creek \$1-\$4 per ton  
*Annual US Consumption of Gypsum*  
*12 million tons for Wallboard*

##### Soil Amendment

Current Local Market 2,000 -3,000 tons per year  
Price \$30 - \$40 per ton  
*Annual US Consumption of Gypsum*  
*1.4 million ton for Agricultural Applications*

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### How the Program Areas Works

Small Research Projects: \$140,500 R&D Program Funds  
\$210,500 Matching Industry Funds

1. Identified quantity and quality of North Dakota lignite combustion byproducts (fly ash, bottom ash, scrubber sludge, etc).
2. Performed test to produce gypsum from the Coal Creek scrubber sludge.
3. Determined the technical and economical potential of using combustion byproducts in North Dakota and the region.
4. Evaluated the market potential for gypsum manufactured from Coal Creek scrubber sludge.

Demonstration Projects: \$926,500 R&D Program Funds  
\$2,779,300 Matching Industry Funds

## Financial Summary of Marketing & Small Research Projects Administered During Present Biennium ('97-'99)

<b>Contract Number</b>	<b>Descriptive Title</b>	<b>Priority Area</b>	<b>Contractor</b>	<b>LRF* Award</b>	<b>Total Project</b>
<b>Research Program Activities</b>					
FY95-XVIII-57	Physically Cleaned Lignite	Beneficiation	GFAT	\$85,000	\$170,000
FY95-XVIII-58	Prime & Nonprime Farmlands	Reclamation	NDSU/LRRC	\$21,116	\$42,332
FY95-XIX-59	EEE Evaluation of Lignite Cleaning	Beneficiation	GFAT	\$51,149	\$102,649
FY95-XIX-60	Coal Quality Management System	Combustion	MTI	\$250,000	\$810,565
FY95-XIX-61	Resource Eval. & Ash Deposition	Combustion	EERC	\$113,984	\$379,984
FY95-XX-62	Center for Air Toxics Metals	Environmental	EERC	\$80,000	\$3,580,000
FY95-XX-63	Soil & Gypsum use of Flyash	Byproducts	EERC	\$40,000	\$120,000
FY96-XXI-64	Metal Adsorbents from Lignite	Beneficiation	GFAT	\$27,000	\$54,000
FY96-XXI-65	Resins from DGC's Catechols	Byproducts	DGC	\$75,000	\$185,614
FY96-XXIII-66	Asphalt Materials from DGC's Tar Oil	Byproducts	DGC	\$60,000	\$150,250
FY96-XXIII-67	Low-NOx Cyclone Barrel	Combustion	Cyclone Users	\$88,938	\$177,870
FY97-XXIV-68	Reducing Management Variable	Reclamation	NDSU/LRRC	\$16,118	\$32,236
FY97-XXIV-69	Bottom Ash Utilization	Byproducts	Tri-Star, Inc	\$10,000	\$20,000
FY96-XXIV-70	Coal Combustion Workshop	Byproducts	EERC	\$10,000	\$32,250
FY97-XXV-71	Coal Sampling System	Combustion	BNI/MTI	\$49,720	\$104,271
FY97-XXV-72	Regional Lignite Energy Marketing Plan	Marketing	LEC	\$825,000	\$1,650,000
FY97-XXVI-73	Lignite FBC Ash Flowable Fill	Byproducts	MDU/WRI	\$37,319	\$152,632
FY97-XXVII-74	Grassland Management for Diversity	Reclamation	NDSU	\$46,410	\$156,060
FY97-XXVII-75	Concrete Admixtures from DGC's Catechols	Byproducts	DGC	\$70,000	\$144,000
FY97-XXVII-76	Optimizing Performance of the Heskett Station	Combustion	MDU/EERC	\$55,000	\$183,000
FY98-XXVIII-77	Gypsum from FGD	Byproducts	En-Rock	\$23,500	\$47,000
FY98-XXX-79	Mercury Formation and Fate	Environmental	EERC	\$120,000	\$400,000
FY98-XXX-83	Matching Coal Quality & Boiler Operation	Env/Recla	MTI	\$260,050	\$1,227,415
LMFS 98-2	Marketing Feasibility Study Update	Marketing	Sinor Cons	\$50,000	\$50,000
LMFS 98-3	Kyoto Impact on Agriculture in ND, SD, MN	Economics	NDSU/U of MN	\$27,200	\$27,200
FY99-XXXI-85	Fluid-bed/Asphalt Paving	Combustion	EERC	\$35,535	\$106,605
FY99-XXI-86	Bottom Ash in Road Construction	Byproducts	En-Rock	\$32,000	\$69,513
FY99-XXXI-87	Bench-Scale Hg Flyash Interactions	Environmental	EERC	\$40,000	\$2,425,641
FY99-XXI-88	Fish Consumption Survey	Environmental	EERC	\$39,000	\$130,000
FY99-XXXII-89	Center for Air Toxics Metals	Environmental	EERC	\$75,000	\$ 3,750,000
<b>Total</b>				<b>\$2,714,039</b>	<b>\$16,481,087</b>
* LRF - Lignite Research Fund					



**Financial Summary of Demonstration Projects  
 Administered During Present Biennium**

<b>Contract No.</b>	<b>Title</b>	<b>Contractor</b>	<b>LRF Grant</b>	<b>Total Project</b>
LRC-D-96-2	Anhydrous Ammonia Production	Dakota Gasification Company	\$ 8,100,000	\$ 112,928,729
LRC-D-96-3	Anhydrous Ammonia Production	Dakota Gasification Company	4,200,000	
FY98-XXVIII-78	Carbon Dioxide Capture & Use	Dakota Gasification Company	6,000,000	107,000,000
FY98-XXIX-80	Gypsum Plant	Cooperative Power Association	926,500	3,705,800
FY98-XXIX-81	Rear-Dumping Bucket	Dakota Coal Company	250,000	1,000,000
FY98-XXIX-82	Haulroad Byproduct Demo.	The Falkirk Mining Company	298,000	1,189,230
FY98-XXX-84	Hi-Temp Advanced Furnace	EERC	262,510	35,262,510
	<b>Total Demonstration Project Funding</b>		<b>\$ 20,037,010</b>	<b>\$ 261,086,269</b>

House Bill 1015  
House Appropriations Committee  
Testimony By  
Lynn D. Helms  
Director  
Oil and Gas Division  
North Dakota Industrial Commission

oil  
gas

Mr. Chairman and members of the committee, my name is Lynn Helms and I am the Director of the Oil and Gas Division of the North Dakota Industrial Commission.

**SERVICES PROVIDED**

The Industrial Commission is the oil and gas regulatory commission for the state of North Dakota. The Oil & Gas Division is the agency that provides the technical expertise needed for creating and enforcing statutes, rules, regulations, and orders of the North Dakota Industrial Commission pertaining to geophysical exploration, drilling, development, and production of oil and gas, as well as disposal of oil field brines and other fluid oil field wastes.

To accomplish this, the Oil & Gas Division maintains a staff of technical people trained in engineering and geology, inspectors in the field for enforcement, and support personnel for acquisition, compilation, and analysis of geological, engineering, production and reservoir data.

The field inspection staff consists of 15 full time positions.

Thirteen field inspectors oversee the operation of approximately 5,000 producing, brine injection, shut-in, and temporary abandoned wells. They are also responsible for monitoring drilling operations on approximately 200 new wells per year; proper plugging, abandonment, and reclamation of approximately 100 wells and well sites per year; and inspection of approximately 3,000 producing facilities.

Specialized field inspection and technical oversight are provided for horizontal drilling since approximately 55-60% of wells drilled in the state are horizontal and these wells present increased correlative rights issues. RED TAB

Specialized technical oversight is also provided for underground injection of oil field brines and other fluid wastes under a program delegated to the Oil & Gas Division from the EPA. Approximately 40-45% of production in the state is from Enhanced Oil Recovery (EOR) projects involving underground injection. The mature nature of North Dakota production generates an average of 82 million barrels of brine per year or 2.3 times the amount of oil produced in the state. BLUE TAB

One full time field inspector position is maintained for supervision and witnessing of meter proving on approximately 1,700 sales and 500 allocation meters each year. YELLOW TAB

A new program for regulation of geophysical exploration was begun July 1, 1997. One full time field inspector and one program coordinator in the Bismarck office oversee seismic programs involving approximately 1,300 square miles and 30,000 drill holes each year. ORANGE TAB

The Oil and Gas Division has field offices in Minot, Williston, and Dickinson. These offices provide the field personnel with a computer terminal for access to our data base, phone facilities, well and log files, and office space for preparing paper work and meeting with individuals from industry or the public.

The Oil and Gas Division maintains an office in Bismarck with a current staff consisting of myself, the Assistant Director, a Field Supervisor, a Horizontal Drilling Manager, a Geophysical Program Supervisor, an Underground Injection Control Supervisor, 1 geologist, 3 petroleum engineers, and 1 computer analyst to provide technical support for the Industrial Commission, and other state agencies, along with the acquisition and analysis of geological, production, and reservoir data required for decision making with respect to drilling, well spacing, unitization, protection of correlative rights, and underground injection. The staff also includes 9 clerical and support persons utilized to compile, store, and access geophysical exploration, production, and well information data for efficient and accurate dissemination to other governmental agencies (State Auditor's Office, State Tax Department, State Health Department, State Land Department, OMB, and counties), industry, royalty owners, and the public. GREEN TAB

## EXPLANATION OF PROGRAM COSTS

The salaries line item in our agencies budget is the projection of present salaries minus 2 FTE's pursuant to OMB guidelines. Both FTE's are heavily involved in the Underground Injection Control program operated by the state for the EPA. The duties of these 2 positions could be shifted to other staff members in their area, but the ability of the agency to fulfill our statutory responsibility for protection of the state's fresh water supplies would be seriously compromised. Decreased effectiveness and efficiency, plus increased overtime would result. Federal funds for protection of fresh water supplies are not anticipated to increase while the agencies statutory responsibility to protect our fresh water supplies will continue. Costs will increase due to inflation and federal environmental mandates. These 2 FTE's were reinstated by the executive budget recommendation (Optional Adjustment #2).

The operating expenses line for our agency along with the optional adjustment request are pursuant to OMB guidelines. The executive budget recommendation provides for restoration of cuts plus inflation, mainly motor pool, building rent, and information services (Optional Adjustment #2). Just maintaining present spending levels would in reality lower our level of service due to ever increasing numbers of producing wells, drilling wells, injection and disposal wells, idle wells, unitization projects, hearings, well abandonments, geophysical exploration projects, and agency web site usage.

The executive budget recommendation contains a number of additional optional adjustments that I would like to discuss:

Optional Adjustment #5 is for a Data Processing Coordinator to be shared with the North Dakota Geologic Survey (NDGS). This is part of both agencies approved information technology (IT) Plan. Another Data Processing Coordinator is needed because network installation and maintenance, web site development, programming, and software upgrade workload exceeds 1 FTE and no back-up is available in case of illness or leave time. We are seeking someone who is a PC specialist as this is the direction we are moving with the agencies hardware and software when appropriate.

Optional Adjustment #6 is a field equipment and safety issue. This is part of our ongoing program for replacing obsolete crystal radios with new digital equipment that is more reliable and less expensive to maintain. These radios are critical to field inspectors efficiency and safety.

Optional Adjustment #8 is to add one FTE position to the Geophysical Exploration program (funded via special funds). This FTE is needed due to the huge volume of data generated by 3D seismic surveys (2-20 items X 30,000 holes per year). Field inspection and coordination workload does not leave sufficient time for data entry. Data must be entered to make it available to county governments and land owners.

Optional Adjustment #9 is to purchase laptop computers for the horizontal well field inspectors. One existing computer has failed and the other is obsolete. This equipment is essential for recording and transmitting large volumes of data associated with regulation of horizontal drilling operations. \*Part of approved Oil & Gas IT Plan P0006.

Optional Adjustment #10 is to replace our obsolete desk type word processing work station with a networked file server system and personal computers. This will increase efficiency and accuracy of order preparation and file maintenance by standardizing hardware and software in the Bismarck office and the field offices that is compatible with other agencies. This equipment will also allow our agency to enter the age of electronic commerce by expanding our website, providing for electronic filing of forms, and storage of electronic well and case files. \*Part of approved Oil & Gas IT Plan P0002.

Optional Adjustment #11 is the second shared position with the NDGS, a Geographical Information Systems (GIS) specialist. The Oil & Gas Division Information Technology Plan calls for installation of GIS mapping software on the existing RS6000 computer to accurately locate wells, horizontal laterals, pits, facilities, pipelines, leaks, spills, and geophysical shot holes on topographical and culture maps. This employee will load a base map of North Dakota, USGS quads, and wells, laterals, pits, facilities, and pipelines into a GIS database, link the system to our current main frame data base and web site, and train other personnel.

Optional Adjustment #12 is to purchase laptop computers for non-horizontal field inspectors. This will streamline daily scheduling and field note recording and transmission for more complete and consistent field records. \*Part of approved Oil & Gas IT Plan P0006.

Optional Adjustment #13 is an efficiency item to implement the agencies approved IT Plan mandated by HB 1034. My vision is to prepare the Oil & Gas Division for the age of electronic commerce.

We plan to expand our website for electronic transfer of data to industry, other agencies, and the public as well as electronic filing of forms.

We plan to convert our paper files and field inspector data recording systems to electronic format.

We need to upgrade our engineering and geology hardware and software systems.

This will require software and hardware for networking, website development, well log digitizing, digitized data storage, GIS/GPS mapping, and document scanning/entry/storage/retrieval.

House Bill 1015  
Senate Appropriations Committee  
Testimony By  
Lynn D. Helms  
Director  
Oil & Gas Division  
North Dakota Industrial Commission

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## EXPLANATION OF PROGRAM COSTS

The base salaries line item in our agencies budget is the projection of present salaries minus 2 FTE's pursuant to OMB guidelines. Both FTE's are heavily involved in the Underground Injection Control program operated by the state for the EPA. The duties of these 2 positions could be shifted to other staff members in their area, but the ability of the agency to fulfill our statutory responsibility for protection of the state's fresh water supplies would be seriously compromised. Decreased effectiveness and efficiency, plus increased overtime would result. Federal funds for protection of fresh water supplies are not anticipated to increase while the agencies statutory responsibility to protect our fresh water supplies will continue. Costs will increase due to inflation and federal environmental mandates. These 2 FTE's were reinstated by the executive budget recommendation (Optional Adjustment 1).

The operating expenses line for our agency along with the optional adjustment request are pursuant to OMB guidelines. The executive budget recommendation provides for restoration of cuts plus inflation, mainly motor pool and information services (Optional Adjustment 1). Just maintaining present spending levels would in reality lower our level of service due to ever increasing numbers of producing wells, drilling wells, injection and disposal wells, idle wells, unitization projects, hearings, well abandonment, geophysical exploration projects, and agency web site usage.

The executive budget recommendation and engrossed House Bill 1015 address a number of optional adjustments that I need to discuss:

**Optional Adjustments 1, 4, 6, and 9** were approved in the executive budget and by the House of Representatives with Optional Adjustment 1 reduced for the 2/2 compensation (\$72,000 reduction from the executive budget recommendation). I urge you to approve them as received with one exception. The operating expenses for the Data Processing Coordinator (\$5,800) should be restored.

I would like to discuss only one item in detail. Optional Adjustment 4 is for a Data Processing Coordinator to be shared with the North Dakota Geologic Survey (NDGS). This is part of both agencies approved information technology (IT) Plan. **Another Data Processing Coordinator is critical to the Oil & Gas Division because the workload for network installation and maintenance, web site development, programming, and software upgrades exceeds the existing 1 FTE and there is no back-up available in case of illness or leave time.** We are seeking someone who is a PC specialist as this is the direction we are moving with the agencies hardware and software when appropriate.

**Optional Adjustments 8 and 11** were approved in the executive budget and cut by the House of Representatives. I am not asking you to restore them at this time. This represents an additional \$66,000 reduction in the Oil & Gas Division budget request.



**Optional Adjustments 10, 13, and 14** were approved in the executive budget and significantly reduced in amended HB 1015. I am asking you to restore these items to the level approved in the executive budget recommendation (\$58,000).

Optional Adjustment 10 will replace our obsolete desk type word processing work station with a networked file server and personal computer system. This will increase efficiency and accuracy of order preparation and file maintenance by standardizing hardware and software in the Bismarck office and field offices that is compatible with other agencies. This equipment will also allow our agency to enter the age of electronic commerce by expanding our website capabilities, providing for electronic filing of forms, scanning and storage of electronic well, case files, and field inspector. **The Oil & Gas Division currently operates 3 main frame-terminal computer systems. Our hardware and software are not compatible with our own field offices, other state agencies, or industry. Most new software will not even run on our system.** \*Part of approved Oil & Gas IT Plan P0002.

Optional Adjustment 13 is to purchase laptop computers for field inspectors. This will streamline daily scheduling, field note recording, data transmission, and data storage for more complete and consistent field records. \*Part of approved Oil & Gas IT Plan P0006.

Optional Adjustment 14 is to implement the agencies approved IT Plan. My vision is to prepare the Oil & Gas Division for the electronic age.

We plan to expand our website for electronic transfer of data to industry, other agencies, and the public as well as begin electronic filing of forms and data collection.

We plan to convert our paper files and field inspector data to electronic format.

We need to upgrade our engineering and geology hardware and software systems.

This will require software and hardware for networking, website development, well log digitizing, digitized data storage, GIS/GPS mapping, and document scanning/entry/storage/retrieval.

If it is not possible for you to restore the \$44,000 to Optional Adjustment 14 it will be necessary for you to amend the description of the reduction to read **DECREASE INFORMATION TECHNOLOGY EQUIPMENT FUNDING FOR GIS/GPS HARDWARE AND SOFTWARE.** Oil & Gas Division purchase orders and requisitions need to match the legislation and this change would correctly capture the intent of the House Appropriations Subcommittee.

## 1999-2001 BIENNIUM

We are presently in a product price crisis in the oil and gas industry. Oil prices at the well head are at 1930's levels.

Fortunately 43% of North Dakota's production comes from EOR projects and another 25% from horizontal wells. Both yield long term, stable, oil and gas production.

The work load of the Oil and Gas Division is increasing rather than decreasing in this time of economic problems due to an increase of approximately 40% in the number of idle wells and 50% in unitization/EOR proposals. We are shifting the focus of our agency away from permitting, drilling, and site reclamation of new wells and toward monitoring, temporary abandonment, and site reclamation of idle wells, plus regulation of Units and EOR projects.

Future critical issues are the need for competitive salaries for experienced personnel, computerization of information for electronic storage and dissemination, implementation of information technology initiatives, and lack of growth in federal funding for federally or statutory mandated programs.

## AGENCY STATISTICAL DATA

The Oil and Gas Division regulates in excess of 3,300 producing oil and gas wells, over 1,000 shut-in or temporarily abandoned wells, 550 disposal or enhanced recovery injection wells, and the proper abandonment of over 100 wells/year in the state.

The Oil and Gas Division regulates geophysical exploration projects involving in excess of 1,300 square miles and 30,000 holes per year.

Oil production for the first year of the 1999-2001 biennium should average in excess of 90,000 barrels per day.

Four hundred (400) new wells are projected to be drilled during this next biennium (1999-2001). In excess of 57% of the drilling activity is expected to involve horizontal wells.

Seven (7) enhanced oil recovery units have been approved or are in the process of approval in the last year. This will bring the total number of active enhanced recovery units to 68.

Disposed brine water is expected to average 82 million barrels per year or 2.3 times the amount of oil produced in the state during this next biennium (1999-2001).

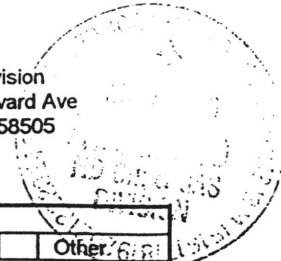
The Oil and Gas Division hears approximately 250 cases per year at the present time.



**APPLICATION FOR PERMIT TO DRILL - FORM 1**  
 INDUSTRIAL COMMISSION OF NORTH DAKOTA  
 OIL AND GAS DIVISION  
 SFN 5749 (2-92)

Oil and Gas Division  
 600 East Boulevard Ave  
 Bismarck, ND 58505

*Revised*



**SEE INSTRUCTIONS ON BACK OF FORM**

Type of Work				Type of Well											
X	Drill New Well		Reenter Old Well		Drill Directional Well	X	Oil		Gas		Disposal		Injection		Other
Name of Operator Meridian Oil Inc.															
Address 5613 DTC Parkway, P.O. Box 3209										City Englewood		State CO		Zip Code 80155-3209	
Name of Surface Owner or Tenant STATE OF NORTH DAKOTA															
Address 918 EAST DIVIDE AVENUE										City Bismarck		State ND		Zip Code 58501	
Well Name and Number 14-36H STATE SUNNY SLOPE															

**LOCATION OF WELL**

Qtr-Qtr SWSW	Section 36	Township 131N	Range 106W	County Bowman
Surface Location From (N) (S) Section Line 500' FSL			Surface Location From (E) (W) Section Line 500' FWL	
If Directional, Top of Pay From (N) (S) Section Line 735' FSL			If Directional, Top of Pay From (E) (W) Section Line 735' FWL	
Proposed Bottom Hole Location From (N) (S) Section Line 691' FNL			Proposed Bottom Hole Location From (E) (W) Section Line 691' FEL	
Distance From Proposed Location to Nearest Spacing (Drilling) Line 500' FSL			Distance from Proposed Location to Nearest Permitted (1 mile or Completed Well in the Same Pool from the 41-35H	
Acres in spacing (Drilling) Unit 640			Description of Spacing Unit Section 36 EXCALIBUR	

Ground Elevation 2827.8'	Graded Elevation	Estimated Total Depth 14,381' MD	Projected Formation Red River B	Approx. Date Work Will Start 4/15/96
Remarks				

I hereby swear or affirm that the information herein provided is true, complete and correct as determined from all available records.

Signature Eileen Danni Dey	Title Regulatory Compliance Administrator	Date February 28, 1996
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State of COLORADO )  
 County of ARAPAHOE )ss

Notary  
Seal

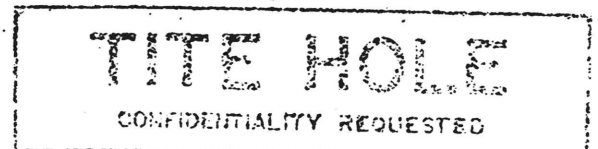
On February 28, 19 96, Eileen Danni Dey known to me to be the person described in and who executed the foregoing instrument, personally appeared before me and acknowledged that (s)he executed the same as a free act and deed.

Gorgonne Mitchell  
 Notary Public

My Commission Expires May 24, 1996

**FOR STATE USE ONLY**

Permit and File Number	API Number 33 -
By <u>Bruce S. Hibs</u>	Date Approved 3-4-96
Field <u>Cedar Hills</u>	Pool <u>Red River "B"</u>
	Type <u>Dev</u>

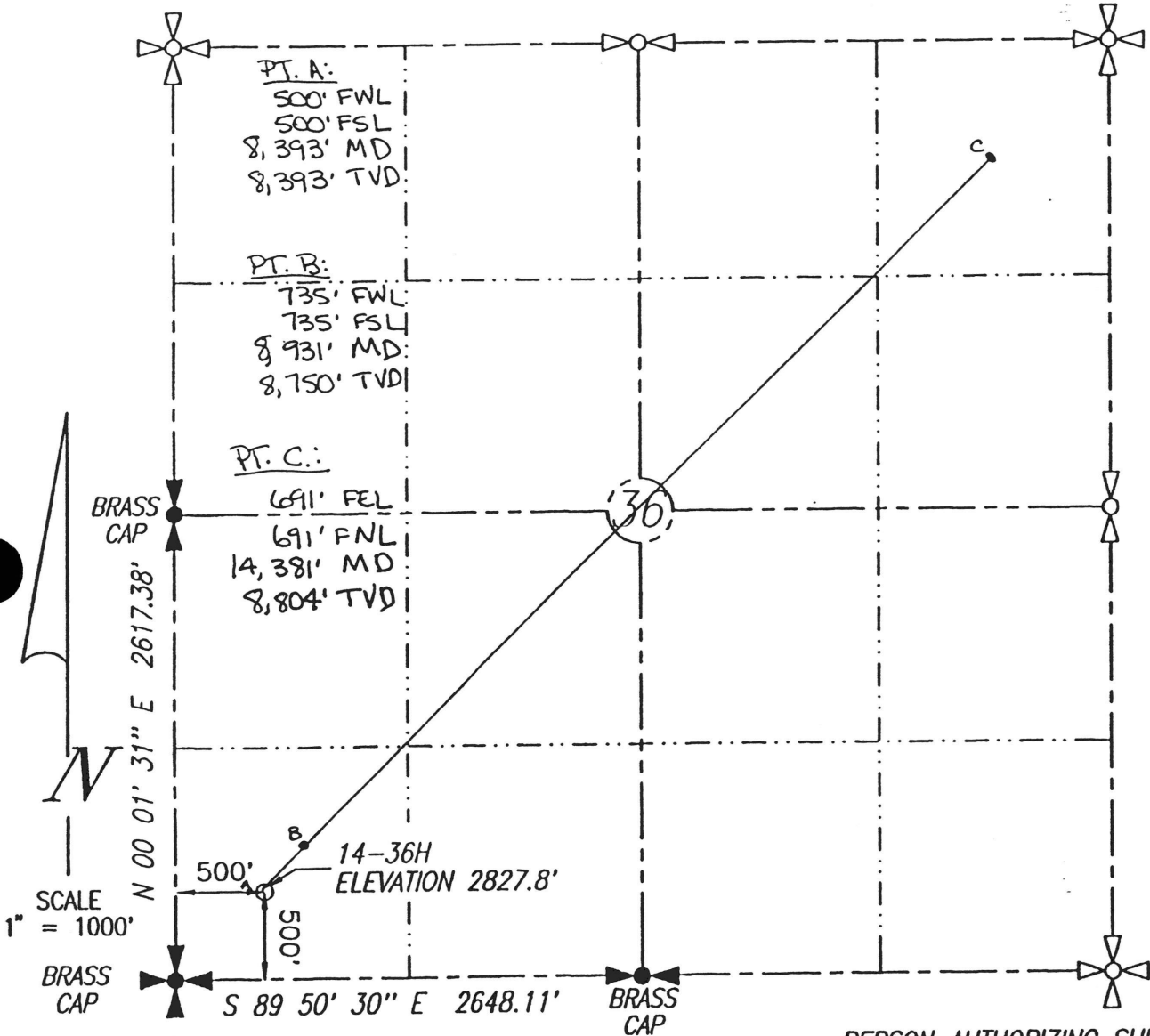
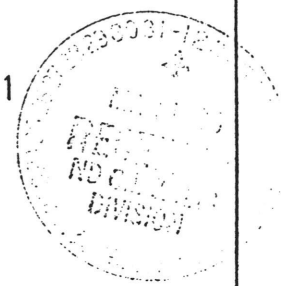


**DRILLING PLAN**

<b>PROSPECT/FIELD</b>	Cedar Hills	<b>COUNTY</b>	Bowman	<b>STATE</b>	North Dakota																								
<b>OWNERS</b>	Meridian Oil Inc.																												
<b>WELL NO.</b>	14-36H State Sunny Slope	<b>LEASE</b>	State																										
<b>LOCATION</b>	SWSW 36-T131N-R106W																												
<b>EST. T.D.</b>	14,381' MD;	8,804' TVD	<b>GROUND ELEV.</b>	2,828' (est)																									
<b>PROGNOSIS:</b>	2,849 KB (est)		<b>LOGS:</b>	<u>Type</u>	<u>Interval</u>																								
<b>MARKER</b>	<b>DEPTH</b>	<b>DATUM</b>	HRI/GR/CAL	KOP to surface casing																									
Greenhorn	3,126	(277)	SLD-DSN/GR/CAL	KOP to above Ratcliffe																									
Muddy	3,837	(988)	<b>DEVIATION:</b>																										
Dakota Silt	4,126	(1,277)																											
Piper Lime	5,019	(2,170)																											
Spearfish	5,263	(2,414)																											
Pine Salt (277')	5,421	(2,572)																											
Opeche	5,915	(3,066)																											
Minnelusa	6,006	(3,157)																											
Charles	6,676	(3,827)																											
Ratcliffe	6,869	(4,020)																											
Mission Canyon	7,015	(4,166)				<b>DST'S:</b>																							
Mlp Fossil Bank	7,834	(4,985)																											
Duperow	8,015	(5,166)																											
Souris River	8,141	(5,292)																											
Interlake	8,197	(5,348)																											
Si Middle Mrkr	8,373	(5,524)																											
Shewell	8,521	(5,672)																											
Anton	8,561	(5,712)																											
Stony Mtn Sh	8,628	(5,779)																											
Red River	8,689	(5,840)	<b>CORES:</b>																										
Orr "B"	8,746	(5,897)																											
<b>Orr "B" Entry TVD</b> 8,750      (5,901)						<b>SAMPLES:</b>																							
									<b>BOP:</b>																				
												11", 3000 psi Blind, Pipe & Annulars Rotating head possible while drilling lateral																	
															30' from Surface Casing to 6,970' 10' from 6,970' Mission Canyon to TD														
																		<b>Surface Formation:</b>											
																					<b>Max. Anticipated BHP:</b>								
																								<b>MUD:</b>					
																											<u>Interval</u>	<u>Type</u>	<u>WT</u>
			0' - 1900'	FW	NC																						28-32	NC	Circ Mud Tanks
			1,900' - 8,931'	Invert	8.6-9.5																						40-50	30+(HpHt)	Circ Mud Tanks
8,931' - TD	Wtr	8.3	28	30-35	Circ Mud Tanks																								
<b>CASING:</b>			<b>OTHER:</b>																										
						<u>Size</u>	<u>Hole</u>	<u>Depth</u>	<u>Cement</u>	<u>WOC</u>	<u>Remarks</u>																		
						Surface:	9-5/8"	13-1/2"	1,900'	To Surface/775 sx	12 hours																		
						Production:	7"	8-3/4"	8,931'	3,600/700 sx	24 hours																		
						<b>ADDITIONAL PLUGS, IF REQ'D:</b>			<b>PERMITS:</b>																				
												Per North Dakota Industrial Commission																	
															SURVEYS:														
																		KOP @:      8,393' MD;      8,393' TVD											
																					86 deg.      8,931' MD;      8,750' TVD								
																								TD @:      14,381' MD;      8,804' TVD					
Desired Azimuth: 45 degrees																													
			Survey Company: Inteq or Anadrill																										
																											<b>Prep By:</b> DJC/liw <b>Date:</b> 2/23/96 <b>Doc:</b> 1436HSSP.XLS		

# WELL LOCATION PLAT

Applicant: MERIDIAN OIL INC.  
 Address: 5613 DTC PARKWAY ENGLEWOOD, COLORADO 80111  
 Well Name & No. 14-36H  
 500 feet from south line and 500 feet from west line  
 Section 36, T131N, R106W, 5th P.M.  
 Bowman County, North Dakota



I CERTIFY THAT THIS PLAT CORRECTLY REPRESENTS  
 WORK PERFORMED BY ME OR UNDER MY RESPONSIBLE  
 CHARGE, AND IS TRUE AND CORRECT TO THE BEST OF  
 MY KNOWLEDGE AND BELIEF

DANNY S. BROSZ R.L.S. 2679

PERSON AUTHORIZING SURVEY;  
 BROOKE BELL

EXPLANATION AREA:

BASIS OF BEARING:  
 NORTH SIDE SECTION 2, T130N, R105W AS WEST

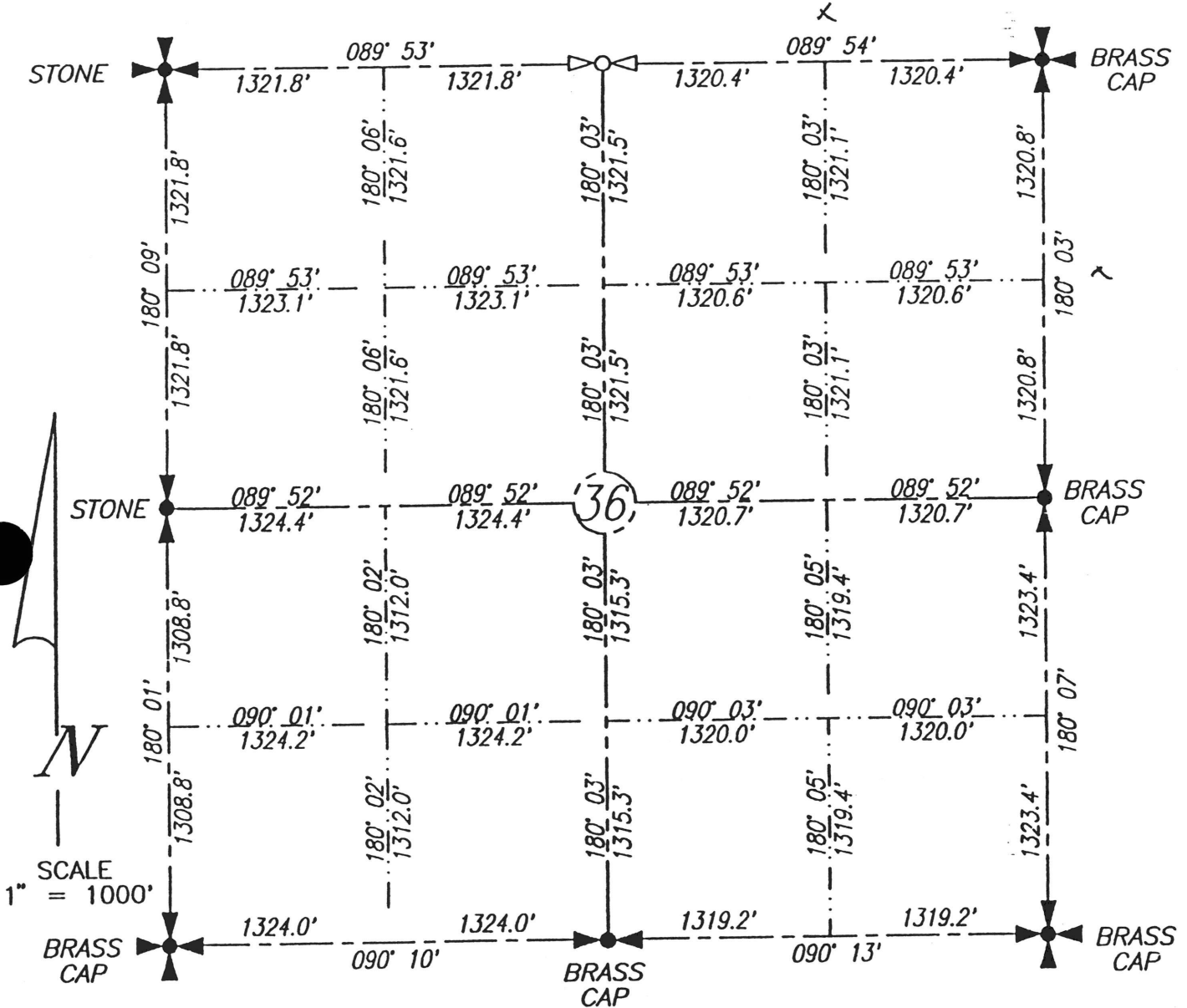


DATE STAKED: 12-20-1995  
 BASIS OF VERTICAL DATUM:  
 43 N 1946  
 ELEVATION 2806.67'

**BROSZ ENGINEERING INC.**  
 BOX 357  
 BOWMAN, N.D. 58623  
 PHONE: 701-523-3340  
 FAX: 701-523-5243  
 PROJECT NO. 95-13

# HORIZONTAL SECTION PLAT

Applicant: MERIDIAN OIL INC.  
 Address: 5613 DTC PARKWAY ENGLEWOOD, COLORADO 80111  
 Well Name & No. 14-36H  
 500 feet from south line and 500 feet from west line  
 Section 36, T131N, R106W, 5th P.M.  
 Bowman County, North Dakota



ALL CORNERS SHOWN ON THIS PLAT WERE FOUND IN THE FIELD DURING THE MERIDIAN 14-36H OIL WELL SURVEY ON DECEMBER 20, 1995. DISTANCES TO ALL OTHERS ARE CALCULATED. ALL AZIMUTHS SHOWN ARE BASED ON THE NORTH SIDE OF SECTION 2, T130N, R105W, AS 090°.

I CERTIFY THAT THIS PLAT CORRECTLY REPRESENTS WORK PERFORMED BY ME OR UNDER MY RESPONSIBLE CHARGE, AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

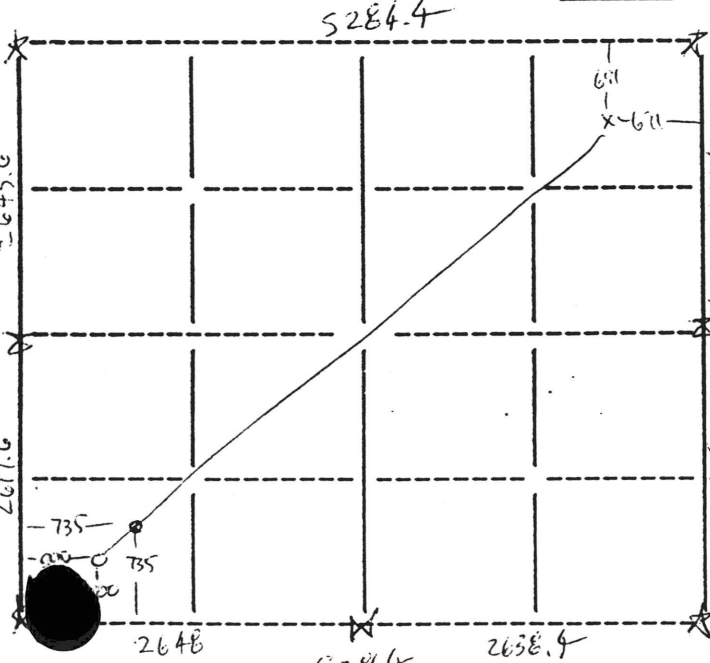
*Danny S. Brosz*  
 DANNY S. BROSZ R.L.S. 2879 2679  
 REGISTERED LAND SURVEYOR  
 NORTH DAKOTA

**BROSZ ENGINEERING INC.**  
 BOX 357  
 BOWMAN, N.D. 58623  
 PHONE: 701-523-3340  
 FAX: 701-523-5243  
 PROJECT NO. 95-13

APPLICATION FOR PERMIT TO DRILL A HORIZONTAL WELL

FT # 14180  
 OPERATOR: Meridian Oil, Inc.  
 API# 33-011-  
 WELL: State Sunny Slope #14-36H  
 ORDER # 7210; SETBACK: 660' FROM Sec  
 SUR LOC: SWSW SEC 36 T131 N, R106 W  
 SUR FOOTAGE: 500' FS L, 500' FW L  
 FIELD: Cedar Hills  
 POOL: Red River "B"  
 SP UN: 640  
 ELEV: 2827.8  
 HOR START: 735' FS L, 735' FW L  
 HOR END: 691' FN L, 691' FE L  
 TD: 14381' MD @ 804' TD  
 ST CSG: 9 5/8" TO 1900'; REQ'D: —  
 PROD CSG: 7" TO 8931' MD @ 150' TD @ 86"  
 FRESH WTR TO 1900'; INVERT @ csy to csy  
 #PER IN SP UN: NO RENEW/CANCEL ANY: —  
 IF RE, WELL REL FROM ORG BOND: —

KOP: 8593  
 AZIMUTH: 45°  
 SURVEY CONTRACTOR: Integ. of Anadrill  
 SUR FREQ: 30 IN BUILD, 90 IN LATERAL  
 PLAT: NL= 5284.4\* SL= 5286.4\* EL= 5288.4\* WL= 5261.2\*  
 LOOK @ TOPO IN GLENN'S OFFICE: OK  
 TIGHT HOLE: Yes  
 WAS 2\* SURVEY INACCURACY ASSUMED: No, since Az > 10° to sp un line  
 WILL MULTISHOT BE RUN ON VER HOLE: Yes  
 CALC TOC: 3600  
 EST TOPS: Muddy 3837 / RR"B" 8731 MD 8750 TD  
 SURVEY PLAT: Yes  
 OBJECTIVE HORIZONS: RR"B"  
 LOGS ANTICIPATED: Yes (CBL?) ?  
 \$100 FEE: ck # 205691475E  
 START DATE: 4-15-96; RIG: —  
 # OF WELLS ALLOWED IN SP UN: up to 2 hor  
 WELL ON RESERVATION: NO (COPY BIA)  
 IF NOT ON GOV REP, SEND BLUEMLE LTTR: —



PLACE MEASURED DEPTHS ON PLAT: ✓  
 REMARKS: NO RR"D pilot is planned  
 DATE APPROVED: 3-4-96  
 COPY PERTINENT INFO FROM APD: ✓  
 COPY PERTINENT ORDER FOR HOR FILE: FILE # 14154 (See 160 7210)  
 ENTERED IN ACCELL: ✓  
 ENTERED IN OVM: ✓  
 ENTERED IN HOR-STATS: ✓  
 ENTER IN HOR-TURNAROUND: ✓  
 IF ANY BAK WELLS IN SP UN NOTIFY JIM: —  
 ENTERED IN UPDATE: ✓

Setbacks  
 660' + tool error if < 10° + dep  
 to sp un line

"tn neis.cr.usgs.gov" then QED: 11.12° E  
46° 7.5' N 103° 52.8' W - 5922ft 9-15-96

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Wesley D. Norton  
DIRECTOR

March 4, 1996

F. E. Wilborn  
ASSISTANT DIRECTOR

Ms. Eileen Danni Dey  
Meridian Oil Inc.  
5613 DTC Parkway  
P. O. Box 3209  
Englewood, CO 80155-3209

RE: HORIZONTAL HOLE  
State Sunny Slope #14-36H  
SW SW 36-131N-106W  
Bowman Co.  
Permit #14180

Dear Ms. Dey:

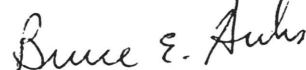
Pursuant to Commission Order No. 7210, approval to deviate the well bore of the above captioned well, is hereby given.

Well bore deviation in the surface hole must be considered when determining compliance with all required setbacks. All deviation surveys run on the surface hole must be reported to the Commission within five days after setting surface casing and any directional surveys run on the surface hole/casing must be submitted within five days after they are run.

The approval is granted on the condition that all portions of the well bore not isolated by cement, be no closer than 660 feet from the boundary of Section 36. Tail cement utilized on surface casing must have a minimum compressive strength of 500 psi within 12 hours, and all cement utilized on production casing must have a minimum compressive strength of 500 psi within 24 hours.

A directional survey of the well showing the location of the well bore shall be filed with the Industrial Commission within 30 days after completion of the well. Such survey must be certified by a representative of the survey contractor and mailed directly to us by the contractor. Survey points shall be of such frequency to accurately determine the entire location of the well bore.

Sincerely,



Bruce E. Hicks  
Manager of Horizontal Drilling

BEH/drb  
Enc.





**APPLICATION FOR FLUID INJECTION - FORM 14**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 18669 (4-94)

600 East Boulevard  
 Bismarck, ND 58505



PLEASE READ INSTRUCTIONS ON BACK OF FORM BEFORE COMPLETING.

Type of Project <input checked="" type="checkbox"/> Enhanced Recovery <input type="checkbox"/> Saltwater Disposal <input type="checkbox"/> Gas Storage	Type of Injection Well <input checked="" type="checkbox"/> Converted <input type="checkbox"/> Newly Drilled	<input type="checkbox"/> Commercial
Name of Operator Amerada Hess Corporation	Address P. O. Box 1486 - Williston, ND 58802-1486	
Well Name and Number BLDU E-305	Field or Unit Beaver Lodge Devonian Unit	

<b>SURFACE LOCATION</b>				
Qtr.-Qtr. C SW	Section 12	Township 155N	Range 96W	County Williams
Distance From (M) (S) Section Line 1270 Feet		Distance From (W) Section Line 1469 Feet		

<b>BOTTOM HOLE LOCATION</b>				
Qtr.-Qtr. C SW	Section 12	Township 155N	Range 96W	County Williams
Distance From (M) (S) Section Line 1270 Feet		Distance From (W) Section Line 1469 Feet		

Geologic Name of Injection Zone Duperow	Injection Interval 10,266 - 10,484 Feet
Geologic Name and Thickness of Confining Zones Top Zone: Nisku - 84'      Bottom Zone: Souris River - 268'	
Bottom Hole Fracture Pressure of the Top Confining Zone 7090 psi	Gradient .70 <i>* note sundry</i> psi/ft
Estimated Average Injection Rate and Pressure 600 b/d @ 2750 psi	Estimated Maximum Injection Rate and Pressure 900 b/d @ 3000 psi
Geologic Name of Lowest Known Fresh Water Zone Fox Hills	Depth to Base 1471 Feet
Total Depth of Well 11,902' Feet	Logs Previously Run on Well Laterolog w/GR Microlaterolog, Sonic, Wireline-Radioactivity

**CASING, TUBING, AND PACKER DATA**

NAME OF STRING	SIZE	WEIGHT (LBS/FT.)	SETTING DEPTH	SACKS OF CEMENT	TOP OF CEMENT	TOP DETERMINED BY
Surface						
Intermediate	9-5/8"	36#	3941	2435	Surface	Circulated
Long String	7"	32 - 38#	11,821	2090	7610'	Temp. Survey

Liner	TOP		BOTTOM		SACKS OF CEMENT
	SIZE	WEIGHT	DEPTH	TYPE	
Tubing	2-3/8"	4.7#	10,150'	L-80	

Packer: Setting Depth 10,150 Feet	Model Baker Model D	<input type="checkbox"/> Compression <input checked="" type="checkbox"/> Permanent <input type="checkbox"/> Tension
--------------------------------------	------------------------	--

**FOR STATE USE ONLY**

Permit Number and Well File Number 2487	
UIC Number A3E585	Approval Date 6/12/97
By ORIGINAL SIGNED BY DOREN DANNEWITZ	
Title UNDERGROUND INJECTION SUPERVISOR	

**SEIDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5749 (1-94)

Well File Number  
 2487

600 East Boulevard  
 Bismarck, ND 58505

PLEASE READ INSTRUCTIONS ON BACK OF FORM

<input type="checkbox"/> Notice of Intent Approximate Start Date _____  <input checked="" type="checkbox"/> Report of Work Done Date Work Completed _____	<input type="checkbox"/> Drilling Prognosis <input type="checkbox"/> Redrilling or Repair <input type="checkbox"/> Casing or Liner <input type="checkbox"/> Plug Well <input type="checkbox"/> Supplemental History <input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Spill Report <input type="checkbox"/> Shooting <input type="checkbox"/> Acidizing <input type="checkbox"/> Fracture Treatment <input type="checkbox"/> Change Producing Method <input type="checkbox"/> Reclamation <input checked="" type="checkbox"/> Other CORRECTION TO FORM
---	---	---

14

Well Name and Number BLDU E-305				
Footages 1270' FSL, 1469' FWL	Qtr - Qtr C/4 SW/4	Section 12	Township 155N	Range 96W
Field BEAVER LODGE	Pool DEVONIAN	County WILLIAMS		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor			
Address	City	State	Zip Code

**DETAILS OF WORK**

CORRECTION TO "APPLICATION FOR FLUID INJECTION - FORM 14"

- \* FRAC PRESSURE OF TOP CONFINING ZONE - 7619 PSI
- \* GRADIENT - 0.75 PSI/FT

Company Amerada Hess Corporation		
Address 113 East 4th Street - Box 1486		
City Williston	State ND	Zip Code 58802 - 1486
By <i>Kathy Roseland</i>	Date 5/28/97	
Title Production Technician	Telephone Number (701) 774-9323	

FOR OFFICE USE ONLY

<input type="checkbox"/> Received	<input checked="" type="checkbox"/> Approved
Date 5/29/97	
By ORIGINAL SIGNED BY DOREN DANNEWITZ	
Title UNDERGROUND INJECTION SUPERVISOR	

# AMERADA HESS CORPORATION

P. O. Box 1486, Williston, ND 58802

## PERMIT REQUEST FOR FLUID INJECTION

**OPERATOR:** Amerada Hess Corporation

**ADDRESS:** P.O. Box 1486, Williston, ND 58802-1486

**WELL NAME:** Beaver Lodge Devonian Unit E-305

**LOCATION:** Center SW 1/4 Section 12, T155N, R96W

**REQUESTED INJECTION ZONE:** Duperow

**INJECTION FLUID:** Authorized Class II Fluids

**WELL FILE NO.:** 2487

**PERMIT NO.:** 2499

The following information is provided in accordance with Item 1 of Section 43-02-05-04, PERMIT REQUIREMENTS, Statutes and Rules for the Conservation of Oil and Gas:

- (a) **Name and address of the operator of the injection well.**  
AMERADA HESS CORPORATION  
P.O. BOX 1486  
WILLISTON, ND 58802-1486
- (b) **Surface and bottom hole locations.**  
Surface Location: 1270' FSL, 1469' FWL, Section 12, T155N, R96W  
Bottom Hole TD Location: 1270' FSL, 1469' FWL, Section 12, T155N, R96W
- (c) **Appropriate geological data on the injection zone and the confining zones, including geologic names, lithologic descriptions, thicknesses, and depths.**  
The injection zone will be the Duperow formation. The Duperow formation is located from approximately 10158' TVD-10592' TVD (434'). This formation consists of limestone, light-brownish-gray, crystalline to granular, dense, dolomite, grayish-brown, microcrystalline to sucrosic, anhydritic, porous, and permeable, interbedded shale, siltstone, sand, and cyclical evaporites.  
  
The overlying confining zone is the Nisku formation located from approximately 10,074' TVD-10,158' TVD (84'). This formation consists of limestone and some dolomite, light-gray to medium-brownish gray, thick-bedded, finely crystalline, porous, fossiliferous; anhydrite brownish- to medium gray. Also known as the Birdbear formation.  
  
The underlying confining zone is the Souris River formation located from approximately 10592' TVD-10860' TVD (268'). This formation consists of dolomite and limestone, light to dark-gray and brownish-gray, crystalline to dense, anhydritic, clayey or silty in part, interbeds of silt, shale, and evaporites. "First Red" at base.
- (d) **Estimated fracture pressure of the top confining zone.**  
Based on a step-rate test performed on the BLDU A-305i in 1986, the fracture pressure of the Nisku is estimated to be 7,090 psi.

(e) **Average and maximum daily rate of fluids to be injected.**

Average Daily Injection Rate: 600 Bbls per day  
Maximum Daily Injection Rate: 900 Bbls per day

(f) **Average and maximum injection pressure.**

Average Injection Pressure: 2750 psig  
Maximum Injection Pressure: 3000 psig

(g) **Geologic name and depth to bottom of all underground sources of drinking water which may be affected by injection.**

The fresh water formation closest to the injection interval is the Fox Hills SS formation located at an approximate depth of 1071' TVD-1471' TVD. All underground sources of drinking water are located above the Fox Hills formation.

(h) **Existing or proposed casing, tubing, and packer data.**

Attachment #1 shows the current downhole mechanical equipment arrangement.  
Attachment #3B shows the proposed downhole mechanical equipment arrangement.

(i) **Plat depicting the area of review (1/4 mile radius) and depicting the location.**

Attachment #2 shows the location of the E-305 well and the 1/4 mile radius area of review. No faults are known to exist within the area of review.

(j) **Tabulation of data on all wells of public record within the area of review that penetrated the proposed injection zone.**

There are no producing oil wells within the area of review which penetrate the proposed injection zone.

Well Name	Location	Date Drilled	Total Depth	Well Type	Construction	Completion (Producing)
NONE						

(k) **Corrective action on wells penetrating the injection zone in the area of review.**

No corrective action is required on any well penetrating the injection zone in the 1/4 mile radius area of review.

(l) **Proposed injection program.**

The BLDU E-305 injection well will be connected to the existing BLDU PMS pipeline distribution system. Fluid volumes injected into the BLDU E-305 will be measured using a flow meter located immediately upstream of the wellhead. Tubing-casing annular pressure will be monitored and recorded during injection operations. Attachment #3A shows the proposed surface mechanical equipment arrangement.

(m) **Quantitative analysis of fresh water from the two nearest freshwater wells.**

Water analysis reports for known fresh water wells in the vicinity of the BLDU E-305 are provided in Attachments #4A and #4B. Locations of the fresh water wells are shown on Attachment #2.

(n) **Quantitative analysis of a representative sample of water to be injected.**

A representative sample of intended injection water has been analyzed. Results of this analysis are provided in Attachment #4C and #4D. No detrimental effects have been experienced through injection of this fluid into the receiving formation in other areas of the BLDU.

(o) **Source wells or sources of injectate.**

The injection fluid will be Dakota formation water from the B-308 S1 and C-313 S1 water supply wells within the Beaver Lodge Devonian Unit.

(p) **Legal description of the land ownership within the area of review.**

LEGAL DESCRIPTION	SURFACE OWNERSHIP
N/2 NW/4, Section 13, T155N, R96W	Raymond Iverson, et. al.
SW/4 SW/4, Section 12, T155N, R96W SE/4 Section 12, T155N, R96W	Dorothy Iverson
E/2 SW/4, Section 12, T155N, R96W NW/4 SW/4, Section 12, 155N, R96W	James G. McClintock, et. al.

(q) **Certification of landowner notification within the area of review.**

Certifications of landowner notification - Attachment #5.

(r) **All available logging and testing data.**

Logs are on file with the State.

(s) **Schematic drawings of the surface and subsurface construction details of the system.**

Attachment #3A and #3B.

(t) **Sundry notice detailing proposed procedure.**

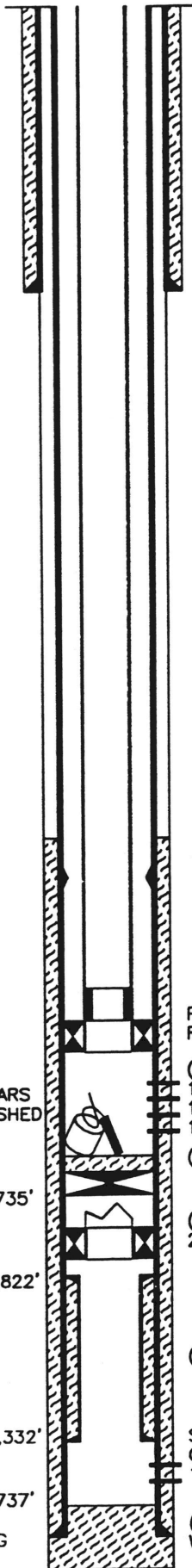
Attachment #6.

**BLDU E-305/BLSU E-405**

KB: 15' AGL

**FORMATION TOPS:**

DAKOTA	4,609'
AMSDEN	6,774'
CHARLES	7,620'
MADISON	8,282'
BAKKEN	9,781'
DEVONIAN	9,879'
SILURIAN	11,577'



(10/59) 9.625" 36# J55 Casing  
 @ 3,941' W/2,435 Sx Circ.

TUBING BREAKDOWN: (7/94)

KB	15.00'
R-3 PACKER	?
1 JT L-80	?
BAKER 'F' NIPPLE	?
321 JTS L-80 TUBING W/2 VALVES	?
<b>TOTAL</b>	<b>9,942'</b>

7" CASING BREAKDOWN:

46~JTS 32# P110	1,895.90'
194~JTS 35# S95 & P110	9,422.72'
12~JTS 38# N80 & P110	502.38'
<b>TOTAL</b>	<b>11,821.00'</b>

TOC: 7,610' (TS-10.3% Fill)

TIGHT SPOT @ 7630' (4/93)  
 WHILE ATTEMPTING TO RUN PERM PACKER

F NIPPLE @ 9910'  
 R-3 PACKER @ 9942'

(12/59) DEVONIAN PERFS:  
 10,266-336' 2SPF A1-A5 ZONES  
 10,410-430' 4SPF C1 ZONE  
 10,450-484' 4SPF C3-C5 ZONES

(6/65) BAKER MODEL 'D' CIBP @ 10,700' W/2 SX CMT ON TOP

(6/65) BAKER MODEL 'D' PACKER @ 10,785' W/SEAL ASSY &  
 2 JTS 2.375" CS-CB HYDRIL TBG

(6/65) 18 JTS 4.5" 18.69# FJ LINER W/60 SX CMT

SILURIAN PERFS: (4SPF)  
 OH LOG DEPTHS  
 11,578'-741'

(12/59) 7" PRIMARY CASING @ 11,821'  
 W/2,090 SX

FISH: WEIGHT BAR, SPANG JARS  
 & PARRAFIN SCRATCHER PUSHED  
 TO 10,625' (7/96)

TOP OF FISH @ 10,735'

(6/65) TOP OF LINER @ 10,822'

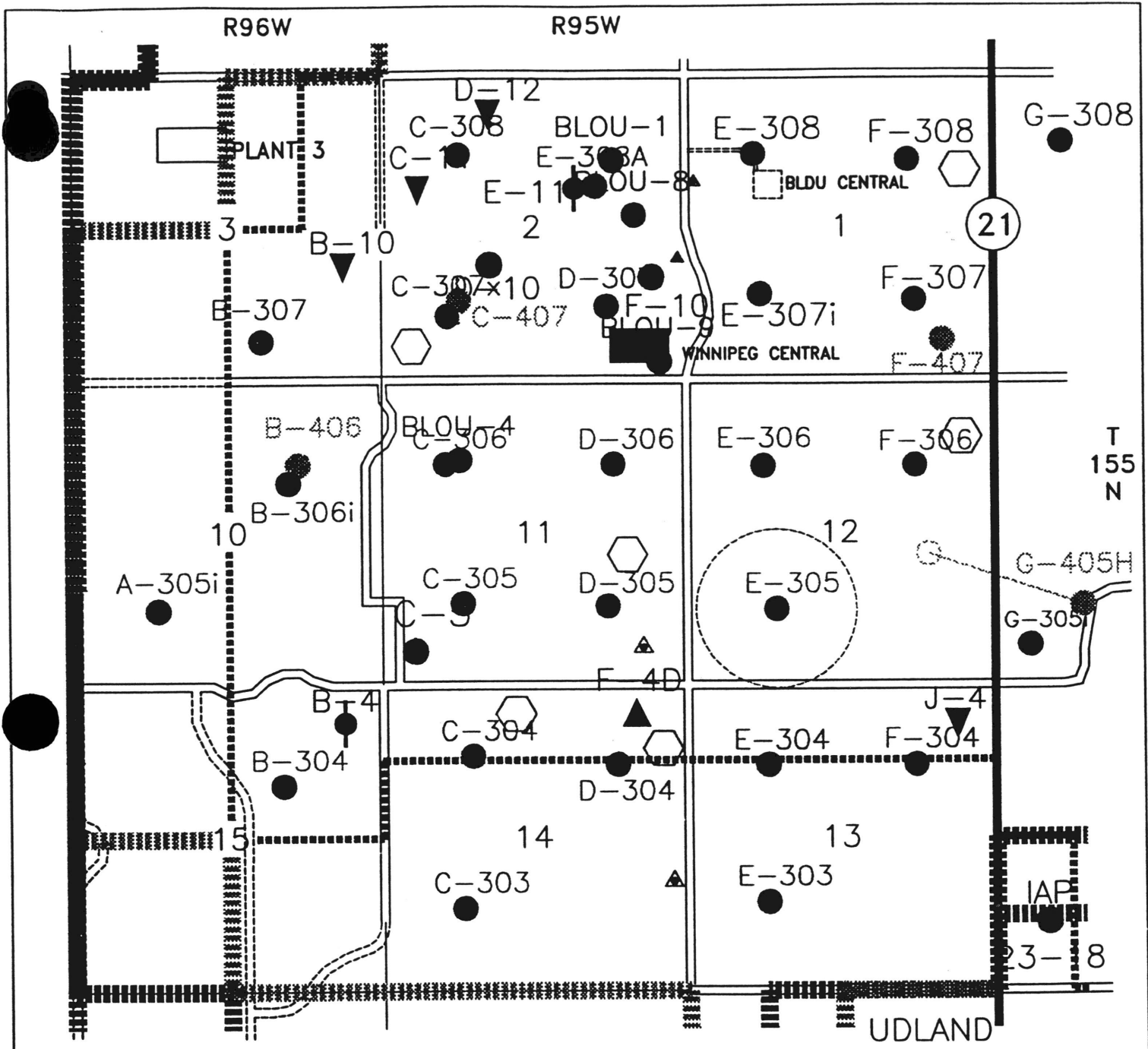
(6/65) BTM OF LINER @ 11,332'

(12/59) PBD: 11,737'

(12/59) SQZ'D OH & CASING  
 W/150 SX

(12/59) TD: 11,902'

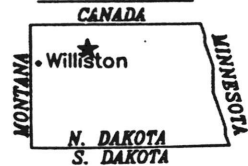
<b>HESS</b>	US EXPLORATION & PRODUCTION NORTH DAKOTA TIOGA/NEWBURG AREAS
	WELLBORE SCHEMATIC <b>BLDU E-305/BLSU E-405</b> SW4 SEC. 12, T155N-R96W WILLIAMS COUNTY, N.D.
Date: 1/97	Dwg. No. E-305
Originator JJW	Page:



**LEGEND**

- |                      |                               |
|----------------------|-------------------------------|
| — BLDU Outline       | ▲ Water Well                  |
| - - - - BLOU Outline | ★ Silurian Producer           |
| ⋯ BLSU Outline       | ● Devonian Producer           |
| — BLMU Outline       | ● Ordovician Producer         |
| — CAPA Field Outline | ● Madison Producer            |
| Ⓜ US Highway         | ⊗ Beaver Lodge Deep Producer  |
| Ⓝ State Highway      | ▲ Salt Water Disposal Well    |
| — Improved Roads     | ◆ TA'd Producer—NDIC Approved |
| ⋯ Primitave Roads    | ● Inactive Producer—Closed In |
| ⋯ Beaver Lodge Deep  | ▼ TA'd Injector—NDIC Approved |
| ○ BLDU Satellite     | ▲ TA'd SWD Well—NDIC Approved |
|                      | ○ BLMU Satellite              |

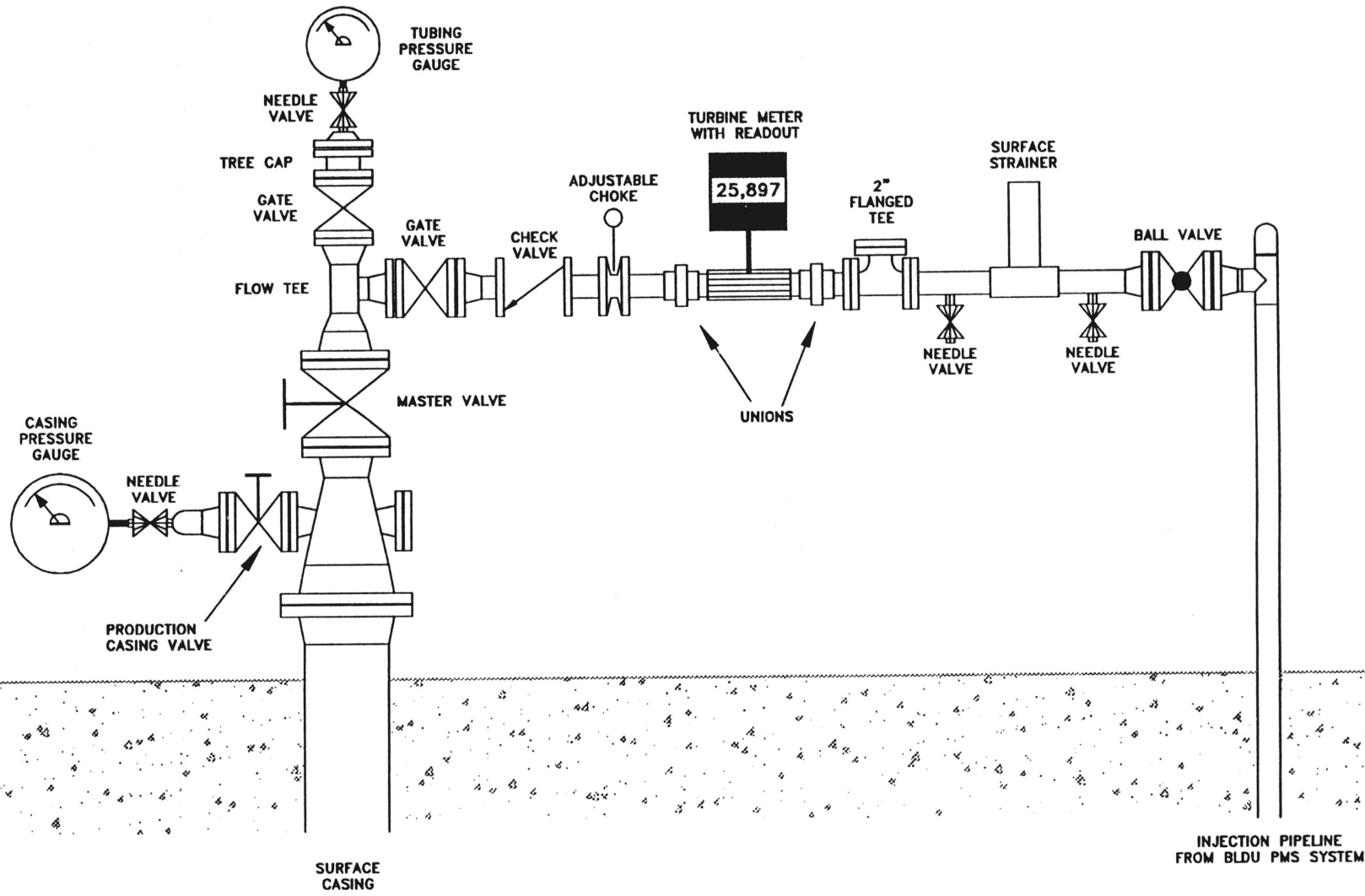
**LOCATION MAP**



AMERADA HESS CORPORATION  
 NORTH DAKOTA OPERATIONS  
 Williams County, North Dakota

BEAVER LODGE AND CAPA AREAS  
 ACCESS ROADS  
 CAPA, BLSU, BLOU, & BLDU Fields.  
 WIRTH-1, 5/8/97

# MECHANICAL CONFIGURATION – SURFACE



INJECTION PIPELINE  
FROM BLDU PMS SYSTEM

**ATTACHMENT #3A**

BLDU E-305 WATER INJECTION WELL		
SURFACE MECHANICAL CONFIGURATION Williams County, N.D.		
UIC PERMIT	INJ-CONF.DWG	4/7/97

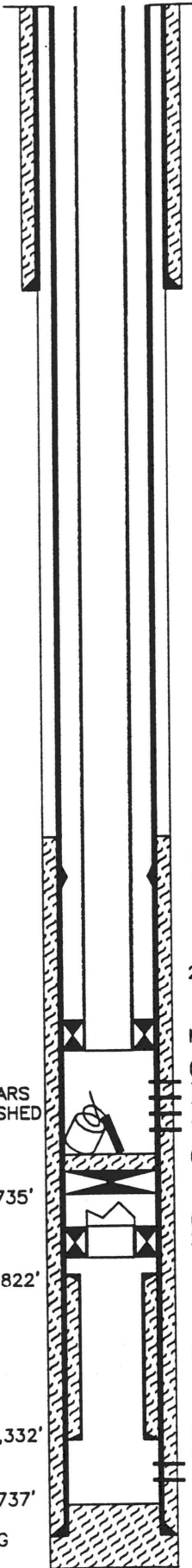


BLDU E-305/BLSU E-405

KB: 15' AGL

FORMATION TOPS:

DAKOTA	4,609'
AMSDEN	6,774'
CHARLES	7,620'
MADISON	8,282'
BAKKEN	9,781'
DEVONIAN	9,879'
SILURIAN	11,577'



(10/59) 9.625" 36# J55 Casing  
 @ 3,941' W/2,435 Sx Circ.

7" CASING BREAKDOWN:	
46-JTS 32# P110	1,895.90'
194-JTS 35# S95 & P110	9,422.72'
12-JTS 38# N80 & P110	502.38'
<b>TOTAL</b>	<b>11,821.00'</b>

TOC: 7,610' (TS-10.3% Fill)

TIGHT SPOT @ 7630' (4/93)  
 WHILE ATTEMPTING TO RUN PERM PACKER

2.375" 4.7# L-80 TUBING

MODEL 'D' PACKER @ 10,100'

(12/59) DEVONIAN PERFS:  
 10,266-336' 2SPF A1-A5 ZONES  
 10,410-430' 4SPF C1 ZONE  
 10,450-484' 4SPF C3-C5 ZONES

FISH: WEIGHT BAR, SPANG JARS  
 & PARRAFIN SCRATCHER PUSHED  
 TO 10,625' (7/96)

TOP OF FISH @ 10,735'

(6/65) BAKER MODEL 'D' CIBP @ 10,700' W/2 SX CMT ON TOP

(6/65) BAKER MODEL 'D' PACKER @ 10,785' W/SEAL ASSY &  
 2 JTS 2.375" CS-CB HYDRIL TBG

(6/65) TOP OF LINER @ 10,822'

(6/65) 18 JTS 4.5" 18.69# FJ LINER W/60 SX CMT

**PROPOSED**

(6/65) BTM OF LINER @ 11,332'

SILURIAN PERFS: (4SPF)  
 OH LOG DEPTHS  
 11,578'-741'

(12/59) PBD: 11,737'

(12/59) SQZ'D OH & CASING  
 W/150 SX

(12/59) 7" PRIMARY CASING @ 11,821'  
 W/2,090 SX

(12/59) TD: 11,902'

<b>HESS</b>	US EXPLORATION & PRODUCTION NORTH DAKOTA TIOGA/NEWBURG AREAS AREAS	
	WELLBORE SCHEMATIC <b>BLDU E-305/BLSU E-405</b> SW4 SEC. 12, T155N-R96W WILLIAMS COUNTY, N.D.	
Date: 1/97	Dwg. No. E-305	
Originator JJW	Page:	

# ASTRO-CHEM LAB, INC.

4102 2nd Ave. West

Williston, North Dakota 58802-0972  
P.O. Box 972

Phone: (701) 572-7355

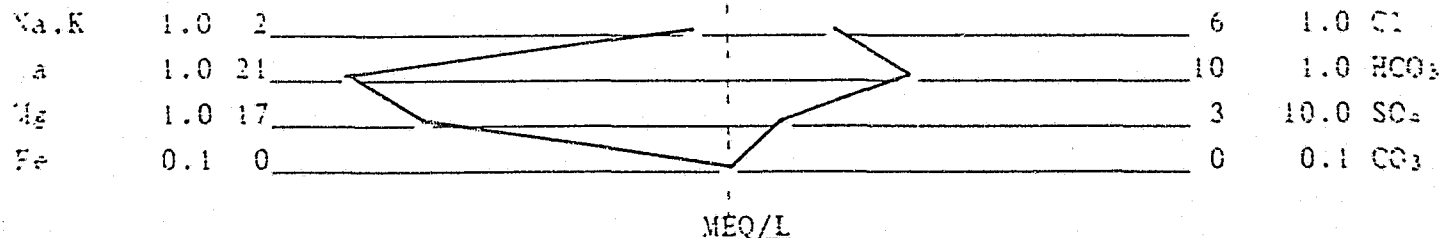
## WATER ANALYSIS REPORT

SAMPLE NUMBER W-97-0831 DATE OF ANALYSIS 4-15-97  
COMPANY Ameraca Hess Corporation  
CITY Williston STATE ND  
WELL NAME AND/OR NUMBER E-305  
DATE RECEIVED 4-14-97 DST NUMBER  
SAMPLE SOURCE SE-11  
LOCATION SE OF SEC. 11 TWN. 155 RANGE 96 COUNTY  
FORMATION DEPTH  
DISTRIBUTION Jeff Wirth - Williston, ND  
 Brad Hingtgen - Williston, ND

RESISTIVITY @ 77°F = 3.367 Ohm-Meters pH = 7.85  
SPECIFIC GRAVITY @ 77°F = 0.998 H<sub>2</sub>S = Negative  
TOTAL DISSOLVED SOLIDS (CALCULATED) = 2751 mg/L ( 2757 ppm)  
CHLORIDE (CALCULATED) = 379 mg/L ( 360 ppm)

CATION	MEQ/L	mg/L	ANION	MEQ/L	mg/L
CALCIUM	21.3	423	CHLORIDE	6.5	239
MAGNESIUM	16.7	156	CARBONATE	0.0	0
SODIUM	2.1	46	BICARBONATE	9.6	555
IRON	0.0	0.4	SULFATE	16.4	1269
CHROMIUM	0.0	0.0	NITRATE	0.0	0
BARIUM	0.0	0.0			
POTASSIUM	0.3	10			

### WATER ANALYSIS PATTERN



REMARKS Date Sampled 4-8-97  
 Conductivity = 2996 µmhos/cm

ANALYZED BY:

*Chagan*

STATE OF NORTH DAKOTA

COUNTY OF WILLIAMS

I hereby certify that I have sent a Notice of Application for Fluid Injection to:

- a. each record title owner of real estate within a radius of 1/4 mile from the location of the proposed injection well.

The record title owner(s) were determined by an actual search of the records in the appropriate Register of Deeds, tax records, abstract office, or by personal contact. A notice was sent to both the grantor and grantee of land.

The following list contains the names and addresses of all landowners and legal description of the land ownership.

Surface Ownership

Legal Description

Raymond Iverson, et al  
222 S. Benson  
Tioga, North Dakota 58852

N/2 NW/4  
Section 13-T155N-R96W

Dorothy Iverson  
209 NW 4  
Tioga, North Dakota 58852

SW/4 SW/4 & SE/4  
Section 12-T155N-R96W

James G. McClintock, et al  
524 SW 4th Street  
Rugby, North Dakota 58368

E/2 SW/4 & NW/4 SW/4  
Section 12-T155N-R96W

AMERADA HESS CORPORATION

Kathy Rossland  
Signature of Applicant

Subscribed and sworn to before me this 8th day of May, 1997.

Mary Elaine Lee  
Notary Public

MARY ELAINE LEE  
Notary Public, WILLIAMS CO., N. DAK.  
My Commission Expires JAN. 6, 1999

# AMERADA HESS CORPORATION

BOX 1486  
WILLISTON, NORTH DAKOTA 58802-1486  
701-774-9000

5/8/97

Dorothy Iverson  
209 NW 4  
Tioga, North Dakota 58852

Proposed Injection Well  
BLDU E-305i  
C SW/4 Sec. 12-T155N-R96W  
Williams County, North Dakota

Dear Mrs. Iverson:

We propose to convert a Devonian producing well to an injection well for Fluid Injection into the Duperow formation and have applied to the State of North Dakota for permission to do so.

It is our understanding that you own property within a 1/4 mile radius of the above-mentioned location. Under state law, we are required to notify landowners within a 1/4 mile radius of the wellsite. This letter will serve as your notification as a landowner in the "Area of Review" (1/4 mile radius).

If you have any comments or objections, please direct them to the North Dakota Industrial Commission, Oil & Gas Division, 600 East Boulevard, Bismarck, North Dakota 58505.

Yours truly,

AMERADA HESS CORPORATION

*Kathy Rossland*  
Kathy Rossland  
Production Technician

XC: North Dakota Industrial Commission  
Oil & Gas Division  
600 East Boulevard  
Bismarck, North Dakota 58505

# AMERADA HESS CORPORATION

BOX 1486  
WILLISTON, NORTH DAKOTA 58802-1486  
701-774-9000

5/8/97

James G. McClintock  
524 SW 4th Street  
Rugby, North Dakota 58368

Proposed Injection Well  
BLDU E-305i  
C SW/4 Sec. 12-T155N-R96W  
Williams County, North Dakota

Dear Mr. McClintock:

We propose to convert a Devonian producing well to an injection well for Fluid Injection into the Duperow formation and have applied to the State of North Dakota for permission to do so.

It is our understanding that you own property within a 1/4 mile radius of the above-mentioned location. Under state law, we are required to notify landowners within a 1/4 mile radius of the wellsite. This letter will serve as your notification as a landowner in the "Area of Review" (1/4 mile radius).

If you have any comments or objections, please direct them to the North Dakota Industrial Commission, Oil & Gas Division, 600 East Boulevard, Bismarck, North Dakota 58505.

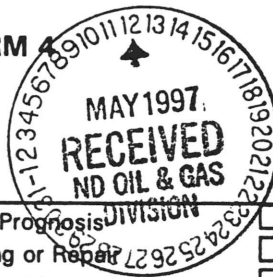
Yours truly,

AMERADA HESS CORPORATION

  
Kathy Roseland  
Production Technician

XC: North Dakota Industrial Commission  
Oil & Gas Division  
600 East Boulevard  
Bismarck, North Dakota 58505

**SUNDRY NOTICES AND REPORTS ON WELLS - FORM 4**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 5749 (1-94)



Well File Number  
 2487

600 East Boulevard  
 Bismarck, ND 58505

PLEASE READ INSTRUCTIONS ON BACK OF FORM

<input checked="" type="checkbox"/> Notice of Intent Approximate Start Date _____	<input type="checkbox"/> Drilling Prognosis	<input type="checkbox"/> Spill Report
<input type="checkbox"/> Report of Work Done Date Work Completed _____	<input type="checkbox"/> Redrilling or Repair	<input type="checkbox"/> Shooting
	<input type="checkbox"/> Casing or Liner	<input type="checkbox"/> Acidizing
	<input type="checkbox"/> Plug Well	<input type="checkbox"/> Fracture Treatment
	<input type="checkbox"/> Supplemental History	<input type="checkbox"/> Change Producing Method
	<input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> Reclamation
		<input checked="" type="checkbox"/> Other <b>CONVERT WELL TO INJECTION</b>

Well Name and Number BLDU E-305					
Footages 1270' FSL, 1469' FWL		Qtr - Qtr C/4 SW/4	Section 12	Township 155N	Range 96W
Field BEAVER LODGE	Pool DEVONIAN		County WILLIAMS		

24 HOUR PRODUCTION RATE	
BEFORE	AFTER
Oil	Oil
Water	Water
Gas	Gas

Name of Contractor				
Address		City	State	Zip Code

**DETAILS OF WORK**

AMERADA HESS CORPORATION INTENDS TO CONVERT THE BLDU E-305 PRODUCING WELL TO AN INJECTION WELL AS PER THE ATTACHED PROPOSED GENERAL PROCEDURE.

Company Amerada Hess Corporation		
Address 113 East 4th Street - Box 1486		
City Williston	State ND	Zip Code 58802 - 1486
By <i>Kathy Rosland</i>	Date 5/8/97	
Title Production Technician	Telephone Number (701) 774-9323	

FOR OFFICE USE ONLY

<input type="checkbox"/> Received	<input checked="" type="checkbox"/> Approved
Date 6/12/97	
By ORIGINAL SIGNED BY	
Title DOREN DANNEWITZ UNDERGROUND INJECTION SUPERVISOR	

**E-305**  
**Conversion to Injection**  
**General Procedure**

- 1) MIRU. Kill well with saltwater.
- 2) TOH with 2-7/8" tubing and model R packer.
- 3) LD 2-7/8" tubing for cleaning; PU 2-3/8" injection tubing.
- 4) Set model D packer (short sealbore due to possible dog leg).
- 5) TIH w/ injection tubing while hydrotesting and sting into packer. RD.





NUMBER OF TESTS WITNESSED UP TO 11/01/98  
 BY DARYL GRONFUR  
 NDIC OIL & GAS DIVISION METERING PROGRAM SPECIALIST

MONTH	GAS SALES METERS	LACT SALES METERS	GAS ALLOCATION METERS	OIL ALLOCATION METERS	CORIOLIS TRUCK METERS	OTHER * GAS METERS	OTHER ** TYPES OF TESTS	TOTAL METER TESTS	CHECK INVENTORY
JANUARY	5	18	1	0	0	0	0	24	15
FEBRUARY	16	21	0	0	0	3	1	41	57
MARCH	21	11	0	0	0	0	0	32	1
APRIL	33	9	1	0	0	0	1	44	13
MAY	6	18	0	0	10	0	0	34	9
JUNE	9	9	0	2	19	0	1	40	0
JULY	2	9	0	2	9	0	0	22	5
AUGUST	3	14	0	0	0	0	2	19	4
SEPTEMBER	10	23	0	0	1	1	0	35	26
OCTOBER	12	16	0	0	1	0	0	29	0
	117	148	2	4	40	4	5	320	130

\* OTHER GAS METER TESTS INCLUDE: TURBINE METERS, FUEL GAS METERS, GAS LIFT METERS

\*\* OTHER TYPES TESTS INCLUDE: ORIFICE PLATE INSPECTION OR CHANGE, METER TUBE INSPECTIONS, WAAW OF PROVERS

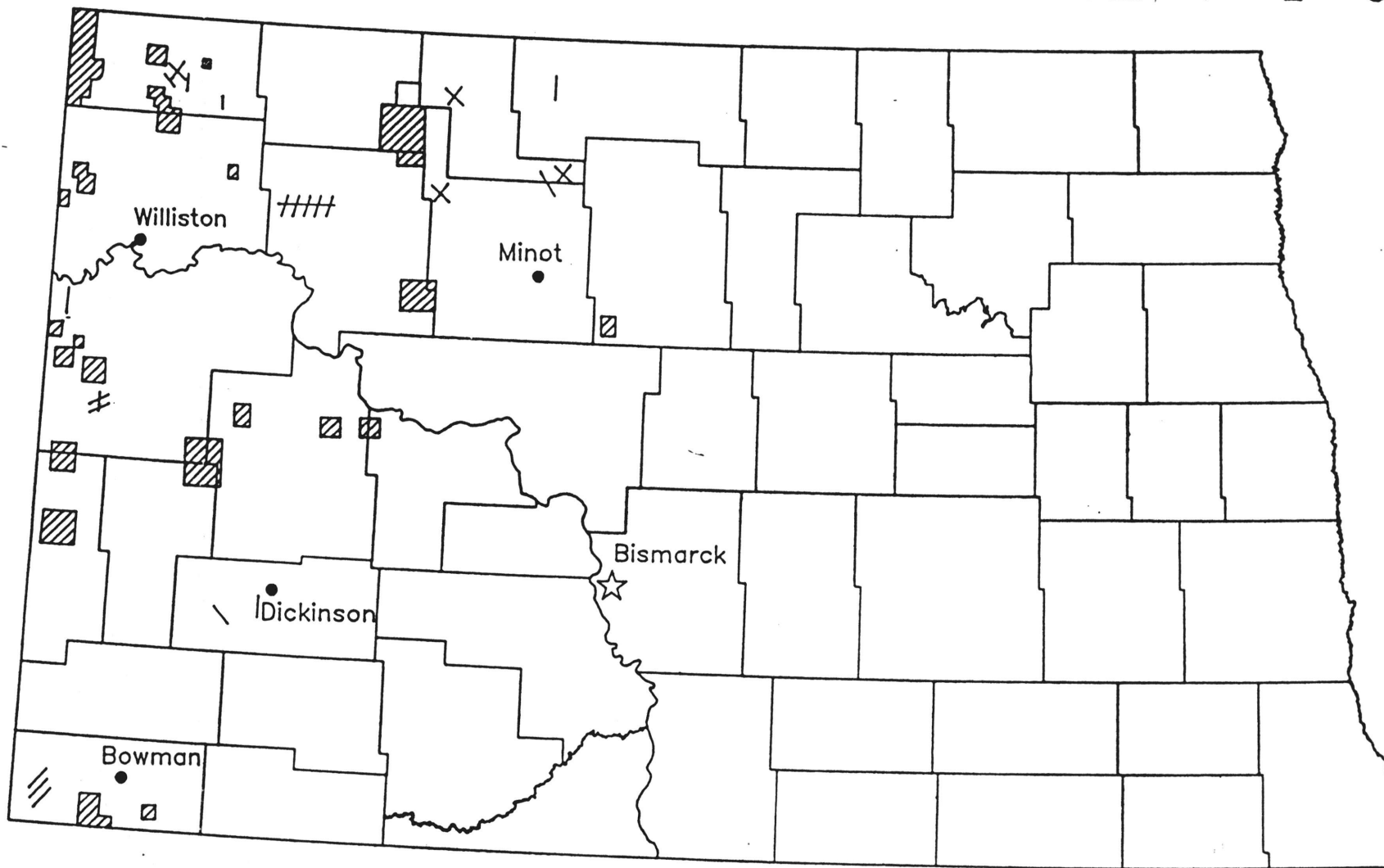
CHECK INVENTORY IS A PHYSICAL INSPECTION OF METERING FACILITY TO ENSURE COMPLIANCE TO RULES.


12/30/98

COUNT OF ALL METERS CURRENTLY IN USE INCLUDES  
OIL SALES, GAS SALES, OIL ALLOCATION & GAS ALLOCATION.

OIL ALLOCATION METERS:	86
GAS ALLOCATION METERS:	33
LACT METERS:	187
GAS SALES METERS:	1591
GAS LIFT METERS:	17
CTB TEST METERS:	45
PLANT METERS:	237
FUEL GAS METERS:	60
UNIT TEST METERS:	16
PRODUCTION METERS:	5

# SEISMIC PROGRAMS PERMITTED SINCE 7-1-97



 3-D SURVEY

 2-D SURVEY

# Geophysical Regulation Fact Sheet

## Bonds

- 12 Geophysical contractor bonds \$50,000
- 29 Drilling and plugging contractors \$10,000 or \$15,000

## Permit Status

- 42 Programs permitted
- 36 Programs completed
- 3 have not yet been drilled (late fall 98)
- 2 currently in progress
- 1 permit cancelled by operator

## Completed Programs

- 33 Explosive shot hole source programs
- 3 Vibrator source programs
- 40,000 Source points (shot holes and vibrator contacts)
- 24 Three dimensional (3-D) surveys
  - 552 Square miles
- 12 Two dimensional (2-D) surveys
  - 138 Linear miles

# Seismic Program Update

Prepared by Dave Hvinden

Permit Number	Program Name	Geophysical Contractor	Client	County	Permit Date	Commenced	Completed	Total Source Points	Square Miles	Linear Miles
970001	Dodge 3-D	Veritas	Anschutz	Dunn	07/11/1997	07/25/1997	08/13/1997	1157	19	
970002	Buck 3-D	Veritas	Anschutz	Mercer	07/11/1997	07/19/1997	08/06/1997	612	9	
970003	McHenry Co. AIH 9701,02,03	Venture Seismic	Amber Energy	McHenry	07/24/1997	woc		264		16
970004	Little Missouri Unit # 795	Lockhart Geophysical	Citation Oil & Gas	Bowman	08/12/1997	08/14/1997	08/28/1997	138		15
970005	Brite Prospect	Reliable	Flying J	Williams	08/18/1997	10/02/1997	11/07/1997	45	4	
970006	Flat Lake 3-D	Veritas	Unknown	Divide	08/21/1997	06/04/1997	08/26/1997	40	1	
970007	Westbee 3-D	Veritas	Mustaugh Resources	Divide	08/27/1997	07/15/1997	08/01/1997	204	4	
970008	Boxcar Butte 3-D	Solid State	Devon Energy	McKenzie	09/02/1997	09/02/1997	11/08/1997	1618	18	
970009	Choctaw-Moline 3-D	Reliable	Choctaw Oil and Gas	McKenzie	09/22/1997	12/15/1997	12/19/1997	496	13	
970010	Alkabo/S.Miller Lake 3-D	Reliable	Lyc0 Energy	Divide	09/29/1997	not drilled	not drilled			
970011	N. Troy Church 3-D	Reliable	Lyc0 Energy	Divide	09/29/1997	07/16/1998	07/26/1998	397	6	
970012	Arete Prospect	Reliable	Mohave	Bottineau	09/29/1997	12/05/1997	12/07/1997	36		4
970013	Harding 3-D	Reliable	Intoil	McKenzie	10/10/1997	01/20/1998	02/05/1998	482	6	
970014	Souris River Prospect	Reliable	Chauvco	Renville	10/14/1997	12/02/1997	12/04/1997	144		6
970015	Wolverine 97 WLV-1	Reliable	Huntford Resources	Ward	10/16/1997	12/10/1997	12/12/1997	61		4
970016	Glenburn East GBE 1,2	Reliable	Huntford Resources	Renville	10/16/1997	12/08/1997	12/09/1997	52		4
970017	Bowman County 3-D	Quantum	Continental Resources	Bowman	10/22/1997	10/22/1997	12/15/1997	1260	21	
970018	Trotters #1	Veritas	Mantaur	Golden Valley	11/03/1997	11/06/1997	11/18/1997	1128	17	
970019	S.E. Medicine Pole Hills	Quantum	Continental Resources	Bowman	11/06/1997	11/07/1997	12/10/1997	504	7	
970020	Lonesome Dove 3-D	Western	Legacy Energy	Williams	11/06/1997	11/12/1997	11/30/1997	468	11	
970021	White Earth 2-D	Venture Seismic	Vista Americana	Mountrail	11/10/1997	11/23/1997	12/02/1997	387		36
970022	Wabek	Trace Ventures	Unknown	Mountrail-Ward	11/10/1997	11/10/1997	12/02/1997	1776	27	
970023	Otterness 3-D	Reliable	Luff Exploration	Bowman	11/12/1997	04/15/1998	04/23/1998	371	4	
970024	Temple 3-D	Veritas	Berco	Williams	11/20/1997	11/20/1997	11/23/1997	240	3	
970025	Hudson Ranch 3-D	Reliable	JN Exploration	Golden Valley	11/24/1997	04/16/1998	07/15/1998	3223	60	
970026	Divide County 97-2 3-D	Williston Seismic (NRG)	Unknown	Divide	11/26/1997	12/01/1997	12/19/1997	1400	16	
970027	McHenry ND 3-D	Venture Seismic	Amber Energy	McHenry	12/01/1997	Cancelled as per operator	N/A			
970028	Sherman Deep 2-D	Reliable	Fortson Oil	Stark	01/05/1998	02/05/1998	02/13/1998	86		5
970029	North Mondak 3-D	Reliable	Panterra	McKenzie	01/26/1998	06/02/1998	06/30/1998	1343	21	
970030	Grand River South 1-3-D	Reliable	Luff Exploration	Bowman	02/03/1998	current	current		11	
970031	Souris Valley 3-D	GECO-Prakla Schlumberger	OXY U.S.A.	Ward-Mountrail	03/11/1998	woc	woc	10000	125	
970032	Divide County 98-2 3-D	Williston Seismic (NRG)	Unknown	Divide-Williams	02/25/1998	03/10/1998	06/24/1998	4000	40	
970033	Donnybrook 98	Williston Seismic (NRG)	Unknown	Ward-Renville	02/25/1998	06/03/1998	06/29/1998	325		12
970034	Winter Butte 3-D	Reliable	Intoil	McKenzie	03/16/1998	woc	woc		9	
970035	Confluence 2-D	Trace Ventures	Unknown	McKenzie	03/18/1998	03/18/1998	03/31/1998	94		4
970036	Divide County 5 Part	Williston Seismic (NRG)	Unknown	Divide	06/06/1998	06/15/1998	07/14/1998	480		24
970037	North Branch Swath	Reliable	Unknown	McKenzie	06/22/1998	current	current			8
970038	Little Knife Prospect	Quantum	Flying J	Billings-Dunn-McKenzie	07/20/1998	08/10/1998	09/21/1998	5440	68	
970039	Amor 3-D	Reliable	Luff	Bowman	08/24/1998	not drilled	not drilled			
970040	Bluffton Prospect	Dawson Geophysical	Jordan Exploration	Divide	08/25/1998	09/22/1998	09/29/1998		10	
970041	Chimney Butte 3-D	Quantum	Anschutz	Dunn	09/09/1998	09/18/1998	10/08/1998	1760	22	
970042	Antler Prospect	Reliable	Unknown	Bottineau	09/25/1998	not drilled	not drilled			



**GEOPHYSICAL EXPLORATION PERMIT**  
**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**OIL AND GAS DIVISION**  
 SFN 51459 (11-97)



600 E BOULEVARD AVE  
 BISMARCK, ND 58505

Company: Liable Exploration, Inc.		Address: 868 Parkway Lane Billings MT 59101	
Contact: Allen Rein	Telephone: (406) 259-1860	Fax: (406) 259-8589	
Surety Company: Anwest Surety	Bond Amount: 50,000.00	Bond Number: 034000055	
2) a. Subcontractor(s): Swenson Drilling	Address: PO Box 693 Sidney MT 59270	Telephone: (406) 482-1270	
b. Subcontractor(s): TCS Drilling	Address: PO Box 574 Sidney MT 59270	Telephone: (406) (482-7769)	
c. Subcontractor(s): Buckskin Services	Address: 919 12th ST SE Sidney MT 59270	Telephone: (406) 482-1143	
3) Party Manager: Doug Wick	Address: PO Box 741 Sidney MT 59270	Telephone: (406) (482-4092)	
4) Project Name or Line Numbers: Luff Exploration - Amor 3-D			
5) Exploration Method (Shot Hole, Non-Explosive, 2D, 3D): Shot Hole			
6) Approximate Drilling Start Date: <b>NOTIFY COUNTY AND LANDOWNERS PRIOR TO COMMENCEMENT OF DRILLING</b>		Approximate Completion Date:	

**COMMISSION MUST BE NOTIFIED AT LEAST 24 HOURS IN ADVANCE OF COMMENCEMENT OF DRILL/PLUG OPERATIONS**

7) Location of Proposed Project - County **BOWMAN**

Section(s), Township(s) & Range(s)	Sec. 30,29,36,31,32	T 130 N	R 103 W
	Sec. 6,5,7,8,	T 129 N	R 103 W
	Sec.	T	R
	Sec.	T	R

8) Size of Hole	Amt. of Charge	Depth	Shots per <del>foot</del> Approx 588	No. of Mi. (sq. mi.)	Identifying Marks Used on Nonmetallic Plug			
					Geophysical ID	a. Plugger ID	b. Plugger ID	c. Plugger ID
4 3/4	5#	60ft		22/mi	REL	REL	REL	

9) Anticipated special drilling and plugging procedures?

10) Enclose a pre-plot map with proposed location of seismic program lines and powder mag.  
**SEE LOCATION DESCRIBED ABOVE**

Signed: *Allen Rein* Title: **VICE PRESIDENT** Date: **8/20/98**

(This space for State office use)

Permit No.: **97-0039** Approval Date: **8/24/98**

Approved By: *David E. Hahn*

Title: *Geophysical Regulation Supervisor*

County Approval Sent: **Bowman**

Conditions of Approval if any:  
*Surface plug ID must show plugger and permit number, also, notify landowners and county prior to commencement of drilling 8/24/98*

NORTH DAKOTA INDUSTRIAL COMMISSION  
DOCKET FOR HEARING  
JANUARY 27, 1999 @ 9:00 A.M.  
HOLIDAY INN  
605 E BROADWAY  
RENOIR/RUSSELL ROOM  
BISMARCK, NORTH DAKOTA

- CASE NO. 7205: ON A MOTION OF THE COMMISSION TO CONSIDER THE PROPER SPACING FOR THE DEVELOPMENT OF THE HARDCRABBLE-STONEWALL POOL, WILLIAMS COUNTY, NORTH DAKOTA, REDEFINE THE LIMITS OF THE FIELD, AND ENACT SUCH SPECIAL FIELD RULES AS MAY BE NECESSARY. PANTERRA PETROLEUM.
- CASE NO. 7206: ON A MOTION OF THE COMMISSION TO CONSIDER THE PROPER SPACING FOR THE DEVELOPMENT OF THE LIVESTOCK-LODGEPOLE POOL, STARK COUNTY, NORTH DAKOTA, REDEFINE THE LIMITS OF THE FIELD, AND ENACT SUCH SPECIAL FIELD RULES AS MAY BE NECESSARY. DUNCAN OIL, INC.
- CASE NO. 7207: ON A MOTION OF THE COMMISSION TO CONSIDER THE PROPER SPACING FOR THE DEVELOPMENT OF THE NORTH TIOGA-WINNIPEGOSIS POOL, BURKE COUNTY, NORTH DAKOTA, REDEFINE THE LIMITS OF THE FIELD, AND ENACT SUCH SPECIAL FIELD RULES AS MAY BE NECESSARY. BERCO RESOURCES, INC.
- CASE NO. 7208: ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF TRIO OPERATING COMPANY, INC. FOR AN ORDER PURSUANT TO SECTION 43-02-03-88.1 OF THE NORTH DAKOTA ADMINISTRATIVE CODE EXEMPTING THE STATE #1-36A WELL, LOCATED IN THE NW/4 NE/4 OF SECTION 36, T.149N., R.96W., MCKENZIE COUNTY, NORTH DAKOTA, FROM THE PROVISIONS OF SECTION 38-08-06.4 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO THE FLARING OF GAS.
- CASE NO. 7209: ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF BALLANTYNE OIL FOR AN ORDER AMENDING THE FIELD RULES FOR THE LITTLE BUTTE-MADISON POOL SO AS TO CREATE AND ESTABLISH A 640-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 26, T.161N., R.91W., BURKE COUNTY, NORTH DAKOTA, AUTHORIZING THE DRILLING OF A HORIZONTAL WELL IN ADDITION TO THE EXISTING VERTICAL WELLS LOCATED THEREIN, AND/OR SUCH OTHER AND FURTHER RELIEF AS THE COMMISSION DEEMS APPROPRIATE.

**SUPPLEMENT TO JANUARY 27, 1999 DOCKET**

**NORTH DAKOTA INDUSTRIAL COMMISSION  
DOCKET FOR HEARING  
JANUARY 27, 1999 @ 9:00 A.M.  
HOLIDAY INN  
605 E BROADWAY  
RENOIR/RUSSELL ROOM  
BISMARCK, NORTH DAKOTA**

CASE NO. 7211: ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF GEORESOURCES, INC. FOR AN ORDER PURSUANT TO SECTION 43-02-03-88.1 OF THE NORTH DAKOTA ADMINISTRATIVE CODE FOR THE CONVERSION TO INJECTION INTO THE MADISON FORMATION IN THE SSMU B-1011 WELL, LOCATED IN THE NW/4 SW/4 OF SECTION 34, T.161N., R.78W., BOTTINEAU COUNTY, NORTH DAKOTA.

CASE NO. 7212: ON A MOTION OF THE COMMISSION TO CONSIDER THE APPLICATION OF DUNCAN OIL, INC. FOR AN ORDER PURSUANT TO SECTION 43-02-03-88.1 OF THE NORTH DAKOTA ADMINISTRATIVE CODE FOR THE CONVERSION TO INJECTION INTO THE LODGEPOLE FORMATION IN THE PATTERSON #1-24 WELL, LOCATED IN THE NW/4 SE/4 OF SECTION 24, T.139N., R.97W., STARK COUNTY, NORTH DAKOTA.



BEFORE THE INDUSTRIAL COMMISSION  
OF THE STATE OF NORTH DAKOTA

CASE NO. 7138  
ORDER NO. 8332

IN THE MATTER OF A HEARING  
CALLED ON A MOTION OF THE  
COMMISSION TO CONSIDER THE  
PROPER SPACING FOR THE  
DEVELOPMENT OF THE  
CARTER-MIDALE/NESSON POOL, BURKE  
COUNTY, NORTH DAKOTA, REDEFINE  
THE LIMITS OF THE FIELD, AND  
ENACT SUCH SPECIAL FIELD RULES AS  
MAY BE NECESSARY.

ORDER OF THE COMMISSION

THE COMMISSION FINDS:

(1) This cause came on for hearing at 9:00 a.m. on the 16th day of September, 1998.

(2) Geological and engineering evidence presented to the Commission relative to the matter of well spacing indicates that the Carter-Midale/Nesson Pool, as classified and defined in this order, should be developed on a pattern of one horizontal well to 320 acres in Zone I and one horizontal well (drilled with three laterals) to 640 acres in Zone II in order to drain efficiently the recoverable oil from said pool, assure rapid development, avoid the drilling of unnecessary wells, and prevent waste in a manner that will protect correlative rights.

(3) Proper spacing establishing one horizontal well to 320 acres in Zone I and one horizontal well to 640 acres in Zone II in the Midale/Nesson Pool in this field will result in the efficient and economical development of the field as a whole and will operate so as to prevent waste and provide maximum ultimate recovery, will avoid the drilling of unnecessary wells, and will protect correlative rights.

(4) The unrestricted flaring of gas produced from the Carter-Midale/Nesson Pool could be considered waste, and in order to minimize such, production from the pool should be restricted until the wells producing therefrom are connected to a gas gathering and processing facility.

(5) Certain special field rules are necessary to prevent waste and protect against the contamination and pollution of surface lands and fresh waters.

IT IS THEREFORE ORDERED:

(1) Provisions established herein for the Carter-Midale/Nesson Pool are for the exclusive purpose of drilling horizontal wells. Existing and future vertical and directional wells drilled within the area defined in paragraph (2) below shall conform to the applicable order or rule providing for the orderly development of the Madison Pool.

(2) The Carter-Midale/Nesson Pool is hereby defined as the following described tracts of land in Burke County, North Dakota:

ZONE I

TOWNSHIP 162 NORTH, RANGE 90 WEST, 5TH PM  
ALL OF SECTIONS 12, 13, 14, 21, 22, 23, 25, 26, 28, 29 AND 33,

TOWNSHIP 162 NORTH, RANGE 89 WEST, 5TH PM  
ALL OF SECTIONS 15, 17, 18, 20, 21, 29, 30, 31 AND 33,

TOWNSHIP 161 NORTH, RANGE 89 WEST, 5TH PM  
ALL OF SECTION 6,

together with those additional quarter sections or governmental lots corresponding thereto as may be proven productive by wells drilled on lands within one mile of the boundaries of the field as set forth above, provided further that such extensions of the field boundaries shall include only sufficient acreage to form a spacing unit for such wells, and any intervening lands.

ZONE II

TOWNSHIP 162 NORTH, RANGE 90 WEST, 5TH PM  
ALL OF SECTIONS 11, 20, 24, 27 AND 32,

TOWNSHIP 162 NORTH, RANGE 89 WEST, 5TH PM  
ALL OF SECTIONS 7, 16, 19, 22, 28, 32 AND 34,

TOWNSHIP 161 NORTH, RANGE 89 WEST, 5TH PM  
ALL OF SECTION 7.

(3) The Carter-Midale/Nesson Pool be, and the same is hereby defined as that accumulation of oil and gas found in the interval from below the top of the Madison Group to above the top of the State "A" Zone within the limits of the field as set forth above.

(4) The proper spacing for the development of the Carter-Midale/Nesson Pool in Zone I is hereby set at one horizontal well to each 320 acres.

(5) All portions of the well bore not isolated by cement of any horizontal well hereafter drilled in Zone I of the Carter-Midale/Nesson Pool shall be no closer than 500 feet to the boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment shall be considered when determining compliance with the 500-foot setback.

(6) Spacing units in the Carter-Midale/Nesson Pool in Zone I shall consist of two adjacent quarter sections, or governmental lots corresponding thereto within the same section. The configuration of spacing units, either vertical or horizontal, shall be determined by the location of the proposed completion interval of the first well in the section, such that the aforesaid interval will be nearest to the center of the spacing unit. Spacing units for intervals being equi-distant from the mid-section lines shall be designated by the operator; however, the Commission shall have continuing jurisdiction, and in the event that spacing units hereafter formed by this policy do not coincide with the geological and physical nature of the reservoir, the Commission may alter specific spacing units upon application by any interested party, after due notice and hearing.

(7) All portions of the well bore not isolated by cement of any horizontal well hereafter drilled in the Carter-Midale/Nesson Pool shall be no closer than 500 feet to the boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment shall be considered when determining compliance with the 500-foot setback.

(8) The proper spacing for the development of the Carter-Midale/Nesson Pool in Zone II is hereby set at one horizontal well to each 640 acres.

(9) All portions of the well bore not isolated by cement of any horizontal well hereafter drilled in Zone II of the Carter-Midale/Nesson Pool shall be no closer than 500 feet to the boundary of the spacing unit. Measurement inaccuracies in the directional survey equipment shall be considered when determining compliance with the 500-foot setback.

(10) Spacing units in the Carter-Midale/Nesson Pool in Zone II shall consist of a governmental section.

(11) The Director is hereby authorized to issue an administrative order establishing 640-acre spacing units allowing one horizontal well and extending Zone II of the Carter-Midale/Nesson Pool, whenever, in his opinion, an application for such an order satisfies the following stipulations:

- (a) The proposed spacing unit currently lies within the boundary of Zone I of the Midale/Nesson Pool and is void of any horizontal wells.
- (b) Horizontal drilling technology will be utilized in the Midale/Nesson Pool.
- (c) One of the following must be satisfied:
  - (i) All mineral and leasehold interests in the proposed 640-acre spacing unit have voluntarily pooled their interests. The application must include documents to verify the foregoing.
  - (ii) Three proposed horizontal laterals will penetrate all four quarters of the proposed spacing unit in a manner that will protect correlative rights.

(12) Zone II shall not be extended except under the provisions of paragraph (11) above or by further order of the Commission after notice and hearing.

(13) The operator of any horizontally drilled well in the Carter-Midale/Nesson Pool shall cause to be made a directional survey of the well bore. The survey shall be filed with the Commission within 30 days after completion of the well and shall be of sufficient quality to enable the Commission to determine the entire completion location of the well and its terminus.

(14) Wells presently permitted to or producing from the Carter-Midale/Nesson Pool that do not conform to this spacing pattern shall be considered exceptions.

(15) The Commission shall have continuing jurisdiction in this matter and specifically reserves the authority, upon its own motion or the motion of any interested party, to: (1) review the spacing requirements for the

Carter-Midale/Nesson Pool; (2) determine whether the separate zones of spacing established herein are warranted; and, (3) make such further amendments or modifications to the spacing requirements for the Carter-Midale/Nesson Pool as the Commission deems appropriate.

(16) No well shall be drilled or produced in the Carter-Midale/Nesson Pool, as defined herein, except in conformity with the regulations above without special order of the Commission after due notice and hearing.

(17) The following rules concerning the casing, tubing and equipping of wells shall apply to the subsequent drilling and operation of wells in the Carter-Midale/Nesson Pool:

- (a) The surface casing shall consist of new or reconditioned pipe that has been previously tested to 1000 pounds per square inch. The casing shall be set and cemented at a point not less than 50 feet below the base of any fresh water aquifer in the area, but not less than 850 feet. Sufficient cement shall be used to fill the annular space outside the pipe to the surface of the ground or the bottom of the cellar, and sufficient scratchers and centralizers shall be used to assure a good cement job. Cement shall be allowed to stand a minimum of 12 hours before drilling the plug or initiating tests. The quality of cement shall conform to the standards provided under NDAC Section 43-02-03-21;
- (b) The producing or oil string shall consist of new or reconditioned pipe that has been previously tested to 2000 pounds per square inch. Casing shall be set and cemented at a point not higher than the top of the producing formation, or at a point approved by the Director. Sufficient cement shall be used and applied in such manner as to adequately protect and isolate all formations containing oil and/or gas, protect the pipe through salt sections encountered, and to isolate the Dakota-Lakota Series. The cement shall be allowed to stand a minimum of 12 hours before drilling the plug or initiating tests. The quality of cement shall conform to the standards provided under NDAC Section 43-02-03-21. After cementing, the casing shall be tested by application of pump pressure of at least 2000 pounds per square inch. If, at the end of 30 minutes this pressure has dropped 150 pounds per square inch or more, the casing shall be repaired. Thereafter, the casing shall again be tested in the same manner. Further work shall not proceed until a satisfactory test has been obtained;
- (c) All well-head fittings and connections shall have a working pressure in excess of that to which they are expected to be subjected; and,
- (d) All wells shall be equipped with tubing and all flowing wells shall be equipped with tubing and tubing packer; all tubing shall be of sufficient internal diameter to allow the passage of a bottom hole pressure gauge for the purpose of obtaining bottom hole pressure measurements.

(18) The gas-oil ratio of each well shall be measured during the months of May and November, and the reservoir pressure of flowing wells shall be measured in the months of May and November, and in pumping wells when the rods are pulled out at least once annually and reported to

the Director within 15 days following the end of the month in which they are determined. Pressure measurements shall be made at or adjusted to a subsea datum of 3890 feet after the well has been shut in for 48 hours. All gas-oil ratio and reservoir pressure determinations shall be made by methods approved by the Director. The Director is authorized to waive these requirements if the necessity therefore can be demonstrated to his satisfaction.

(19) No salt water shall be stored in pits in this field, except in an emergency, and approved by the Director.

(20) All wells in the Carter-Midale/Nesson Pool shall be allowed to produce at an unrestricted rate for a period of 60 days commencing on the first day oil is produced through well-head equipment into tanks from the ultimate producing interval after casing has been run; after that, oil production from such wells shall not exceed an average of 200 barrels per day for a period of 60 days; after that, oil production from such wells shall not exceed an average of 150 barrels per day for a period of 60 days, thereafter, oil production from such wells shall not exceed an average of 100 barrels of oil per day; if and when such wells are connected to a gas gathering and processing facility the foregoing restrictions shall be removed, and the wells shall be allowed to produce at a maximum efficient rate.

(21) If the flaring of gas produced with crude oil from the Carter-Midale/Nesson Pool causes, or threatens to cause, degradation of ambient air quality, production from the pool shall be further restricted.

(22) This order shall cover all of the Carter-Midale/Nesson Pool common source of supply of crude oil and/or natural gas as herein defined, and shall continue in full force and effect until further order of the Commission or until the last well in the pool has been plugged and abandoned.

Dated this 15th day of October, 1998.

INDUSTRIAL COMMISSION  
STATE OF NORTH DAKOTA

/s/ Edward T. Schafer, Governor

/s/ Heidi Heitkamp, Attorney General

/s/ Roger Johnson, Commissioner of Agriculture

# STATE OF NORTH DAKOTA 1998 MONTHLY STATISTICAL UPDATE

Month	Monthly Production Totals	Wells Capable of Production	Average Daily Production	Permits				Spuds	Average Rig Count
				Dev	Ext	Wct	Total		
Jan	3140550	3335	101308	7	1	2	10	14	19
Feb	2726808	3325	97386	11	2	2	15	7	15
Mar	3040313	3280	98074	3	1	2	6	12	13
Apr	3022295	3306	100743	2	0	2	4	9	11
May	3114385	3301	100464	7	1	3	11	12	12
Jun	2977339	3271	99244	8	1	3	12	16	15
Jul	2985155	3139	96295	6	0	1	7	12	15
Aug	2972118	3114	95874	5	0	0	5	9	11
Sep	2848053	3123	94935	4	0	2	6	6	7
Oct	2967182	3148	95715	3	0	2	5	6	7
Nov	2867422	3110	95580	3	0	2	5	2	7
Dec				0	1	1	2	5	5
<b>Total</b>	<b>32661620</b>		<b>97783</b>	<b>59</b>	<b>7</b>	<b>22</b>	<b>88</b>	<b>110</b>	<b>5</b>

Prepared by N.D.I.C. Oil and Gas Division / DCH / Jan 11, 1999

# STATE OF NORTH DAKOTA 1998 WELL COMPLETION STATISTICS

Month	Total Wells	Total Prod.	Development		Wildcat		Extension		Recom- pleted	Re-entry		Other
			Prod.	Dry	Prod.	Dry	Prod.	Dry		Prod.	Dry	
Jan	15	14	12	1	1	0	1	0	3	0	0	4
Feb	15	10	8	1	1	4	1	0	0	0	0	5
Mar	14	12	10	1	0	0	2	1	0	1	0	7
Apr	11	9	8	1	0	1	1	0	3	1	0	3
May	7	6	6	0	0	1	0	0	2	0	0	2
Jun	11	8	8	0	0	3	0	0	2	3	0	5
Jul	12	8	7	1	1	3	0	0	0	4	0	6
Aug	7	5	4	0	1	2	0	0	2	0	1	4
Sep	7	7	6	0	1	0	0	0	0	1	1	2
Oct	5	4	4	0	0	1	0	0	0	1	0	3
Nov	2	1	1	1	0	0	0	0	0	0	0	1
Dec	3	3	3	0	0	0	0	0	0	0	0	1
<b>Total</b>	<b>109</b>	<b>87</b>	<b>77</b>	<b>6</b>	<b>5</b>	<b>15</b>	<b>5</b>	<b>1</b>	<b>12</b>	<b>11</b>	<b>2</b>	<b>43</b>

## 1998 DRILLING STATISTICS

Month	Development		Wildcat		Extension		Re-entry		Others	Monthly Footage
	Prod.	Dry	Prod.	Dry	Prod.	Dry	Prod.	Dry		
Jan	114109	12343	11700	0	11724	0	0	0	8640	158516
Feb	96353	14637	11670	39756	11849	0	0	0	13517	187782
Mar	127361	9620	0	0	25607	6043	0	0	6723	175354
Apr	101737	6060	0	9480	13247	0	7583	0	2366	140473
May	85274	0	0	9800	0	0	0	0	1353	96427
Jun	109538	0	0	22740	0	0	6684	0	3830	142792
Jul	96683	9170	13136	29284	0	0	8449	0	7887	164609
Aug	53064	0	13350	30150	0	0	0	1236	4886	102686
Sep	73031	0	11656	0	0	0	1875	2113	2200	90875
Oct	61960	0	0	8600	0	0	8101	0	1394	80055
Nov	18820	10375	0	0	0	0	0	0	666	29861
Dec	48228	0	0	0	0	0	0	0	1436	49664
<b>Total</b>	<b>986158</b>	<b>62205</b>	<b>61512</b>	<b>149810</b>	<b>62427</b>	<b>6043</b>	<b>32692</b>	<b>3349</b>	<b>54898</b>	<b>1419094</b>

Prepared by N.D.I.C. Oil and Gas Division / MFB / Dec 31, 1998

# STATE OF NORTH DAKOTA 1998 COUNTY COMPLETION STATISTICS

Cty	Total Wells	Total Prod.	Development		Wildcat		Extension		Recom-pleted	Re-entry		Other
			Prod.	Dry	Prod.	Dry	Prod.	Dry		Prod.	Dry	
Bil	10	9	7	0	0	1	2	0	2	0	0	5
Bot	9	8	8	0	0	1	0	0	0	0	0	3
Bow	31	29	29	2	0	0	0	0	0	0	0	17
Bke	13	11	11	1	0	1	0	0	0	1	0	7
Div	2	1	0	0	1	1	0	0	2	0	0	0
Dun	5	3	3	0	0	2	0	0	0	0	2	0
GV	4	2	1	1	1	1	0	0	2	0	0	2
McK	9	9	7	0	1	0	1	0	6	2	0	1
McL	0	0	0	0	0	0	0	0	0	0	0	0
Mou	2	2	1	0	1	0	0	0	0	3	0	1
Ren	2	0	0	0	0	1	0	1	0	0	0	0
Stk	4	2	1	1	0	1	1	0	0	0	0	2
Wrd	1	0	0	0	0	1	0	0	0	0	0	0
Wil	12	9	8	1	1	2	0	0	0	5	0	4
Oth	5	2	1	0	0	3	1	0	0	0	0	1
<b>Total</b>	<b>109</b>	<b>87</b>	<b>77</b>	<b>6</b>	<b>5</b>	<b>15</b>	<b>5</b>	<b>1</b>	<b>12</b>	<b>11</b>	<b>2</b>	<b>43</b>

# 1998 COUNTY DRILLING STATISTICS

Cty	Development		Wildcat		Extension		Re-entry		Others	Total Footage
	Prod.	Dry	Prod.	Dry	Prod.	Dry	Prod.	Dry		
Bil	81265	0	0	12300	22802	0	0	0	4594	120961
Bot	40517	0	0	4200	0	0	0	0	9935	54652
Bow	404947	24257	0	0	0	0	0	0	16833	446037
Bke	199950	6060	0	19430	0	0	8101	0	5385	238926
Div	0	0	11670	8600	0	0	0	0	0	20270
Dun	33440	0	0	21460	0	0	0	3349	0	58249
GV	12560	9170	11700	12231	0	0	0	0	926	46587
McK	89552	0	13350	0	13247	0	3693	0	362	120204
McL	0	0	0	0	0	0	0	0	0	0
Mou	11402	0	13136	0	0	0	5172	0	358	30068
Ren	0	0	0	5800	0	6043	0	0	0	11843
Stk	9800	10375	0	10000	11724	0	0	0	2306	44205
Wrd	0	0	0	6200	0	0	0	0	0	6200
Wil	90476	12343	11656	24841	0	0	15726	0	13703	168745
Oth	12249	0	0	24748	14654	0	0	0	496	52147
<b>Total</b>	<b>986158</b>	<b>62205</b>	<b>61512</b>	<b>149810</b>	<b>62427</b>	<b>6043</b>	<b>32692</b>	<b>3349</b>	<b>54898</b>	<b>1419094</b>



# State Of North Dakota 1998 Monthly Unit Update

Month	Total Unit Production	Percent Of State Production
January	1243968	39.6
February	1075129	39.4
March	1223531	40.2
April	1225685	40.5
May	1305338	41.9
June	1244742	41.8
July	1270864	42.6
August	1276082	42.9
September	1228768	43.1
October	1288801	43.4
November		
December		

HORIZONTAL WELL STATISTICS

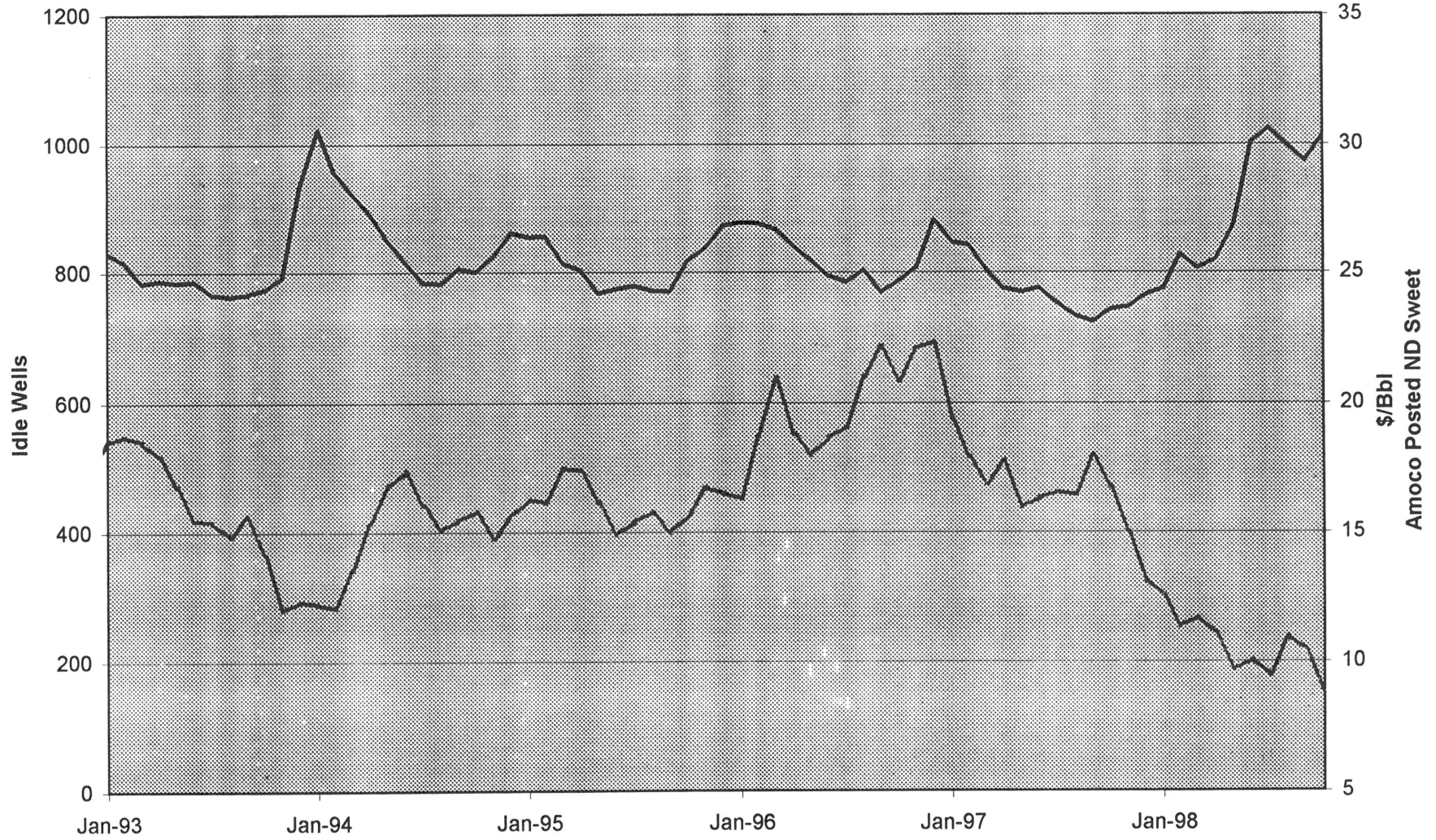
YR	COMPLETED		RIGS	PERMITS	PRODUCTION	PERCENT OF STATE PRODUCTION
	PROD	DRY	DRILLING	ISSUED		
YEAR 86	0	0	0.0	1	0	0.0
YEAR 87	1	0	0.2	3	10516	< 0.1
YEAR 88	9	0	2.2	12	222910	0.6
YEAR 89	29	3	5.7	74	959861	2.6
YEAR 90	66	11	11.6	97	2744638	7.5
YEAR 91	45	4	6.3	41	3706820	10.3
YEAR 92	34	0	3.8	40	3004362	9.1
YEAR 93	26	2	2.9	34	2462631	8.0
YEAR 94	25	2	2.9	38	1872464	6.8
YEAR 95	51	7	6.2	205	2533115	8.6
YEAR 96	97	10	10.8	436	6225074	19.3
JAN 97	9	0	9	0	619345	22.4
FEB 97	5	0	9	7	582477	22.3
MAR 97	5	0	8	4	644435	22.5
APR 97	9	0	9	7	612405	21.7
MAY 97	4	1	13	5	666099	21.7
JUN 97	10	1	13	36	646377	21.7
JUL 97	6	0	14	11	654037	21.2
AUG 97	14	1	12	13	669688	21.6
SEP 97	10	1	14	12	702710	23.1
OCT 97	5	1	17	9	755236	23.7
NOV 97	18	0	16	9	751667	24.2
DEC 97	13	0	16	8	792525	24.8
YEAR 97	108	5	12.5	121	8097001	22.6
JAN 98	10	1	13	6	794724	25.3
FEB 98	6	2	8	7	685953	25.2
MAR 98	9	1	6	5	760589	25.0
APR 98	7	0	7	3	747974	24.7
MAY 98	3	0	10	9	755310	24.3
JUN 98	11	0	10	8	722235	24.3
JUL 98	10	0	8	6	742439	24.9
AUG 98	5	1	7	7	720511	24.3
SEP 98	5	1	5	4	678664	23.8
OCT 98	5	0	4	4	700760	23.6
NOV 98	0	0	4	3	657532	22.9
DEC 98	3	0	2	0	0	0.0
YEAR 98	74	6	7.0	62	7966691	24.4
TOTALS	565	50		1164	39806083	

OIL PRODUCTION FROM HORIZONTAL WELLS

MONTH YR	PROD	BOPD	WELLS		AVG PER WELL	BOPD PER WELL	% OF STATE PROD	CUMULATIVE
			PROD	DRL				
JAN 97	619345	19979	320	9	1935	62	22.4	24361736
FEB 97	582477	20803	325	9	1792	64	22.3	24944213
MAR 97	644435	20788	330	8	1953	63	22.5	25588648
APR 97	612405	20414	336	9	1823	61	21.7	26201053
MAY 97	666099	21487	343	13	1942	63	21.7	26867152
JUN 97	646377	21546	349	13	1852	62	21.7	27513529
JUL 97	654037	21098	353	14	1853	60	21.2	28167566
AUG 97	669688	21603	367	12	1825	59	21.6	28837254
SEP 97	702710	23424	377	14	1864	62	23.1	29539964
OCT 97	755236	24362	379	17	1993	64	23.7	30295200
NOV 97	751667	25056	392	16	1918	64	24.2	31046867
DEC 97	792525	25565	404	16	1962	63	24.8	31839392
JAN 98	794724	25636	410	13	1938	63	25.3	32634116
FEB 98	685953	24498	413	8	1661	59	25.2	33320069
MAR 98	760589	24535	419	6	1815	59	25.0	34080658
APR 98	747974	24932	430	7	1739	58	24.7	34828632
MAY 98	755310	24365	433	10	1744	56	24.3	35583942
JUN 98	722235	24075	439	10	1645	55	24.3	36306177
JUL 98	742439	23950	444	8	1672	54	24.9	37048616
AUG 98	720511	23242	444	7	1623	52	24.3	37769127
SEP 98	678664	22622	447	5	1518	51	23.8	38447791
OCT 98	700760	22605	449	4	1561	50	23.6	39148551
NOV 98	657532	21918	445	4	1478	49	22.9	39806083

Prepared by N.D.I.C. Oil and Gas Division / BEH / 1-7-99

**IDLE WELLS**  
(Wells Capable of Production Minus Wells Actually Produced)

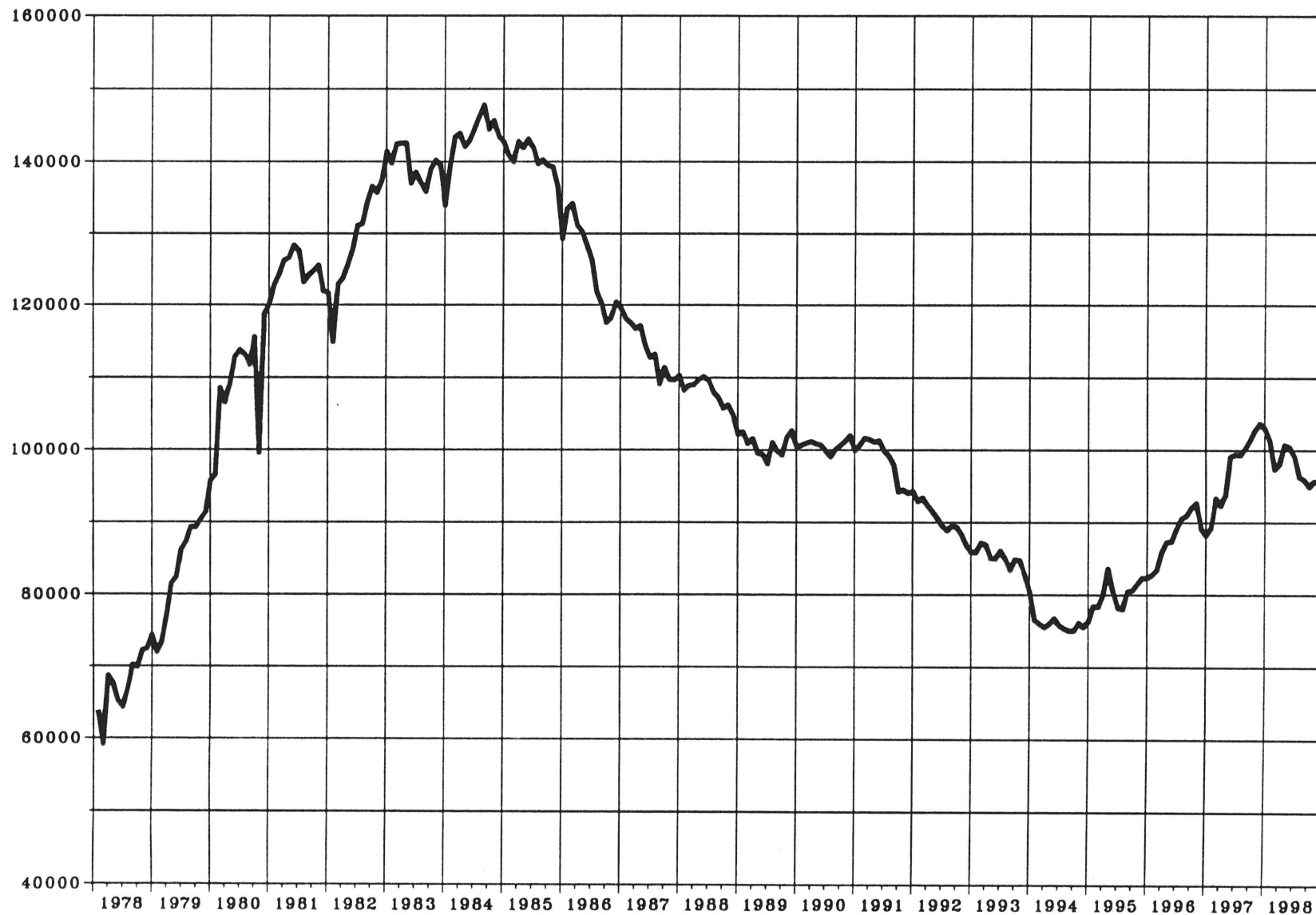


MONTH / YEAR	IDLE WELLS	AMOCO SWEET PRICE	NUMBER OF WELLS ACTUALLY PROD. DURING MONTH	NUMBER OF WELLS CAPABLE OF PROD. DURING MONTH
Jan-93	821	17.5	3381	4202
Feb-93	829	18.48	3377	4206
Mar-93	815	18.71	3386	4201
Apr-93	783	18.5	3411	4194
May-93	787	17.92	3406	4193
Jun-93	784	16.77	3404	4188
Jul-93	786	15.47	3397	4183
Aug-93	766	15.4	3415	4181
Sep-93	763	14.83	3400	4163
Oct-93	766	15.61	3394	4160
Nov-93	774	14.13	3364	4138
Dec-93	792	11.97	3346	4138
Jan-94	935	12.32	3203	4138
Feb-94	1022	12.19	3114	4136
Mar-94	957	12.05	3175	4132
Apr-94	923	13.55	3208	4131
May-94	891	15.36	3245	4136
Jun-94	848	16.77	3268	4116
Jul-94	816	17.36	3289	4105
Aug-94	784	16.05	3302	4086
Sep-94	782	15.08	3292	4074
Oct-94	806	15.46	3272	4078
Nov-94	800	15.79	3273	4073
Dec-94	824	14.78	3244	4068
Jan-95	860	15.63	3204	4064
Feb-95	853	16.27	3222	4075
Mar-95	855	16.15	3218	4073
Apr-95	813	17.46	3257	4070
May-95	803	17.38	3255	4058
Jun-95	768	16.15	3282	4050
Jul-95	774	14.9	3266	4040
Aug-95	779	15.4	3256	4035
Sep-95	772	15.77	3261	4033
Oct-95	770	14.98	3273	4043
Nov-95	817	15.64	3230	4047
Dec-95	836	16.72	3212	4048
Jan-96	870	16.5	3185	4055
Feb-96	876	16.3	3192	4068
Mar-96	874	18.71	3198	4072
Apr-96	865	20.96	3214	4079
May-96	840	18.78	3245	4085
Jun-96	818	17.98	3265	4083
Jul-96	794	18.63	3286	4080
Aug-96	785	19.07	3309	4094
Sep-96	803	21.01	3299	4102
Oct-96	769	22.16	3325	4094

MONTH / YEAR	IDLE WELLS	AMOCO SWEET PRICE	NUMBER OF WELLS ACTUALLY PROD. DURING MONTH	NUMBER OF WELLS CAPABLE OF PROD. DURING MONTH
Nov-96	787	20.84	3300	4087
Dec-96	807	22.1	3277	4084
Jan-97	880	22.34	3203	4083
Feb-97	845	19.37	3245	4090
Mar-97	841	17.88	3255	4096
Apr-97	803	16.88	3289	4092
May-97	775	17.74	3319	4094
Jun-97	769	15.94	3328	4097
Jul-97	776	16.32	3314	4090
Aug-97	752	16.56	3344	4096
Sep-97	733	16.43	3360	4093
Oct-97	724	17.96	3357	4081
Nov-97	743	16.75	3349	4092
Dec-97	747	14.99	3345	4092
Jan-98	765	13.16	3335	4100
Feb-98	775	12.51	3325	4100
Mar-98	827	11.35	3280	4107
Apr-98	806	11.68	3306	4112
May-98	819	11.04	3301	4120
Jun-98	871	9.64	3271	4142
Jul-98	1002	10.05	3139	4141
Aug-98	1025	9.44	3114	4139
Sep-98	999	10.93	3123	4122
Oct-98	973	10.41	3148	4121
Nov-98	1013	8.8	3110	4123

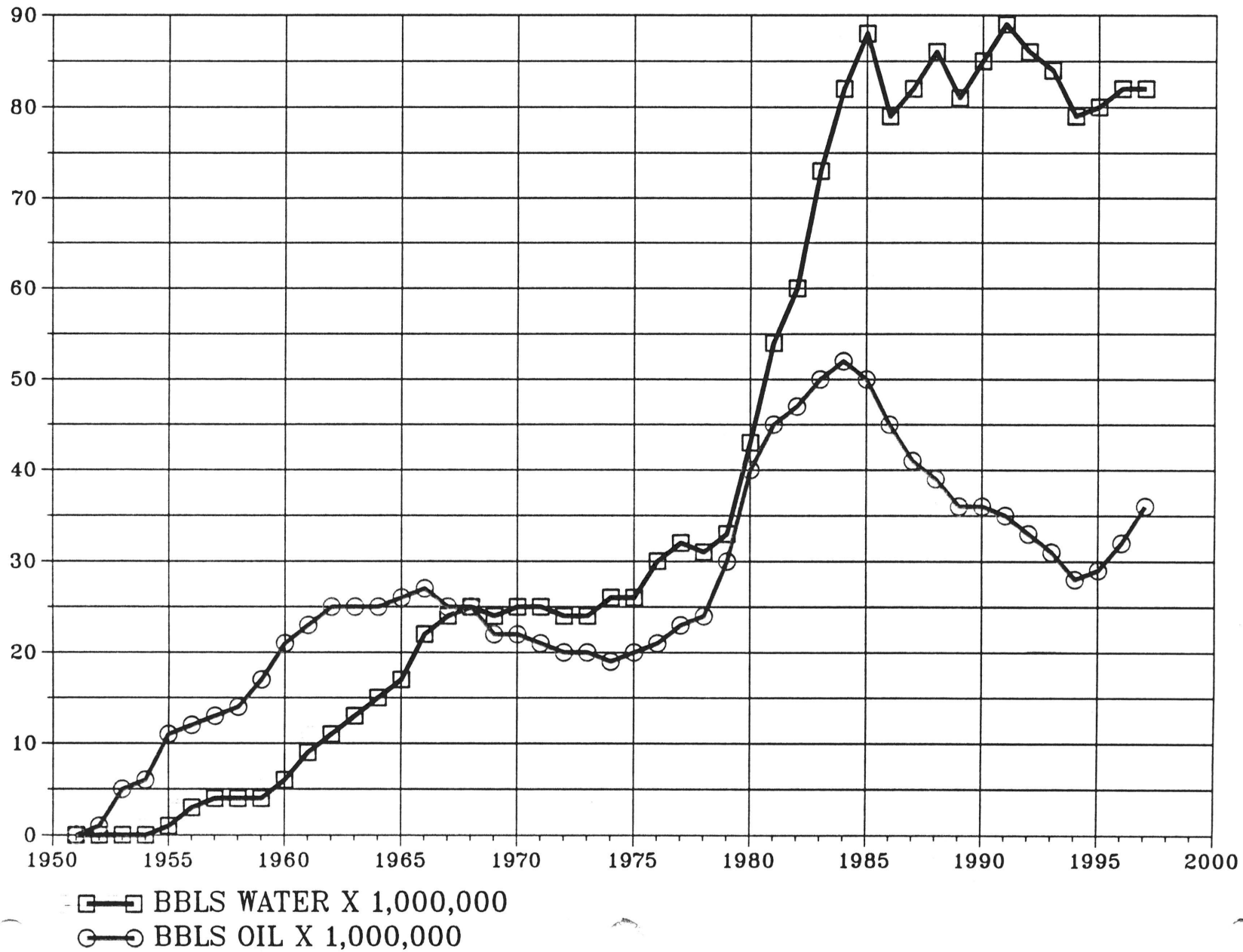
# NORTH DAKOTA DAILY OIL PRODUCTION IN BBLs

N.D.I.C. Oil & Gas Div. Jan. 11, 1999



# PRODUCED OIL VS PRODUCED WATER

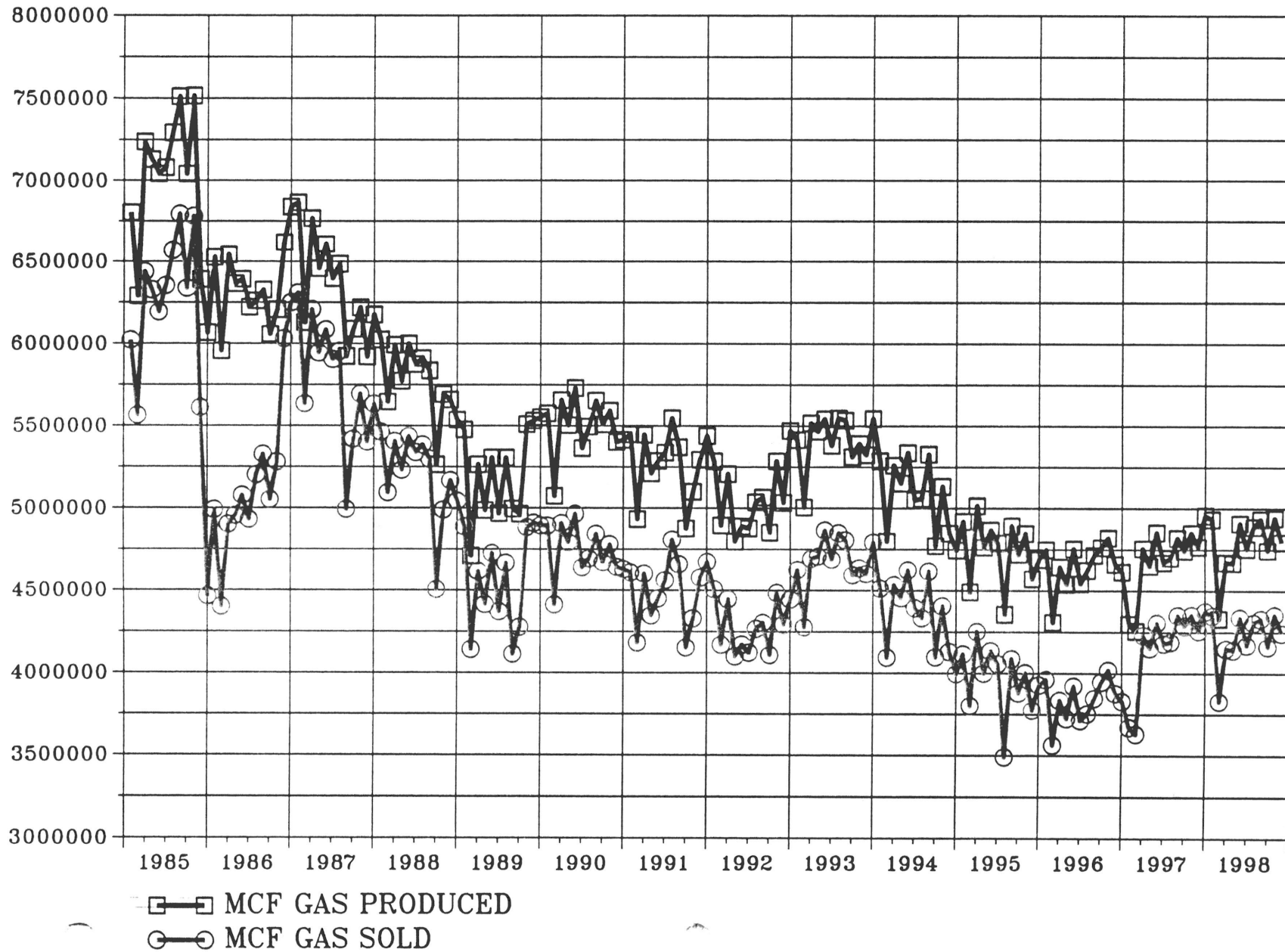
N.D.I.C. Oil & Gas Div. Jan. 11, 1999





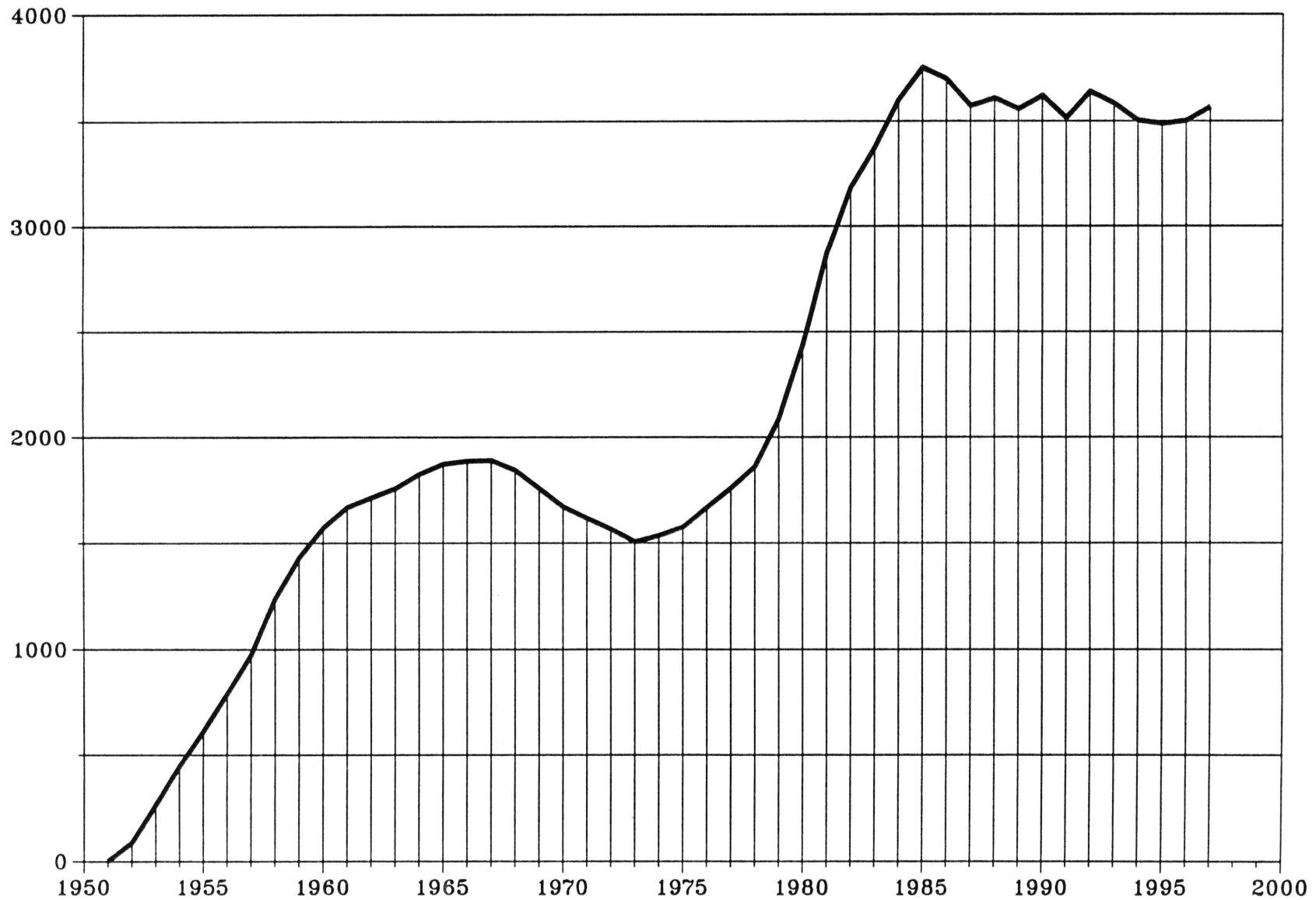
# GAS PRODUCED AND SOLD IN NORTH DAKOTA BY MONTH

N.D.I.C. Oil & Gas Div. Jan. 11, 1999



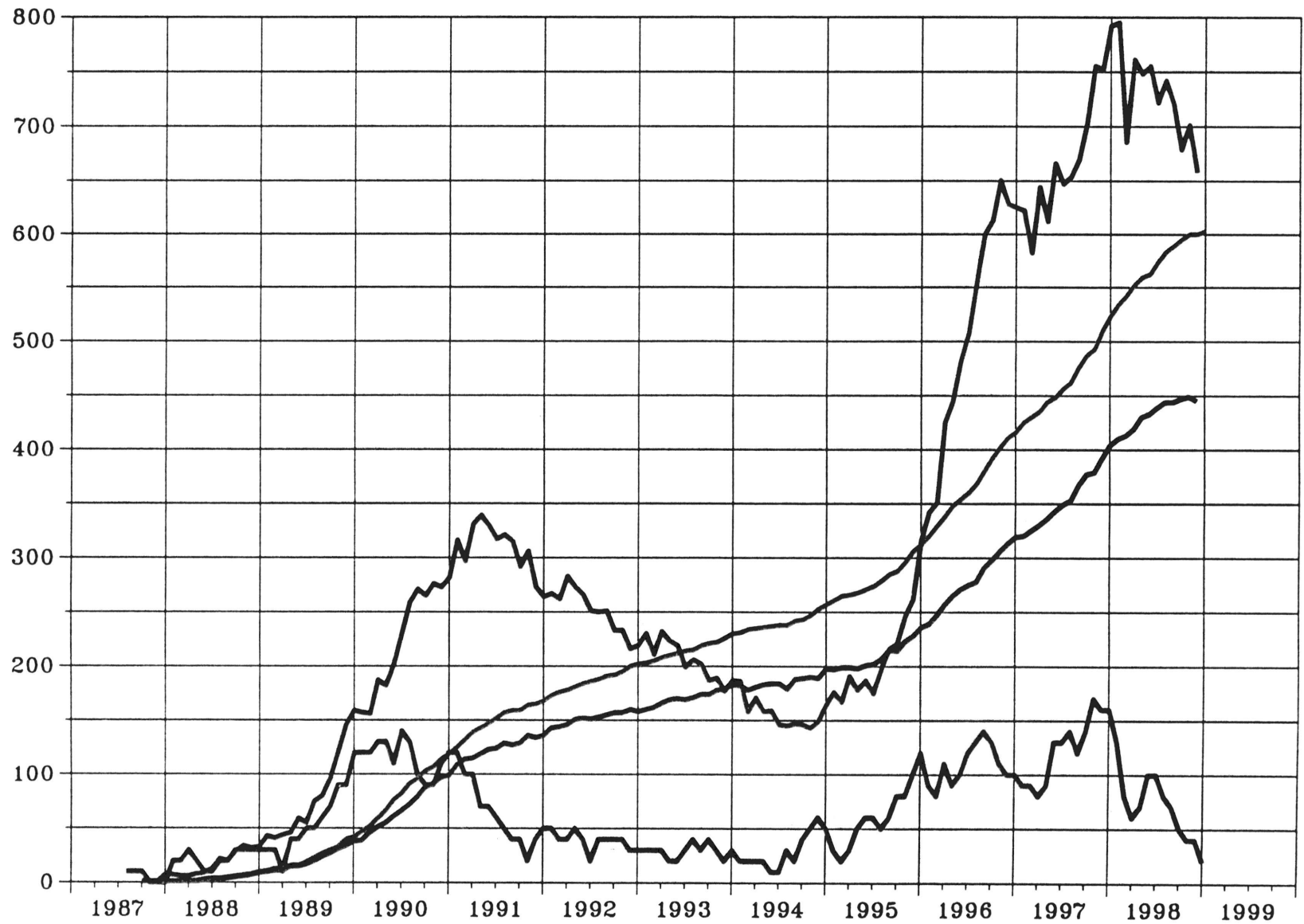
# WELLS PRODUCING EACH YEAR IN NORTH DAKOTA

N.D.I.C. Oil & Gas Div. Jan. 11, 1999



# HORIZONTAL WELL STATISTICS

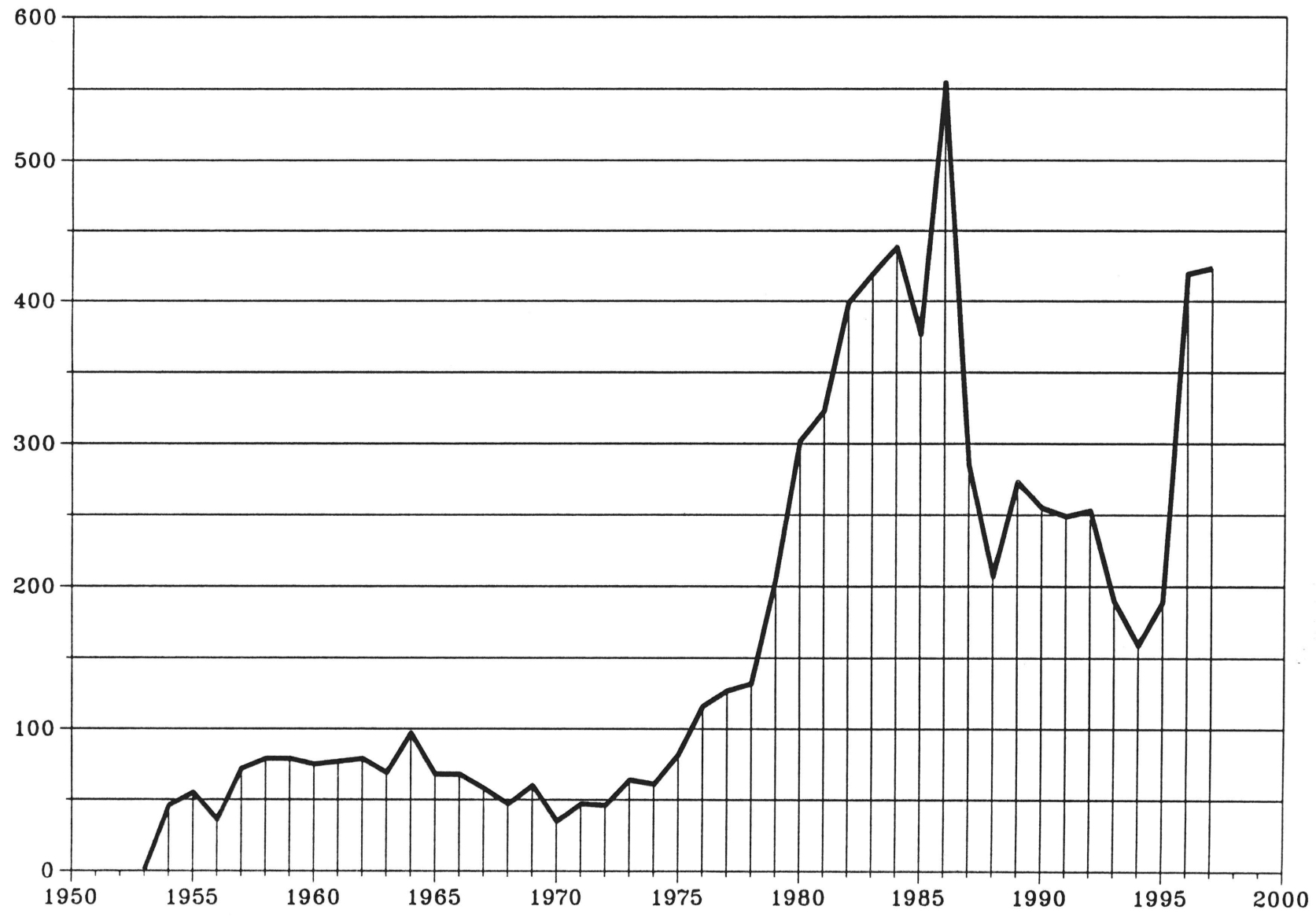
N.D.I.C. Oil & Gas Div. Jan. 11, 1999



— RIGS DRILLING X 0.1  
— WELLS DRILLED  
— WELLS PRODUCING  
— MONTHLY OIL X 1000

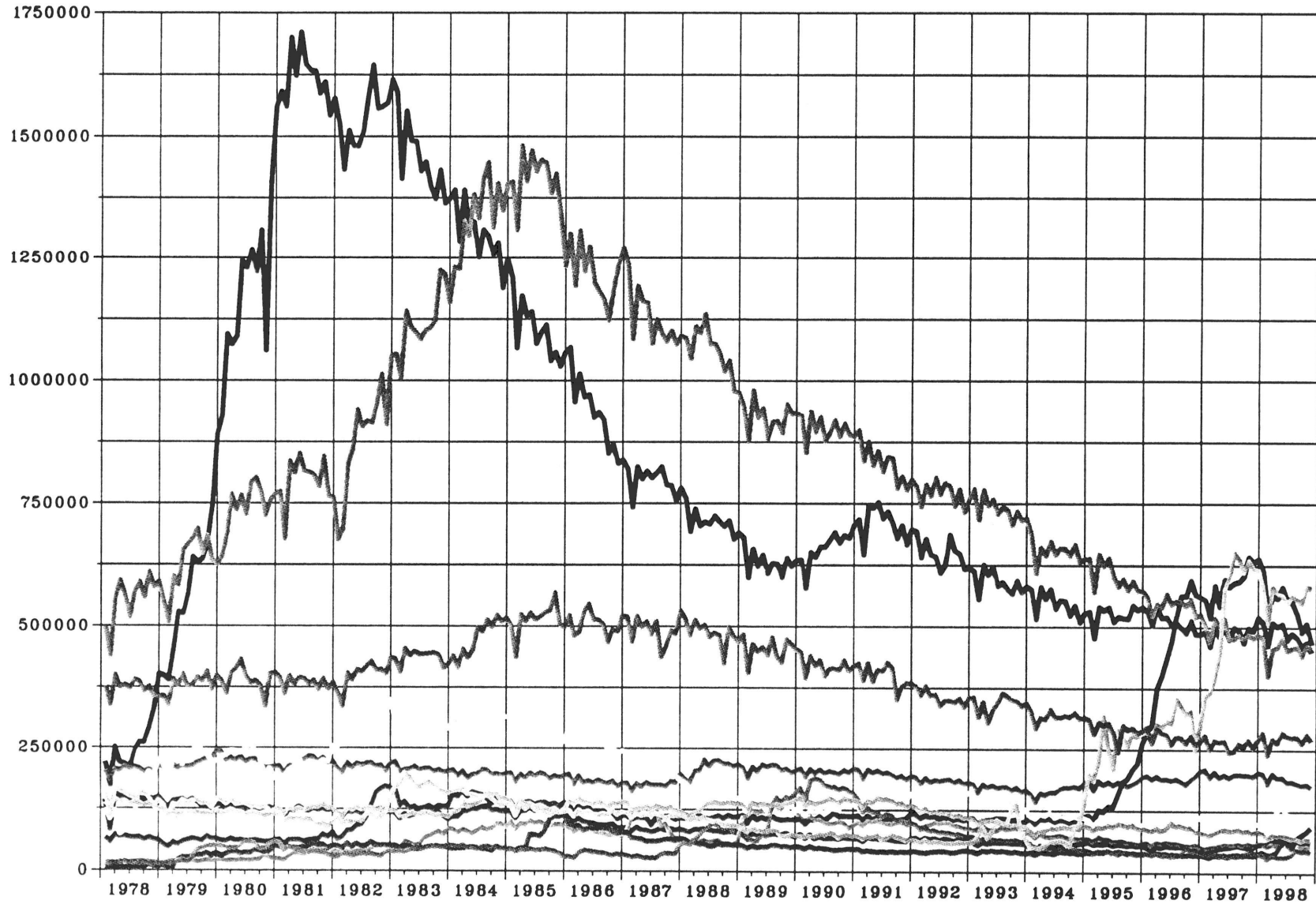
# YEARLY INDUSTRIAL COMMISSION CASES

N.D.I.C. Oil & Gas Div. Jan. 11, 1999



# MONTHLY OIL PRODUCTION FOR THE TOP TWELVE COUNTIES

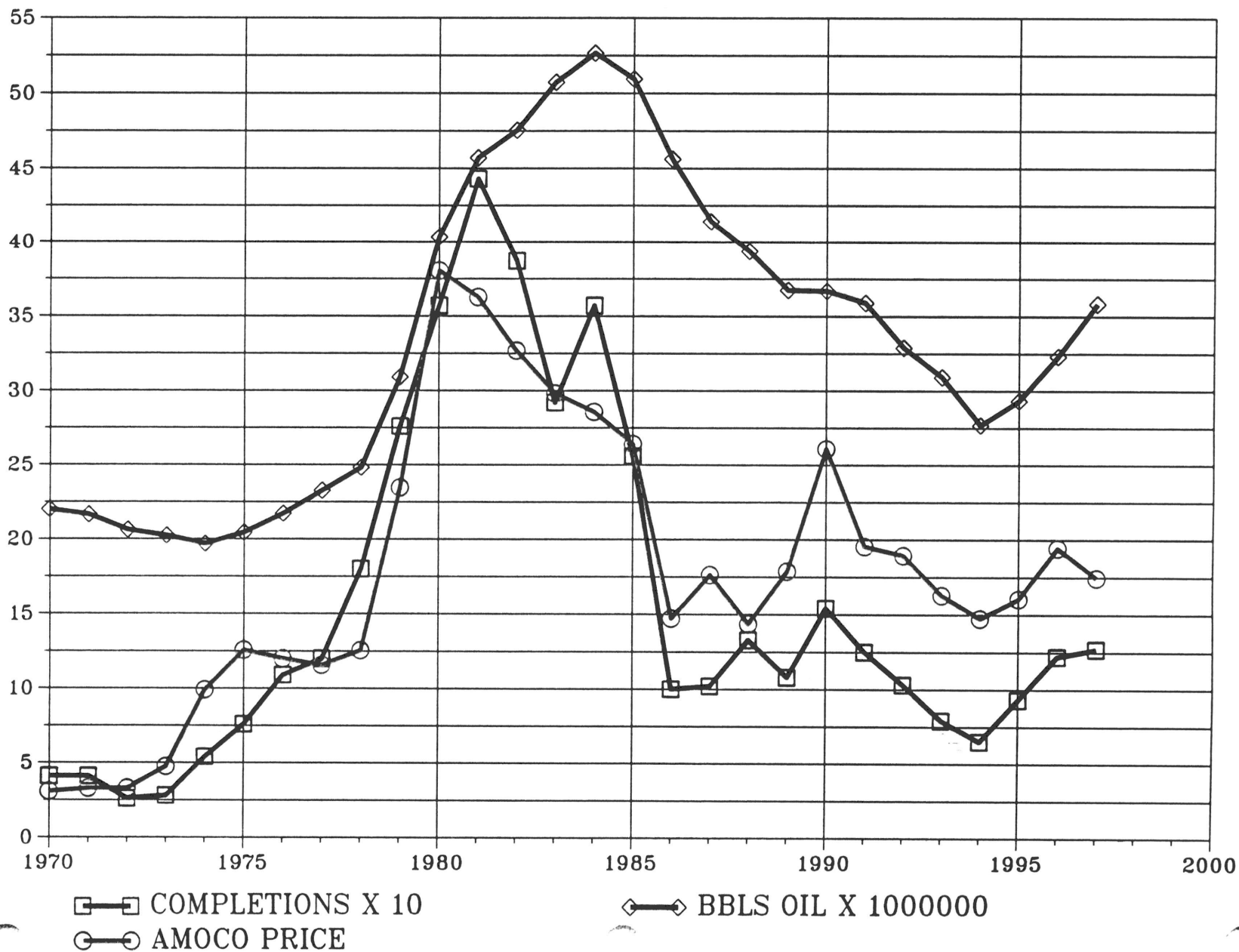
N.D.I.C. Oil & Gas Div. Jan. 11, 1999



- |             |          |                 |            |
|-------------|----------|-----------------|------------|
| — BILLINGS  | — BURKE  | — GOLDEN VALLEY | — RENVILLE |
| — BOTTINEAU | — DIVIDE | — McKENZIE      | — STARK    |
| — BOWMAN    | — DUNN   | — MOUNTRAIL     | — WILLIAMS |

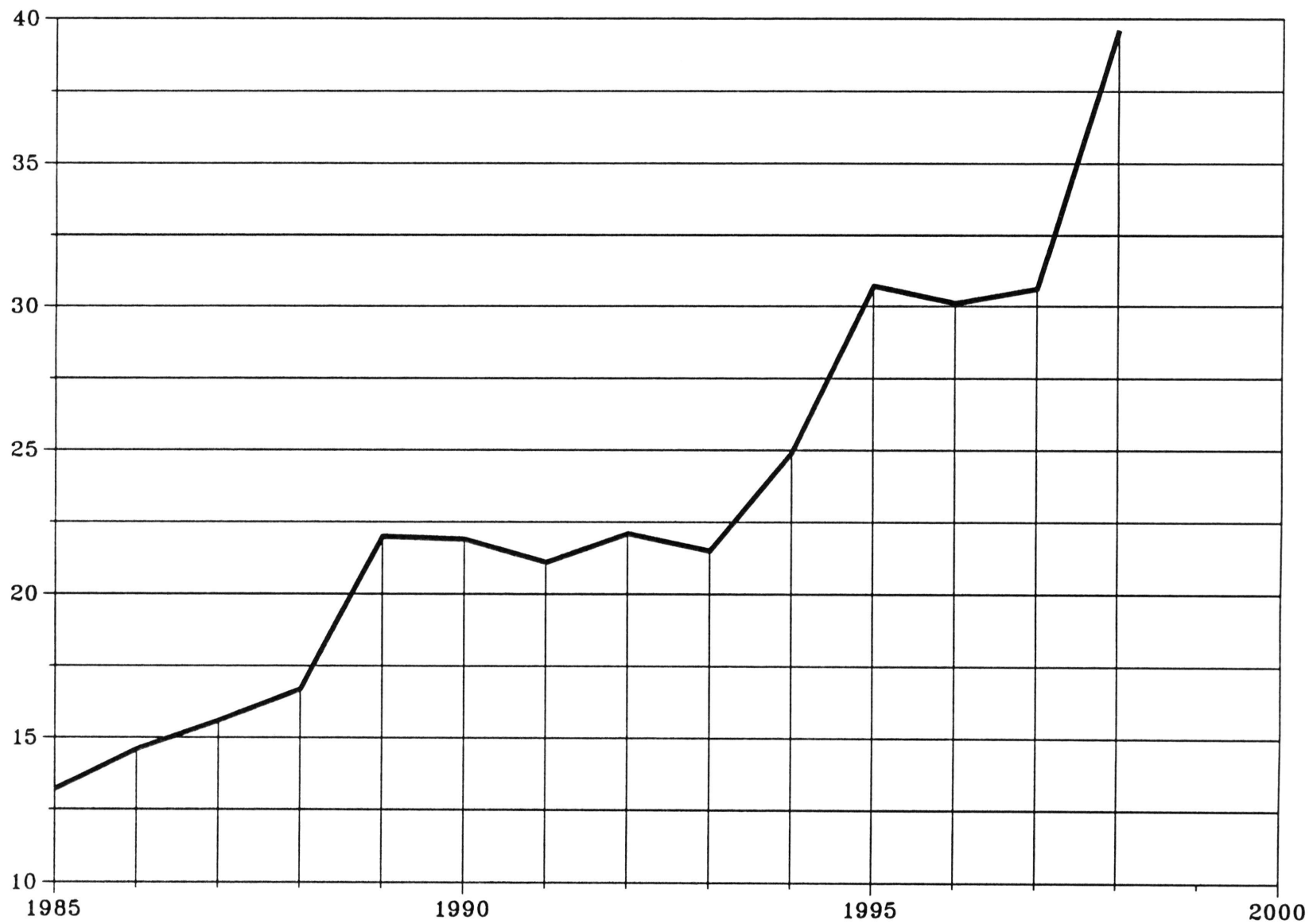
# YEARLY WELL COMPLETIONS VS PRICE & PRODUCTION

N.D.I.C. Oil & Gas Div. Jan. 11, 1999



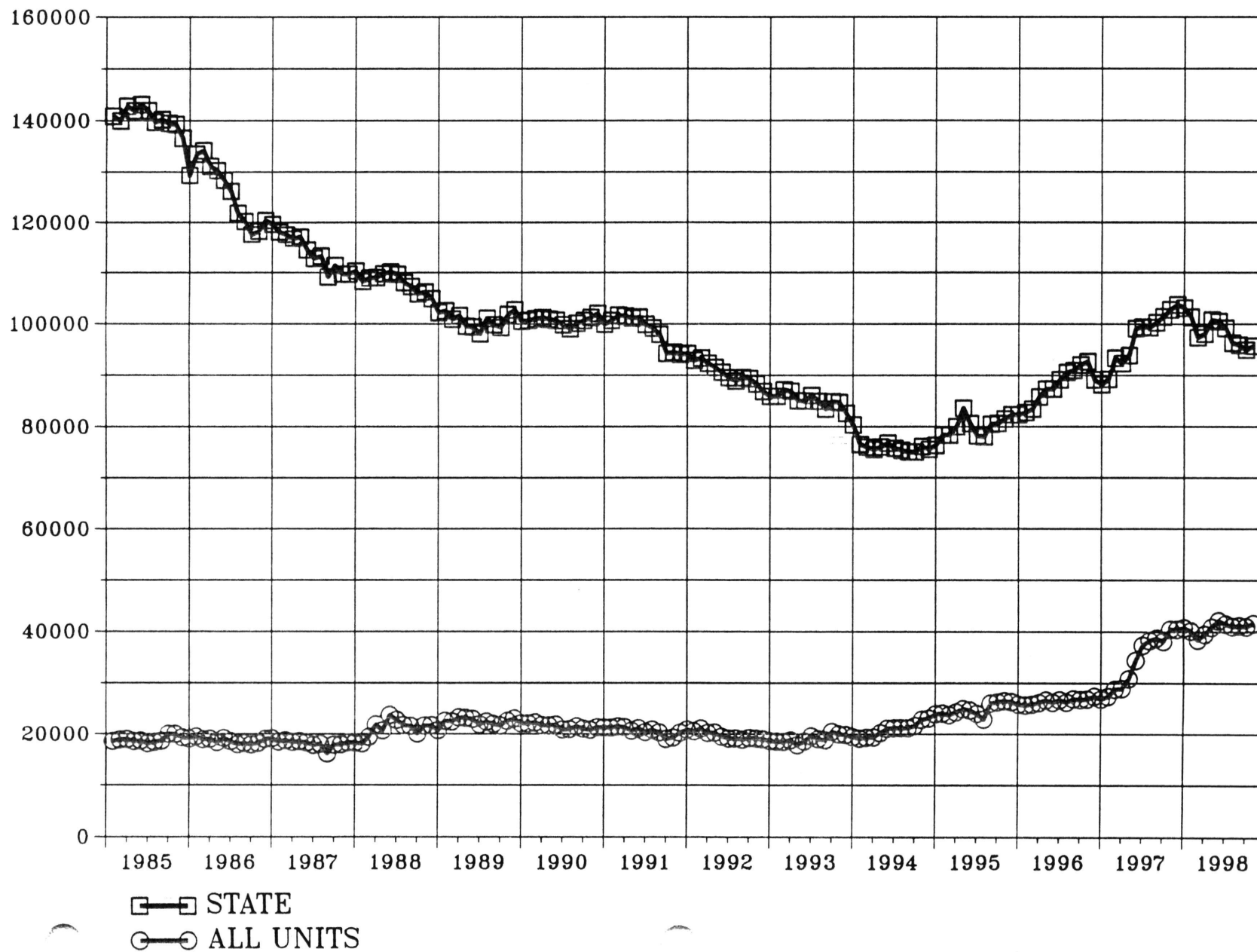
# UNIT PERCENTAGE OF STATE PRODUCTION FOR JANUARY EACH YEAR

N.D.I.C. Oil & Gas Div. Jan. 11, 1999



# UNIT PRODUCTION VS STATE PRODUCTION IN BBLs PER DAY

N.D.I.C. Oil & Gas Div. Jan. 11, 1999





## OUR MISSION

The North Dakota Geological Survey, (NDGS) was established by an action of the State Legislature in 1895. The Legislature directed the Survey to *provide for a thorough geological and natural history survey of the State*, with particular emphasis placed on the evaluation of mineral resources. Such resource studies continue, but over the years our mission has grown and is now three-fold:

1. Investigate the geology of North Dakota.
2. Administer regulatory programs and act in an advisory capacity to other state agencies.
3. Provide geologic and mineral resource information to the people of North Dakota.

Our mission means that Survey geologists and staff have a wide variety of roles. The NDGS geologists work to develop and conserve our state's natural resources; our staff maintains a sediment core and sample library as well as a number of geologic databases and the ND state fossil collection. Survey geologists investigate geologic hazards and environmental issues; and our staff provides geologic and natural resource information to the public in the form of publications, maps, reports, public education, and one-on-one discussions.

## TECHNICAL INVESTIGATIONS

The NDGS staff undertakes a wide variety of technical investigations concerning geologic history, mineral resources, environmental issues, hydrogeology, and paleontological resources. Many geologic investigations are conducted in cooperation with other government agencies. Basic geological research, such as the study of the stratigraphy and structural development of North Dakota, is an important part of these investigations.



**Geologic Mapping** is a critical first step in natural resource evaluation, planning and management. The Geological Survey, working in cooperation with the State Water Commission and the U.S. Geological Survey, has completed geologic maps of each of North Dakota's 53 counties. The maps were published at a reconnaissance scale of 1:125,000. Creating large scale, multi-purpose geologic maps depicting geologic hazards such as landslide and flood-prone areas, and surficial geology is an ongoing focus of NDGS geologists.



**Mineral Resource** investigations include both energy and non-energy minerals, such as petroleum, lignite, salt, uranium, sand, and gravel. Investigations define the nature and extent of new and old mineral resources. The purpose of these investigations is to: 1) provide technical information to the public; 2) promote new exploration and development ideas, opportunities, and technologies; and 3) provide expert technical information to regulatory and policy makers at all levels of government (city, county and state).

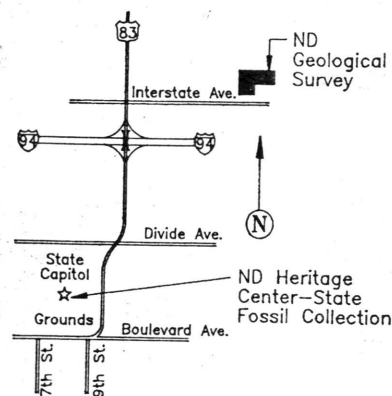


**Environmental** investigations are conducted in response to requests for information and to prevent groundwater contamination from oil and gas drilling fluids, herbicides, municipal wastewater impoundments, large scale farming operations, and landfills. Identifying potential geologic hazards, such as landslides and flood-prone areas is also an important aspect of environmental geology.

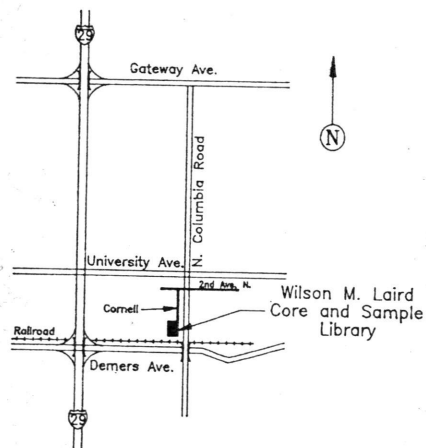


The **Fossil Resource Management** program of the NDGS has two main objectives: 1) To promote public understanding and awareness of the importance of North Dakota's fossil resources through educational activities; and 2) To identify and preserve North Dakota's significant fossil sites and specimens. Information about North Dakota's fossils is incorporated into the State's overall resource management plan.

## OUR LOCATIONS



## CITY OF BISMARCK



## CITY OF GRAND FORKS

# NORTH DAKOTA GEOLOGICAL SURVEY



State of North Dakota

Industrial Commission

Edward T. Schafer, Governor  
Heidi Heitkamp, Attorney General  
Roger Johnson, Commissioner of Agriculture

John P. Bluemle, State Geologist

## ADMINISTER REGULATORY PROGRAMS

The North Dakota Industrial Commission, acting through the office of the State Geologist, has regulatory authority over core and drill samples, lignite exploration, geothermal resources, paleontological resources, subsurface minerals, and Class III injection wells.

State law requires permits for lignite exploration, subsurface mineral exploration and development, paleontological resource investigations on state land, investigation of geothermal energy systems (ground source heat pumps), and use of Class III injection wells. In addition, these programs may require reports to be filed with the NDGS. Please contact the NDGS if you have any questions regarding permits or regulatory programs.

In addition to direct regulatory authority, the Geological Survey acts as an advisor, providing geological information to other state, local, and federal agencies to assist them in their regulatory duties. The Survey also advises the U.S. Forest Service, Army Corps of Engineers, Bureau of Land Management, and Bureau of Reclamation on issues regarding management of paleontological resources on these federally administered lands in North Dakota.

The State Geologist serves as an advisor on a number of boards, including the North Dakota Air Pollution Control Advisory Board, the Water Pollution Control Board, the Lignite Research Council, and the Interstate Oil & Gas Compact Commission.



## PROVIDE GEOLOGIC INFORMATION TO THE PUBLIC

The Geological Survey serves as the primary source of geologic information in the State. Geological information is available in the form of:

- \*NDGS technical publications and maps,
- \*NDGS Educational Series publications,
- \*Comprehensive collections of cores, samples, and fossils,
- \*Lignite and subsurface mineral records,
- \*Digital soil survey coverages,
- \*Digital geologic coverages,
- \*NDGS Newsletter,
- \*Workshops and field trips.

This geological information is used regularly by industry, academic, and government personnel as well as by persons wanting to learn more about the geology and mineral resources of North Dakota. NDGS geologists respond to thousands of e-mail, letter, and telephone inquiries each year. NDGS geologists also meet with hundreds of visitors every year responding to their technical questions.

The *List of Publications*, available upon request, contains a complete listing of publications of the NDGS.

## EARTH SCIENCE INFORMATION CENTER

The NDGS is an affiliate of the Earth Science Information Center (ESIC) network, coordinated by the U.S. Geological Survey. As an ESIC affiliate, the NDGS provides geologic, hydrologic, topographic and land-use maps, aerial, satellite and radar images, and geodetic data, not just for North Dakota, but for all 50 states. The NDGS also serves as a topographic map sales outlet and a clearinghouse for digital spatial data.

## GIS CENTER

The NDGS GIS Center utilizes ARC/INFO geographic information system (GIS) software to produce and manipulate map data. The use of a GIS allows our geologists to quickly and accurately bring together the vast amounts of data needed to provide answers to the many natural resource and environmental questions faced by the State's decision makers. Digital geologic and soil survey data are also available to the public from our GIS Center.

## SOIL COMPILATION PROGRAM

The NDGS has a cooperative agreement with the U.S. Natural Resources Conservation Service to compile and digitize all of the soil maps in North Dakota. The final soil maps include both a paper copy and a digital version. The digital versions are beneficial to farmers engaged in activities such as precision farming and are useful to city, state, federal, and county governments, as well as to private consultants.

## SURVEY STAFF

Richard A. Baker  
Randolph B. Burke  
Paul E. Diehl  
Ann M.K. Fritz  
Sheila J. Glaser  
Karen M. Gutenkunst  
Thomas J. Heck  
John W. Hoganson  
Kent E. Hollands  
Linda K. Johnson  
Elroy L. Kadrmas

Steve S. Kranich  
Julie A. LeFever  
Jim S. Lindholm  
Karen J.R. Mitchell  
Edward C. Murphy  
Russell D. Prange  
Evie A. Roberson  
Sheila K. Senger  
Robert D. Shjeflo  
Don H. Thom  
Ryan P. Waldkirch

## NORTH DAKOTA GEOLOGICAL SURVEY

John P. Bluemle, State Geologist

### mailing address

600 E. Boulevard Avenue  
Bismarck, North Dakota 58505-0840

### street address

1600 East Interstate Avenue  
Bismarck, North Dakota  
hours: Monday - Friday  
8:00-12:00 and 1:00-5:00

phone: (701) 328-8000  
fax: (701) 328-8010

Wilson M. Laird Core & Sample Library  
P.O. Box 8156 University Station  
Grand Forks, North Dakota 58202-8156  
phone: (701) 777-2231  
fax: (701) 777-2857

The Wilson M. Laird Core and Sample Library is located on the campus of the University of North Dakota in Grand Forks.

Web Site:

<http://www.state.nd.us/ndgs/>

12/98



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# North Dakota Geological Survey

John P. Bluemle, State Geologist

## INDUSTRIAL COMMISSION

Edward T. Schafer - Governor, Chairman

Heidi Heitkamp - Attorney General

Roger Johnson - Commissioner of Agriculture

## TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE

House Bill No. 1015

John P. Bluemle, January 12, 1999

### INTRODUCTION

Mr. Chairman; members of the Appropriations Committee. My name is John Bluemle. I am state geologist and director of the North Dakota Geological Survey, a division of the Industrial Commission.

The North Dakota Geological Survey shares rented office space and some common support staff with the Oil and Gas Division of the Industrial Commission. Our two agencies are located in adjacent facilities in the Jones-Lindberg Building at 1600 East Interstate Avenue here in Bismarck. We rent our office space from Basin Electric.

In addition to our offices here in Bismarck, we operate a large Core and Sample Library in Grand Forks, on the UND campus. Cores and samples from wells drilled for oil and gas are housed in the core library.

### NDGS Responsibilities and Staff

The North Dakota Geological Survey has three basic responsibilities:

1. Technical investigations: we serve as the main source of geologic information in North Dakota;
2. Regulatory responsibilities: we administer a variety of regulatory duties for the Industrial Commission;
3. Public Service: we provide a wide variety of educational information.

I've attached a green-colored sheet at the end of my testimony listing our various activities, and also a blue sheet that includes a complete accounting of our statutory duties - all of the laws in the State Century Code that apply to us.

We currently have a staff of 20.35 FTE employees. They include:

- Nine geologists: (four subsurface/petroleum geologists; four surface/general geologists; one administrator/geologist (me))
- Four soil compilers
- One soil digitizer
- One GIS specialist
- A 0.35 share of a business manager (this person is 0.65 Oil & Gas Division)
- Five support staff: (2 technicians, 1 information-processing specialist, 1 publications clerk, and various fractions of additional people (all shared with Oil & Gas Division))

Three NDGS people are located at our Core and Sample Library in Grand Forks; the rest are in Bismarck.

Some pertinent information about our staff:

- Several of our geologists have been assigned specific regulatory responsibilities;
- All of our full-time geologists have at least a master's degree; four have PhDs;
- We have traditionally had reasonable stability of staff
- Five of our geologists have been with the NDGS for over 17 years each;
- The North Dakota Geological Survey is a small agency with a diverse array of duties.  
Our geologists are versatile, able to deal with many different kinds of geologic problems. They have a broad knowledge of North Dakota geology and they are able to move quickly from one activity to another. Therefore, apart from the general categorizations (surface & subsurface), we don't have specialists.

## REGULATORY RESPONSIBILITIES

Even though we are not primarily a regulatory agency, we have several specific regulatory duties. Our main, ongoing regulatory responsibility relates to oil-well core and samples and our core and sample library. We regulate coal exploration, but not production or reclamation of mined land – these are done by the PSC. We are currently in the process of compiling all the available exploratory coal and uranium test-hole data in a digital format – a job that will take several years. We issue permits for commercial geothermal installations, such as those being installed at schools and other public buildings, although we do not regulate private geothermal installations. Our responsibility to regulate the collecting of fossil resources on public lands has been requiring increasing amounts of time and effort.

## TECHNICAL INVESTIGATIONS

The attached green sheet lists many of the various kinds of technical investigations in which our geologists are involved. About a third to a half of our effort is directed at understanding the geology of the rocks that produce oil and gas. We also identify and evaluate other mineral resources, such as clays, cement rock, gravel, salts, and ores. We investigate the geologic hazards relating to things like slope stability, floods, landfills and lagoons.

We have recently responded to numerous requests from companies for information about such things as methane in coal, the potential for clay resources for use as adobe material, limestone as a

coal-plant scrubber material, the potential for leonardite resources, the potential for sodium sulphate, and the potential for utilizing our potash resources. There is a lot of interest in North Dakota's mineral resources.

Our geologists are currently dealing with a variety of other, non-mineral, technical topics – such things as our fossil resources, the fluctuating level of Devils Lake, the causes for flooding in Grand Forks and the rest of the Red River Valley, and perhaps another 15 or 20 topics.

### **Geologic Mapping**

We have produced detailed geologic maps for the Dickinson and Jamestown urban areas and we are in the process of completing similar maps for the Bismarck-Mandan area. These maps are drawn at a scale of 1:24,000 and are used by planners, developers and anyone else who needs detailed information about geology. We are also completing 1:100,000-scale maps of the Grafton and Pembina areas. We recently completed geologic maps of the North and South Units of Theodore Roosevelt National Park and these are being printed by the Park Service. Most of our recent geologic mapping projects have been done with financial help from the National Mapping Program.

### **Wilson M. Laird Core and Sample Library**

I mentioned our Core and Sample Library in Grand Forks: we collect and store oil-well core and samples and make it available for study. Our core and sample facility is probably the best operation of its kind in the United States in that we have a more complete collection of all the oil-well cores that have been cut in our state than does any other state. In fact, we have about 90 miles of core stored in our core library and samples and cuttings representing about 100 million feet of drilling in North Dakota.

Our core collection is one of the most important "tools" the State offers for promoting oil and gas exploration and development in North Dakota. Virtually all of the exploration for oil and gas that takes place in North Dakota benefits from studies of core. Much of the exploration simply would not happen if the core wasn't available for study.

### **Soils Compilation and Digitizing**

During the last Legislative Session, the NDGS was assigned responsibility for establishing a soils compilation and digitizing center for the purpose of completing digitized soils maps for each of North Dakota's counties. For the purpose of doing this work, we were directed to hire three new employees who compile and digitize the soils information, in addition to two individuals who were transferred to our agency from the State Soil Conservation Committee.

We are working with the U.S. Natural Resource Conservation Service (NRCS) on this project. The compilation process is going well. Since July, 1997, we have compiled all or parts of nine counties. I've attached a salmon-colored sheet summarizing the current status of our soils program.

## **PUBLIC INFORMATION**

Our geologists give numerous public presentations, many of them on their own time in the evenings and on weekends. We produce a variety of educational materials, including guidebooks, maps, and other non-technical publications and exhibits. For example, we recently published a report on meteorite specimens that have been found in North Dakota.

### **Fossil Exhibits**

Our paleontologist routinely collects and studies North Dakota's fossil resources. He restores some specimens for display, such as a mastodon (a 10,000-year-old elephant) and a champsosaur (a 55-million-year old crocodile-like beast), both of which are now displayed at the Heritage Center, and a mosasaur, which we are currently restoring. He, and other NDGS staff also helped with the displays for the State Museum in Pembina and we have recently worked with private museums like the Pioneer Trails Museum in Bowman, the Dickinson Dinosaur Museum, and the Rock Museum at Parshall.

### **Earth Science Information Center (ESIC)**

Through our ESIC Center, we provide a variety of topographic and natural-resource maps and other kinds of earth science information for the public. We act as a clearing house for the sale of air photos, satellite images, topographic maps, and other kinds of maps. We also operate North Dakota's global positioning system base station at Bismarck State College.

### **Providing general information**

We responded to about 4,000 specific requests for information last year. Questions come from government personnel, legislators like you, farmers, teachers, oilmen and other mineral-industry people, geologic and geotechnical consultants (both from North Dakota and elsewhere), students, tourists – all kinds of people.

The North Dakota Geological Survey has a Home Page on the Internet that sees heavy use. We have found this to be a good way to make a great deal of pertinent information available to the public. The geology librarian at North Dakota State University recently helped us place our newly completed, extensive bibliography of North Dakota geology on the Internet.

### **Annual Horizontal Well Workshop**

For each of the past six years, we have worked closely with our counterparts in Saskatchewan, the Saskatchewan Energy and Mines, in organizing and running an annual Horizontal Well Workshop. The workshops alternate between North Dakota and Saskatchewan. Over 600 oil-industry men and women attended the past two workshops. The seventh workshop will be held in Regina in April.

The Williston Basin Horizontal Well Workshops have been effective in bringing Americans and Canadians together to discuss geologic and engineering topics of mutual and specific interest and especially to share ideas about horizontal drilling in the Williston Basin. Our goal was to

encourage horizontal drilling and, by all measures, we have been successful in accomplishing that. Also, as a result of the workshops, Canadian companies have greatly increased their investment in North Dakota.

In short, I think it's obvious that the work of the North Dakota Geological Survey generates considerable revenue for the State. We encourage and respond to oil- and other mineral-industry needs. We help the various jurisdictions avoid expensive environmental problems, saving money and protecting the environment. And we maintain and build our store of geologic data that enables us to respond quickly and accurately to questions directed at us.

## **NORTH DAKOTA GEOLOGICAL SURVEY BUDGET**

Regarding our budget request for next biennium:

The Geological Survey currently operates with a staff of 20.35 FTE employees. Our total budget for the current (1997-99) biennium is \$2,224,429. This is distributed among salaries (\$1,755,775), operating (\$403,054), and equipment (\$65,600) and comes from the following sources:

General Fund:	\$2,145,429
Federal Funds:	79,000
Special Funds:	-0-

In his Executive Budget, Governor Schafer has called for an additional 2.1 FTE positions for the North Dakota Geological Survey. These include a full-time Museum Specialist, a shared Data Processing Coordinator and a shared GIS Specialist. Governor Schafer's budget also allows the Survey partial funding for an entry-level geologist (Geologist I – a temporary position).

### Museum Specialist

We have needed a Museum Specialist for some time and have employed a person on a temporary basis for most of the past eight years (over a period of four biennia). As the NDGS paleontology program has grown, our level of activity in the field and lab has increased and our need for someone to do this kind of work has also increased. We have noted our need for, and requested, a permanent position here during each of the last four Legislative Sessions.

### Data Processing Coordinator (half NDGS, half Oil & Gas)

The Data Processing Coordinator will be half NDGS, half Oil & Gas. From the point of view of the NDGS, the person will be devoting half of his or her time to working on tasks that are currently being done by one of our senior geologists. The reason we have had a geologist doing this work is that no one else in the NDGS has the technical computer knowledge to do it. The geologist doing this work is self-taught (in computer matters), but he has an MS degree in petroleum geology (plus ten years oil-industry experience and nine years with NDGS as a geologist). Apart from the fact that it is a terrible waste of geologic talent and experience to have him doing a technician's work instead of the geologic work he should be doing, the person is not trained as a computer technician and doesn't do this kind of work as efficiently as will a Data Processing Coordinator. A trained

Data Processing Coordinator will provide much better service and maintenance for our expanding computer operations, and do it much more economically.

#### Geographic Information Specialist (0.6 NDGS, 0.4 Oil & Gas)

This position is also shared with the Oil and Gas Division. The Survey's use of Geographic Information Systems technology is increasing rapidly. This is not at all surprising, especially in view of the fact that so much of our work revolves around the production, utilization, and manipulation of maps and map products. The NDGS is the official lead agency and clearing house for Geographic Information Systems (GIS) in the State. The Survey currently employs one full-time GIS Specialist who, to put it simply, can't keep up with all that needs to be done.

As our GIS program develops, we are increasingly using it to "build" our geologic maps and to convert existing paper maps to digital maps that can be manipulated in various ways, adding other information, comparing, etc. We need to be able to locate all of North Dakota's oil and gas wells for our projects involving subsurface geologic mapping. I expect that the new GIS person's Survey duties will be devoted about 80 percent to our projects, and the remaining 20 percent to work requested of us by other State agencies.

#### Geologist I

Even though Governor Schafer's budget does allow temporary funding for an entry-level geologist's position, I recommend that this too be changed to a FTE position. We have tried to do a variety of tasks over the past several years using geologists we have employed on a temporary basis, but we have found it to be very difficult to retain competent, professionally trained personnel while not allowing them FTE status.

I noted earlier that we are responsible for geothermal regulation, including permitting and compliance. We need to field inspect new geothermal installations. We can't do that now, due to our limited staff. We currently have no field inspectors on our staff and we need a person to devote approximately quarter- to half-time to this task. We don't have the ability to inspect all completed jobs to insure they are done properly. The number of applications for new geothermal installations is increasing rapidly. We are now processing about one permit a month, compared to a total of seven for all of 1996 and 1997 combined, and the number will continue to grow. Currently we have identified 30 permitted geothermal facilities for which we have no record of a completion report on file - without adequate staff, it is difficult to properly enforce our geothermal conservation law. I would like to assign these inspection duties to a new Geologist I along with field inspection of coal exploration program.





# North Dakota Geological Survey

John P. Bluemle, State Geologist

## INDUSTRIAL COMMISSION

Edward T. Schafer - Governor, Chairman  
Heidi Heitkamp - Attorney General  
Roger Johnson - Commissioner of Agriculture

TESTIMONY BEFORE THE  
SENATE APPROPRIATIONS COMMITTEE  
House Bill No. 1015  
John P. Bluemle, February 24, 1999

## INTRODUCTION

Mr. Chairman; members of the Appropriations Committee. My name is John Bluemle. I am state geologist and director of the North Dakota Geological Survey, a division of the Industrial Commission.

The North Dakota Geological Survey shares rented office space and some common support staff with the Oil and Gas Division of the Industrial Commission. Our two agencies are located in adjacent facilities in office space we rent here in Bismarck from Basin Electric.

In addition to our offices here in Bismarck, we operate a large Core and Sample Library in Grand Forks, on the UND campus. Cores and samples from wells drilled for oil and gas in North Dakota are housed and available for study in our core library.

## NDGS Responsibilities and Staff

The North Dakota Geological Survey has three basic responsibilities:

1. Technical investigations: we serve as the main source of geologic information in North Dakota;
2. Regulatory responsibilities: we administer a variety of regulatory duties for the Industrial Commission;
3. Public Service: we provide a wide variety of educational information.

I've attached a green-colored sheet at the end of my testimony listing our various activities and a blue sheet that includes a complete accounting of our statutory duties – all of the laws in the State Century Code that apply to us.

We currently have a staff of 20.35 FTE employees. They include:

- Nine geologists: (four subsurface/petroleum geologists; four surface/general geologists; one administrator/geologist (me))
- Four soil compilers
- One soil digitizer
- One GIS specialist
- A 0.35 share of a business manager (this person is 0.65 Oil & Gas Division)
- Five support staff: (2 technicians, 1 information-processing specialist, 1 publications clerk, and various fractions of additional people (all shared with Oil & Gas Division).

Three NDGS people are located at our Core and Sample Library in Grand Forks; the rest are in Bismarck.

Some pertinent information about our staff:

- Several of our geologists have been assigned specific regulatory responsibilities;
- All of our full-time geologists have at least a master's degree; four have PhDs;
- We have traditionally had reasonable stability of staff
- Five of our geologists have been with the NDGS for over 17 years each;
- The North Dakota Geological Survey is a small agency with a diverse array of duties. Our geologists are versatile, able to deal with many different kinds of geologic problems. They have a broad knowledge of North Dakota geology and they are able to move quickly from one activity to another. Therefore, apart from the general categorizations (surface & subsurface), we don't have specialists.

## **REGULATORY RESPONSIBILITIES**

Even though we are not primarily a regulatory agency, we have several specific regulatory duties. Our main, ongoing regulatory responsibility relates to oil-well core and samples and to our core and sample library. We regulate coal exploration, but not production or reclamation of mined land – these are done by the PSC. We are currently in the process of compiling all the available exploratory coal and uranium test-hole data in a digital format – a job that will take several years. We issue permits for commercial geothermal installations, such as those being installed at schools and other public buildings (although we do not regulate private geothermal installations). Our responsibility to regulate the collecting of fossil resources on public lands has been requiring increasing amounts of time and effort.

## **TECHNICAL INVESTIGATIONS**

The attached green sheet also lists many of the various kinds of technical investigations in which our geologists are involved. Perhaps a third to a half of our effort is directed at understanding the geology of the rocks that produce oil and gas. We also identify and evaluate other mineral resources, such as clay deposits, cement rock, gravel, salts, and ores. We investigate the geologic hazards relating to things such as slope stability, floods, landfills and lagoons.

Our geologists are currently dealing with a variety of other, non-mineral, technical topics – such things as our fossil resources, the fluctuating level of Devils Lake, the causes for flooding in Grand Forks and the rest of the Red River Valley, and perhaps another 15 or 20 topics.

We respond to a variety of requests from companies for information about such things as methane in coal, the potential for clay resources for use as adobe material, limestone as a coal-plant scrubber material, the potential for leonardite resources, the potential for sodium sulphate, and the potential for utilizing our potash resources. There is a lot of interest in North Dakota's mineral resources. Here is a report we recently issued on coal-bed methane.

For the past several years, we have been entering the huge amount of coal data in our files into a computerized database to enable us to more quickly and efficiently respond to inquiries about coal resources. In addition, we recently began providing reports aimed at promoting the state's coalbed methane resources. If we are able to encourage a major coalbed methane play in North Dakota, a significant number of farmers and ranchers in western North Dakota will receive mineral lease payments, in addition to increased prices on state land leases. Coalbed methane drilling and production has the potential to at least partially offset the down-turn in the oil industry.

### **Geologic Mapping**

We have produced detailed geologic maps for the Dickinson and Jamestown urban areas and we are in the process of completing similar maps for the Bismarck-Mandan area. These maps are drawn at a scale of 1:24,000 and are used by planners, developers and anyone else who needs detailed information about geology. We are also completing 1:100,000-scale maps of the Grafton and Pembina areas. We recently completed geologic maps of the North and South Units of Theodore Roosevelt National Park and these are being printed by the Park Service. Most of our recent geologic mapping has been done with financial help from the National Mapping Program.

### **Wilson M. Laird Core and Sample Library**

I mentioned our Core and Sample Library in Grand Forks: we collect and store oil-well core and samples and make it available for study. Our core and sample facility is probably the best operation of its kind in the United States in that we have a more complete collection of all the oil-well cores that have been cut in our state than does any other state. In fact, we have about 90 miles of core stored in our core library and samples and cuttings representing about 100 million feet of drilling in North Dakota.

Our core collection is one of the most important "tools" the State offers for promoting oil and gas exploration and development in North Dakota. Virtually all of the exploration for oil and gas that takes place in North Dakota benefits from studies of core. Much of the exploration simply would not happen if the core wasn't available for study.

## **Soils Compilation and Digitizing**

During the last Legislative Session, we were assigned responsibility for establishing a soils compilation and digitizing center for the purpose of completing digitized soils maps for each of North Dakota's counties. For the purpose of doing this work, we were directed to hire three new employees who compile and digitize the soils information, in addition to two individuals who were transferred to our agency from the State Soil Conservation Committee.

We are working with the U.S. Natural Resource Conservation Service (NRCS) on this project. The compilation process is going well. Since July, 1997, we have compiled all or parts of nine counties. The salmon-colored sheet summarizes the current status of our soils program.

## **PUBLIC INFORMATION**

Our geologists give numerous public presentations, many of them on their own time in the evenings and on weekends. We produce a variety of educational materials, including guidebooks, maps, and other non-technical publications and exhibits. For example, we recently published a report on meteorite specimens that have been found in North Dakota.

### **Fossil Exhibits**

Our paleontologist routinely collects and studies North Dakota's fossil resources. He restores some specimens for display, such as a mastodon (a 10,000-year-old elephant) and a champsosaur (a 55-million-year old crocodile-like beast), both of which are now displayed at the Heritage Center, and a mosasaur, which we are currently restoring. He, and other NDGS staff also helped with the displays for the State Museum in Pembina and we have recently worked with private museums like the Pioneer Trails Museum in Bowman, the Dickinson Dinosaur Museum, and the Rock Museum at Parshall.

### **Providing general information**

We responded to about 4,000 specific requests for information last year in addition to hits on our Home Page. We respond to questions from government personnel, legislators like you, farmers, teachers, oilmen and other mineral-industry people, geologic and geotechnical consultants (both from North Dakota and elsewhere), students, tourists – all kinds of people.

The North Dakota Geological Survey has a Home Page on the Internet that sees heavy use. We have found this to be a good way to make a great deal of pertinent information available to the public. The geology librarian at North Dakota State University recently helped us place our newly completed, extensive bibliography of North Dakota geology on the Internet.

### **Earth Science Information Center (ESIC)**

Through our ESIC Center, we provide a variety of topographic and natural-resource maps and other kinds of earth science information for the public. We act as a clearing house for the sale of air photos, satellite images, topographic maps, and other kinds of maps. We also operate North Dakota's global positioning system base station at Bismarck State College.

## Annual Horizontal Well Workshop

For each of the past six years, we have worked closely with our counterparts in Saskatchewan, the Saskatchewan Energy and Mines, in organizing and running an annual Horizontal Well Workshop. The workshops alternate between North Dakota and Saskatchewan. Over 600 oil-industry men and women attended the past two workshops in Bismarck and Regina. The seventh workshop will be held in Regina in April.

The Williston Basin Horizontal Well Workshops have been effective in bringing Americans and Canadians together to discuss geologic and engineering topics of mutual and specific interest and especially to share ideas about horizontal drilling in the Williston Basin. Our goal was to encourage horizontal drilling and, by all measures, we have been successful in accomplishing that. Also, as a result of the workshops, Canadian companies have greatly increased their investment in North Dakota.

In short, I think it's obvious that the work of the North Dakota Geological Survey generates considerable revenue for the State. We encourage and respond to oil- and other mineral-industry needs. We help the various jurisdictions avoid expensive environmental problems, saving money and protecting the environment. And we maintain and build our store of geologic data that enables us to respond quickly and accurately to questions directed at us.

## NORTH DAKOTA GEOLOGICAL SURVEY BUDGET

Regarding our budget request for next biennium:

The Geological Survey currently operates with a staff of 20.35 FTE employees. Our total budget for the current (1997-99) biennium is \$2,224,429. This is distributed among salaries (\$1,755,775), operating (\$403,054), and equipment (\$65,600) and comes from the following sources:

General Fund:	\$2,145,429
Federal Funds:	79,000
Special Funds:	-0-

The Governor's Executive Budget called for an additional 2.1 FTE positions for the North Dakota Geological Survey. These include a full-time Museum Specialist, a shared Data Processing Coordinator and a shared GIS Specialist. Governor Schafer's budget also allowed the Survey partial funding for an entry-level geologist (Geologist I – a temporary position). The House Appropriations Committee agreed that we need a Museum Specialist and a Data-Processing Coordinator, but deleted the GIS Specialist. It also deleted funding for the entry-level geologist..

### Museum Specialist

We have needed a Museum Specialist for a long time and have employed a person on a temporary basis for most of the past eight years (over a period of four biennia). As our paleontology program has grown, our level of activity in the field and lab has increased and our need for someone to do

this kind of work has also increased. We have noted our need for, and requested, a permanent position here during each of the last four Legislative Sessions.

As I said, the House Appropriations Committee agreed that we need a museum specialist to work with fossil collection, curation, and preparation. I request that the \$5,000 in new operating funds associated with this position – which were removed in the House – be reinstated.

**Data Processing Coordinator** (half NDGS, half Oil & Gas)

The Data Processing Coordinator is intended to be half NDGS, half Oil & Gas. From the point of view of the NDGS, the person will be devoting half of his or her time to working on tasks that are currently being done by one of our senior geologists. The reason we have had a geologist doing this work is that no one else on our staff has the technical computer knowledge to do it. The geologist doing this work is self-taught (in computer matters), but he has an MS degree in petroleum geology (plus ten years oil-industry experience and nine years with NDGS as a geologist). Apart from the fact that it is a terrible waste of geologic talent and experience to have him doing a technician's work instead of the geologic work he should be doing, the person is not trained as a computer technician and doesn't do this kind of work as efficiently as will a Data Processing Coordinator. A trained Data Processing Coordinator will provide much better service and maintenance for our expanding computer operations, and do it much more economically.

The House Appropriations Committee agreed to fund this FTE position. I request that the \$500 in new operating funds to support this position, which were removed in the House, be reinstated.

**Geographic Information Specialist** (0.6 NDGS, 0.4 Oil & Gas)

The House Appropriations Committee removed funding for this shared FTE position when they amended our budget. Lynn Helms and I have agreed to accept the House Committee's decision.

The position is one that we intended to share with the Oil and Gas Division. The Survey's use of Geographic Information Systems technology is increasing rapidly. This is not at all surprising, especially in view of the fact that so much of our work revolves around the production, utilization, and manipulation of maps and map products. The NDGS is the official lead agency and clearing house for Geographic Information Systems (GIS) in the State. We currently employ one full-time GIS Specialist who, to put it simply, can't keep up with all that needs to be done.

As our GIS program develops, we are increasingly using it to "build" our geologic maps and to convert existing paper maps to digital maps that can be manipulated in various ways, adding other information, comparing, etc. We need to be able to locate all of North Dakota's oil and gas wells for our projects involving subsurface geologic mapping. The new GIS person's Survey duties would have been devoted about 80 percent to our projects, and the remaining 20 percent to work requested of us by other State agencies.

Without the position we will try to maintain our current level of GIS activity within our own agency, but we will be unable to provide these services to other State agencies.

Geologist I (entry-level/coal geologist)

Even though The Governor's Executive Budget did not allow the FTE position I requested, it did allow temporary salaries funding in the amount of \$23,760 for us to accomplish some of this work. However, the House Appropriation Committee deleted this funding.

For the past several years, coalbed methane leasing, drilling, and production have taken place at a rapid pace in Wyoming and in other coalbed methane-producing states. This past fall, the lease play moved into southern Montana. Up until now, methane production has come from subbituminous coal, a higher grade of coal than the lignite we have in North Dakota. But lignite, especially some of the deeper beds we have in the western part of the state, may contain producible and economic quantities of gas, and we are hopeful that a lease play will soon begin in North Dakota. We have had a lot of inquiries about the possibilities for gas in lignite, and we'd like to be able to encourage this activity even more.

By the end of the current biennium, we expect we should be able to nearly complete entering all of our existing coal data into our system for the counties south of the Missouri River. However, we will need another year of temporary funding to enter the coal data from the counties north of the Missouri River. For this reason, I request reinstatement of the temporary funding that was taken out so that we can complete this work. When compared to the amount of potential revenue farmers and ranchers may realize if a methane play develops in western North Dakota, the amount we are asking for is very small.

During my testimony before the House Appropriations Committee, I mentioned some additional reasons why we need this Geologist I FTE position and I'll repeat those reasons here:

I noted earlier in my testimony this afternoon that we are responsible for geothermal regulation, including permitting and compliance. We should be inspecting new geothermal installations. We can't do that now, due to our limited staff. We currently have no field inspectors on our staff and we need a person to devote approximately quarter- to half-time to this task. We don't have the ability to inspect all completed jobs to insure they are done properly. The number of applications for new geothermal installations is increasing rapidly. We are now processing about one permit a month, compared to a total of seven for all of 1996 and 1997 combined, and I expect the number will continue to grow. Currently we have identified 30 permitted geothermal facilities for which we have no record of a completion report on file so it is difficult for us to enforce our geothermal conservation law. I would like to assign these inspection duties to a new Geologist I along with the duties I already mentioned relating to our coal-exploration program.

## NORTH DAKOTA GEOLOGICAL SURVEY PROGRAMS

All NDGS programs and activities are interrelated. Elimination or modification of any program or activity will impact our other operations. Elimination of any portion of the regulatory program will require a change of statute and assignment of these duties to another state agency.

### ***Regulatory Responsibilities***

All NDGS regulatory duties are spelled out by statute; except for the oil well core and sample program, most of our regulatory duties are intermittent, depending on current and immediate demand; some of them, like subsurface minerals, and underground injection control, may see little or no activity for long periods; most of the others see weekly or, at least, monthly activity.

Oil Well Core and Sample Collection and Curation (includes operation of Core and Sample Library in Grand Forks)

Coal Exploration (drilling for coal exploration)

Geothermal Resources (permitting, compliance, monitoring)

Paleontological Resources Regulation (public land only; collecting, curating, preparation of new exhibits; includes several MOU's with various federal agencies)

Subsurface Minerals (exploration, production, reclamation)

Underground Injection Control (Class III wells - extraction of mineral resources)

Surface/Subsurface Conflict Resolution (oil & gas vs. other mineral resources)

Regulatory Advisory Functions

The NDGS provides a variety of kinds of advisory functions, dealing with several agencies including the Health Department, Agriculture Department, Attorney General, Public Service Commission, and others; for example, our geologists perform pre-construction site reviews for new landfills, we produce maps showing areas where pesticides may be used, etc.

### ***Technical Investigations***

Geologic Mapping Activities

These include projects partially funded by the National Mapping Program - Statemap - as well as projects we do entirely on our own.

Petroleum Geologic Activities

NDGS studies relating to petroleum geology are varied; most are intended to show possibilities in relatively unexplored horizons; most are geared to provide geologic background to small, independent operators rather than the large companies, which have their own geologic staffs - although large companies do contact us for information too; we are currently doing an extensive evaluation of all oil & gas mineral leases on state lands for the State Land Dept.

General Stratigraphic Studies

Oil Reservoir Studies

Economic Minerals Activities (other than Petroleum)

NDGS economic minerals studies relate both to projects we initiate and projects we are asked to do; the purpose is to evaluate potential minerals such as sodium sulphate, cement rock, methane, leonardite, etc.; we publish the results of our studies, make them available to ED&F, communicate them to the public, and to companies that might be interested.

Fuel Resources Studies

Non-fuel Resource Studies

Resource Evaluations

Paleontological Resources Activities



### Subsurface Geologic Activities

The main thrust of NDGS subsurface studies is to increase our understanding of the State's geology, irrespective of economic mineral potential – even so, we do stress mineral occurrence; understanding the basic geology helps us to understand environments of deposition and thereby predict potential mineral occurrence and value, etc

### Carbonate Geologic Studies

### Structural and Stratigraphic Studies

### Surface and Near-Surface Activities

These are varied, intended both to identify potential economic mineral resources and to understand the basic geology of the State; the knowledge we gains enables us to deal with hazards, environmental problems, groundwater problems, and to understand the geology, geologic history, and other features of the State.

### Glacial Geologic Studies

### Geologic Hazards Evaluations (floods, landslides, etc.)

### Environmental Geologic Studies

### Groundwater Studies

## ***Public Service/Information/Education***

### Geologic Education/Information

#### Publications, Maps, and Publication Sales

#### *NDGS Newsletter*

Provides both specific and general information on the geology of North Dakota; the *NDGS Newsletter* is recognized as one of the best published by a state geological survey; we've been publishing the newsletter four times a year, but are cutting back to twice a year due to workload and cost

#### Exhibits Preparation

#### Cooperative Study Agreements (with other agencies)

#### Responding to Specific Requests for Information

A highly varied array of activities, unpredictable and on demand; NDGS geologists respond to requests for information as needed and they publicize information we gather; depending on demand, these activities can occupy much of the time of nearly all of our geologists at times; cooperative agreements may relate to mutually beneficial arrangements with graduate students to do various projects on the geology of North Dakota (mapping, subsurface studies, etc.

### Geographic Information Systems (GIS) Laboratory

NDGS is the lead state agency in GIS, by directive of the Governor

### Global Positioning System (GPS.)

NDGS operates the North Dakota GPS. base station

### Earth Science Information Center (ESIC)

NDGS is the main source of geologic information in the State; providing the only state-wide source of state and federal information

### Educational Programs

Many and varied: include the annual Horizontal Drilling Workshop, Earth-Science Week activities, periodic field trips, numerous public lectures, etc.

## STATUTORY DUTIES OF THE NORTH DAKOTA GEOLOGICAL SURVEY

*Complete listing of the statutes governing the North Dakota Geological Survey and the state geologist, compiled by the Attorney General's office. There is a brief description for each statute.*

### **NDCC 54-17.4 Geological Survey**

This is the enabling legislation, passed in 1989.

### **NDCC 54-17.3 Paleontological Resource Protection**

Paleontological resources, on land owned by the State of North Dakota and its political subdivisions, are protected and managed under this chapter.

### **NDCC 38-08.1 Geophysical Exploration Requirements**

Geophysical exploration refers to any method of obtaining petroleum-related geophysical surveys. The law was written to deal, primarily, with seismic operations. It specifies bonding requirements, which are handled by the industrial commission administration.

### **NDCC 38-12 Regulation, Development, and Production of Subsurface Minerals**

This chapter covers minerals not included in the oil and gas and coal regulatory programs.

### **NDAC 43-02-02.1 Underground Injection Control Program (Class III Injection Wells) (authority under NDCC 38-12-02)**

Regulates solution mining of salts. State geologist supervises enforcement of regulations and orders of the commission applicable to the underground injection control program for Class III disposal wells.

### **NDCC 38-12.1 Exploration Data**

Drilling for coal exploration or evaluation is regulated under this chapter.

### **NDCC 38-19 Geothermal Resource Development Regulation**

Geothermal (ground source) commercial heating and cooling systems require a permit from the NDGS. A permit is not required for private residential systems.

### **NDCC 38-08-04(1-k) Control of Gas and Oil Resources (Core and Samples)**

The state geologist requires filing of cores and samples with the NDGS. The NDGS maintains a Core and Sample Library (also 54-17.4-04)

### **NDCC 38-11.1 Oil and Gas Production Damage Compensation**

The state geologist provides a letter of notice to surface owners concerning the right of compensation for damages caused by oil and gas operations.

### **NDCC 38-08-04.2 Control of Gas and Oil Resources**

The industrial commission may designate the state geologist as the chief enforcement officer.

### **NDCC 38-14.1-03 (12) Surface Mining and Reclamation Operations**

The state geologist assists in promulgating regulations for the protection of water resources affected by surface coal mining operations

**NDCC-38-15          Resolution of Conflicts in Subsurface Mineral Production  
(also see NDCC-38-12)**

The state geologist acts a supervisor charged with enforcing industrial commission orders .... if there is a conflict between the Oil and Gas Conservation Act and production of other natural resources.

**NDCC 15-05-07          Leasing Coal, Oil, Gas, and Other Rights (Determine where coal exists)**

The state geologist helps the board of university and school lands determine the quantity and description of lands containing coal.

**NDCC 15-05-16          Leasing Coal, Oil, Gas, and Other Rights (Reports)**

The state geologist or state food inspector, if requested by the board of university and school lands, must evaluate land that may contain minerals.

**NDCC 23-29-07.6 and 07.7 Solid Waste Management**

The state geologist develops preconstruction site reviews for solid waste disposal facilities and the state geologist reviews existing municipal waste landfills [*the latter work has been completed*]

**NDCC 23-33-10          Groundwater Protection; Wellhead Protection Program**

The state geologist assists in the Health Department's wellhead protection program.

**NDCC 23-29-06.4          Solid Waste Management and Land Protection Act**

The state geologist serves on the solid waste management coordinating committee.

**NDCC 23-25-02(2)          Air Pollution Control**

The state geologist serves on the air pollution control advisory council.

**NDCC 61-28-03          Control, Prevention, and Abatement of Pollution of Surface Waters**

The state geologist serves on the state water pollution control board.

## NDGS SOILS COMPILATION/DIGITIZATION PROGRAM

The current soils compilation/digitization program in North Dakota began in 1992. The cooperative program has involved mainly the U.S. NRCS and the State Soil Conservation Committee, although other federal agencies have also been involved with a few of the county studies. The North Dakota Geological Survey became involved in 1997, at the direction of the Legislature.

### Status of the Program

Prior to involvement of the NDGS (1992 - 1997), a total of 19 counties were completed or partially completed by NRCS and the State Soil Conservation Committee. Counties and completed acreages are as follows:

Towner	662,707	Sioux	703,289
Rolette	585,164	Divide	824,563
Griggs	453,209	Burke	715,276
Stutsman	1,448,384	Williams	1,327,270
Ransom	551,628	Mountrail	1,175,539
Dickey	729,177	McKenzie	600,000 (34%)
McIntosh	629,952	Golden Valley	641,689
McLean	1,327,270	Billings	552,979 (75%)
Morton	929,145 (75%)	Slope	780,460
Logan	640,089		

Since the NDGS took over the program in 1997, we have completed all or parts of the following nine counties:

Morton	300,000 (25%)	Sargent	548,716
Sheridan	633,241	Pembina	719,360
Walsh	825,827	Cavalier	964,755
Billings	184,000 (25%)	Cass	904,658 (80%)
Traill	551,334		

### Compilation and Digitization Rates

Since assuming responsibility for the soils program, we have been able to somewhat improve the rates of compilation and digitization:

#### 1992 to June, 1997 (pre-NDGS involvement)

14,432,063 acres compiled = an average annual rate of compilation of 2,624,011 acres/year

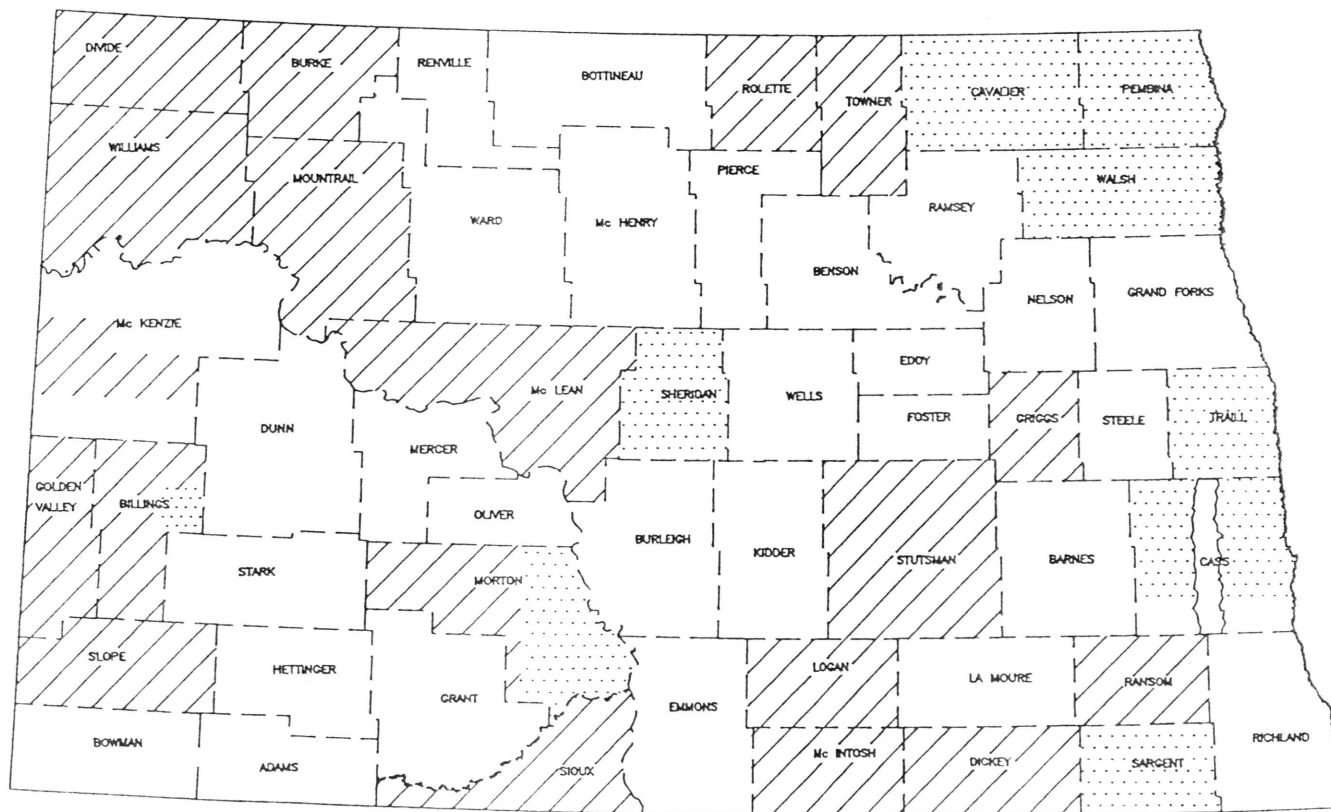
14,029,568 acres digitized = an average annual rate of digitization of 2,550,830 acres/year

#### July, 1997 to February, 1999 (NDGS)

5,631,891 acres compiled = an average annual rate of 3,556,000 acres/year

3,964,481 acres digitized = an average annual rate of 2,642,987 acres/year

STATUS OF SOIL COMPILATION IN NORTH DAKOTA



 Compiled prior to 7/97.

 Compiled by ND Geological Survey.

Industrial Commission Appropriation Bill  
Museum Specialist Position

I discussed the question as to which agency the museum specialist should be located in with John Bluemle of Geological Survey and Sam Wagner of Historical Society. Both directors felt the position belongs in Geological Survey. The points they addressed were:

- The position is a paleontology laboratory technician by description. The position will assist in developing the state fossil collection.
- The position is devoted approximately half time to preparing displays of North Dakota fossils, not full time.
- Position duties are geological in nature, not necessarily historical.
- Position actually goes to the digs to recover the fossils and map locations.
- Historical society, although it contains dinosaur fossil displays, exhibits more of state historical items. This includes human cultures and lifestyles.

These are just a few of the items they brought to my attention during our discussions. If you have any further questions you may call me at 328-2148.

Karen Borr  
Office of Management and Budget

HB 1015-  
2/24/99

# METEORITES

## IN NORTH DAKOTA

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by

Edward C. Murphy and Nels F. Forsman



EDUCATIONAL SERIES NO. 23  
NORTH DAKOTA GEOLOGICAL SURVEY  
John P. Bluemle, State Geologist  
1998

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# The Jerusalem and Tolna Outlets in the Devils Lake Basin, North Dakota

by

Edward C. Murphy, Ann M.K. Fritz, and R. Farley Fleming



Report of Investigation No. 100  
North Dakota Geological Survey  
John P. Bluemle, State Geologist  
1997

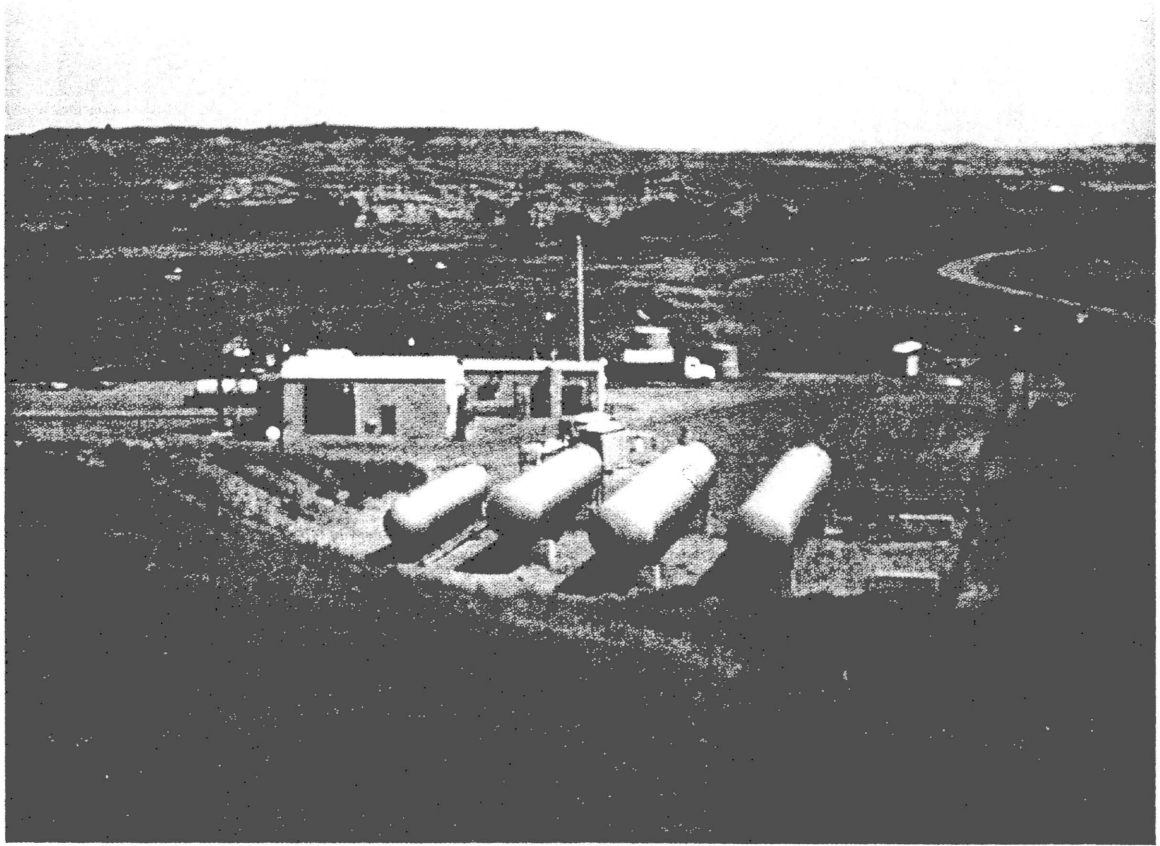


HB 1012  
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# Oil Exploration and Development in the North Dakota Williston Basin: 1996-1997 Update

By Thomas J. Heck



OIL EXPLORATION AND DEVELOPMENT IN THE  
NORTH DAKOTA WILLISTON BASIN: 1996-1997 Update  
Thomas J. Heck  
North Dakota Geological Survey  
1998  
M.S. 85

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John P. Bluemle, State Geologist  
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**Tom Tudor**  
**Executive Director**  
**North Dakota Municipal Bond Bank**

**The Bond Bank**

The North Dakota Municipal Bond Bank (the "Bond Bank") makes loans to political subdivisions by issuing bonds and using the proceeds to purchase municipal securities issued by the borrowing political subdivisions. The Bond Bank, which is operated and managed under the control of the Industrial Commission of North Dakota (the "Commission"), is a self-supporting state agency which receives no financial assistance from the State's general fund. There are three staff positions - an executive director, an administrative assistant, and an administrative secretary. The requested appropriation for 1999-2000 includes an additional FTE for the State Revolving Fund Program, more fully described below.

The term "political subdivision" is defined in §6-09.4-03 (the "Bond Bank Act") as follows:

"Political Subdivision" means:

- a. A local government unit created by statute or by the Constitution of North Dakota for local governmental or other public purposes.
- b. The state department of health, or any other state agency or authority, or any member-owned association or publicly-owned and nonprofit corporation:
  - (1) Operating any public water system that is subject to chapter 61-28.1 [The North Dakota Safe Drinking Water Act.]
  - (2) Operating any facility, system, or other related activity that is eligible for financial assistance under chapter 61-28.2. [The Water Pollution Control Revolving Loan Fund.]
- c. The Bank of North Dakota, for purposes of the revolving loan fund program established by chapter 61-28.2.

SB 2106 adds the State Water Commission as an eligible borrower for purposes of the revolving loan fund program established by chapter 61-28.1.

A loan can be made by the Bond Bank to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money, provided that municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may not be purchased by the Bond Bank unless they qualify as "exempt facility bonds" under federal tax laws and regulations and are issued to provide one of the following:

1. A facility for the furnishing of water.
2. A wastewater facility.
3. A non-point source pollution control facility.

Projects which meet these requirements are eligible to receive financing from the Bond bank under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Bond Bank may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation of its bond resolution and other necessary loan documents. In addition, the Bond Bank may only purchase municipal securities if the Attorney General issues an opinion which states that the municipal securities are properly eligible for purchase under N.D.C.C. ch. 6-09.4.

N.D.C.C. § 6-09.4-06 provides that a loan in excess of \$200,000 must be approved by a Commission resolution which states that the Commission has determined that the private markets will not be responsive to the needs of the political subdivision or must state other reasons for the Bond Bank's involvement in the loan.

#### **Municipal Bond Bank Advisory Committee**

The Commission, by policy, has established a Bond Bank Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews all loan applications and makes recommendations to the Commission concerning the appropriate action to be taken or, in the case of an application for a loan of \$50,000 or less, may authorize the approval of the loan, with a report describing the loan and the action taken to be submitted to the Commission at its next meeting.

#### **Required Debt Service Reserve - "Moral Obligation Bonds"**

Subsection 1 of N.D.C.C. § 6-09.4-10 requires the Bond Bank to establish a debt service reserve fund in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding year for the payment of the principal of and interest on outstanding bonds of the Bond Bank. Subsection 4 of N.D.C.C. § 6-09.4-10 provides:

"In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the legislative assembly and paid to the bond bank for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Bond Bank's bond counsel, there is no applicable provision of state law which would prohibit a future Legislative Assembly from appropriating any sum which is certified by the Commission as necessary to restore the reserve fund to an amount sufficient to meet the required debt service reserve. The legislative obligation imposed by the Legislative Assembly in subsection 4 of N.D.C.C. § 6-09.4-

10 is referred to as a moral obligation because the statutory requirement to provide an appropriation for the Bond Bank's reserve fund is not backed by the full faith and credit of the State.

### **Capital Financing Program**

Under its Capital Financing Program (the "CFP"), the Bond Bank sells its bonds in the open market through a competitive bid process. Loans are made with the bond proceeds to previously identified and approved political subdivisions to finance the projects or improvements for which the political subdivisions have submitted loan applications to the Bond bank and for which the political subdivisions have the legal authority to borrow money through the issuance of their municipal securities. Under the CFP, the Bond Bank also makes short-term loans to political subdivisions, primarily school districts, for cash flow purposes as permitted under N.D.C.C. ch. 21-02 and federal tax code laws and regulations. The municipal securities purchased by the Bond Bank may be either tax-exempt or taxable obligations.

The interest rates on the CFP Bonds issued by the Bond Bank are passed through to a political subdivision in the purchase of the political subdivision's municipal securities with the bond proceeds. That is, the interest rates on the municipal securities are the same as the interest rates on the CFP bonds. A political subdivision's financing costs under the CFP include a pass-through of the underwriter's discount which the Bond Bank pays as a cost of issuing its bonds (usually \$10 to \$15 per \$1000 of bond) and a one-time administrative fee of (1) the lesser of .5% of the loan amount or \$7,000 and (2) 1% of the loan amount.

The CFP is administered under the General Bond Resolution originally adopted by the Commission on March 2, 1990. The Bond Bank issued \$9,695,000 of CFP Bonds in 1998. Of this dollar amount, \$3,010,000 was for new loans and \$6,685,000 was to refinance previously issued CFP Bonds. The outstanding principal amount of CFP Bonds as of December 31, 1998 is \$36,666,000.

Primarily in reliance upon the moral obligation pledge of the Legislative Assembly, Standard & Poor's Rating Group has assigned a rating of "A-" to the Bond Bank's Capital Financing Program Bonds.

### **State Revolving Fund Program**

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. The SRF Program is administered under a Master Trust Indenture dated October 1, 1998. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects, and authorized projects under the Safe Drinking Water Act include public water

systems. The SRF Program is administered jointly by the North Dakota Department of Health and the Bond Bank.

The Bond Bank issued \$35,965,000 of SRF Program Bonds in 1998. The outstanding principal amount of SRF Program Bonds as of December 31, 1998 is \$89,190,000.

The Bond Bank has approved 85 loans under the SRF Program as of December 31, 1998, in the total dollar amount of \$105,910,109.

The additional FTE requested and included in the Bond Bank's appropriation will work with the SRF Program. In addition to the 85 approved loans referred to above, the Health Department has identified approximately 70 additional projects which may qualify for financial assistance under the SRF Program.

Under EPA program requirements established pursuant to the Clean Water Act and the Safe Drinking Water Act, all SRF Program loans must be reviewed and monitored on an annual basis for compliance with SRF Program requirements. This is in addition to the initial review and approval process for all SRF Program loan applications. Further, the federal program requirements, particularly with respect to the public water system side of the SRF Program, are still being developed. At the same time, the EPA is continually looking for ways to expand the scope of the SRF Program with respect to qualified projects under the Clean Water Act. Taken together, all of this adds up to the need for a full time position devoted exclusively to the SRF Program.

Funding for this position will be provided by the annual administrative fees paid to the Bond Bank by all participating SRF Program borrowers. These administrative fees are presently being held by the Bond Bank under the Master Trust Indenture and are available for SRF Program purposes, including the cost of funding this position.

**Tom Tudor**  
**Executive Director**  
**North Dakota Municipal Bond Bank**

**The Bond Bank**

The North Dakota Municipal Bond Bank (the "Bond Bank") makes loans to political subdivisions by issuing bonds and using the proceeds to purchase municipal securities issued by the borrowing political subdivisions. The Bond Bank, which is operated and managed under the control of the Industrial Commission of North Dakota (the "Commission"), is a self-supporting state agency which receives no financial assistance from the State's general fund. There are three staff positions -executive director, business manager, and administrative secretary. As introduced and considered by the House Appropriations Committee, HB 1015 included an additional FTE for the State Revolving Fund Program. However, as amended by the House, this position has been removed from HB 1015. We are requesting that the position and the appropriation be restored. The need for this position is discussed on page 4 under the section titled "State Revolving Fund Program."

A loan can be made by the Bond Bank to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money, provided that municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may not be purchased by the Bond Bank unless they qualify as "exempt facility bonds" under federal tax laws and regulations and are issued to provide one of the following:

1. A facility for the furnishing of water.
2. A wastewater facility.
3. A non-point source pollution control facility.

Projects which meet these requirements are eligible to receive financing from the Bond bank under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Bond Bank may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation of its bond resolution and other necessary loan documents. In addition, the Bond Bank may only purchase municipal securities if the Attorney General issues an opinion which states that the municipal securities are properly eligible for purchase under N.D.C.C. ch. 6-09.4.

N.D.C.C. § 6-09.4-06 provides that a loan in excess of \$200,000 must be approved by a Commission resolution which states that the Commission has determined that the private markets will not be responsive to the needs of the political subdivision or must state other reasons for the Bond Bank's involvement in the loan.

#### **Municipal Bond Bank Advisory Committee**

The Commission, by policy, has established a Bond Bank Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews all loan applications and makes recommendations to the Commission concerning the appropriate action to be taken or, in the case of an application for a loan of \$50,000 or less, may approve the loan, with a report describing the loan and the action taken to be submitted to the Commission at its next meeting.

#### **Required Debt Service Reserve - Moral Obligation Bonds**

Subsection 1 of N.D.C.C. § 6-09.4-10 requires the Bond Bank to establish a debt service reserve fund in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding year for the payment of the principal of and interest on outstanding bonds of the Bond Bank. Subsection 4 of N.D.C.C. § 6-09.4-10 provides:

“In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the legislative assembly and paid to the bond bank for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve.”

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Bond Bank's bond counsel, there is no applicable provision of state law which would prohibit a future Legislative Assembly from appropriating any sum which is certified by the Commission as necessary to restore the reserve fund to an amount sufficient to meet the required debt service reserve. The legislative obligation imposed by the Legislative Assembly in subsection 4 of N.D.C.C. § 6-09.4-10 is referred to as a moral obligation because the statutory requirement to provide an appropriation for the Bond Bank's reserve fund is not backed by the full faith and credit of the State.

### **Capital Financing Program**

Under its Capital Financing Program (the "CFP"), the Bond Bank sells bonds from time to time in the open market through a competitive bid process. Loans are made with the bond proceeds to finance political subdivisions' projects or improvements which have been identified and approved prior to the issuance and sale of the CFP Bonds. Under the CFP, the Bond Bank also makes short-term loans to political subdivisions, primarily school districts, for cash flow purposes as permitted under N.D.C.C. ch. 21-02 and federal tax code laws and regulations. Short-term loans may also be made to rural water associations or water districts to provide construction financing if the associations or districts have received loan commitments from USDA Rural Development.

The interest rates on the CFP Bonds issued by the Bond Bank are passed through to a political subdivision in the purchase of the political subdivision's municipal securities with the bond proceeds. That is, the interest rates on the municipal securities are the same as the interest rates on the CFP Bonds. A political subdivision's financing costs under the CFP include a pass-through of the underwriter's discount which the Bond Bank pays as a cost of issuing its bonds (usually \$10 to \$15 per \$1000 of bonds) and a one-time administrative fee of (1) the lesser of .5% of the loan amount or \$7,000 and (2) 1% of the loan amount. The 1% fee is paid to The Bank of North Dakota for issuing a letter of credit to the Bond Bank in the amount of the Bond Bank's reserve fund requirement for the loan.

The CFP is administered under the General Bond Resolution originally adopted by the Commission on March 2, 1990. The Bond Bank has issued \$68,630,000 of CFP Bonds under the General Bond Resolution. The Bond Bank issued \$15,345,000 of CFP Bonds in 1997 and \$9,695,000 of CFP Bonds in 1998. Of the 1998 dollar amount, \$3,010,000 was used for new loans and \$6,685,000 was used to refinance previously issued CFP Bonds. The outstanding principal amount of CFP Bonds is \$36,666,000.

Primarily in reliance upon the moral obligation pledge of the Legislative Assembly, Standard & Poor's Rating Group has assigned a rating of "A-" to the Bond Bank's Capital Financing Program Bonds.

### **State Revolving Fund Program**

The State Revolving Fund Program (the "SRF Program") was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the federal Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the federal Safe Drinking Water Act. The SRF Program is administered jointly by the North Dakota Department of Health and the Bond Bank under an amended and restated Master Trust Indenture dated October 1, 1998.



The SRF Program capitalization grants, received on behalf of the State by the Health Department from the United States Environmental Protection Agency, must be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other authorized purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and non-point source pollution control projects, and authorized projects under the Safe Drinking Water Act include public water systems.

The Bond Bank issued \$35,965,000 of SRF Program Bonds in 1998. The outstanding principal amount of SRF Program Bonds is \$89,190,000. Moody's Investors Service has assigned a rating of "AA2" to the SRF Program Bonds.

The Health Department and the Bond Bank have approved 97 projects for financing under the SRF Program in the total dollar amount of \$125,844,506. The current outstanding amount of SRF Program loans is \$73,696,649. In addition to the 97 approved loans, the Health Department has currently identified approximately 70 projects which may qualify for financial assistance under the SRF Program. These projects include both wastewater treatment facilities and public water systems.

Under EPA program requirements established pursuant to the Clean Water Act and the Safe Drinking Water Act, all SRF Program loans must be reviewed and monitored on an annual basis for on-going compliance with SRF Program requirements. This is in addition to the initial review and approval process for all SRF Program loan applications. For example, a borrower which will be issuing revenue bonds for its loan must initially demonstrate that its enterprise fund net operating revenues will be 120% of the average annual payment calculated for the loan. In addition, this coverage must be maintained for the full term of the loan, which requires an annual review of the borrower's financial statements. Further, the federal program requirements, particularly with respect to the public water system side of the SRF Program, are still being developed. At the same time, the EPA is continually looking for ways to expand the scope of the SRF Program with respect to qualified projects under the Clean Water Act. Taken together, all of this adds up to the need for an additional full-time FTE who will work primarily with the SRF Program. Funding for this position will be provided by the annual administrative fees paid to the Bond Bank by all SRF Program borrowers. The administrative fee currently being charged is .5% of the outstanding loan balance. These administrative fees are presently held under the Master Trust Indenture and are available to be expended only for SRF Program administrative purposes, which includes the cost of funding this position.

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NORTH DAKOTA  
MUNICIPAL BOND BANK

1998  
Annual Report to the Legislative Assembly

**TESTIMONY TO THE  
HOUSE APPROPRIATIONS COMMITTEE  
ON GOVERNMENT OPERATIONS  
January 12, 1999**

**HOUSE BILL 1015**

**JOHN HOEVEN - BANK OF NORTH DAKOTA**

House Bill 1015 Contains four sections relative to the Bank of North Dakota. Those sections are as follows:

Section 1: Appropriations

Subdivision 2: BND Operations (pages 1, 2)

Subdivision 3: Appropriations for PACE, AG PACE, and Beginning Farmer (p. 5)

Section 5: BND Transfer to the Industrial Commission for its administration and clerical support operations (page 14)

Section 12: BND Enterprise Fund, not Government Fund (page 14)

Section 13: Emergency provision for PACE funding (page 14)

Comments relative to each section and subdivision, along with supporting documentation, are attached.

**Transfers from the earnings and undivided profits of BND to the General Fund are not included in this bill as in the past, but instead are included in Senate Bill 2015 which covers OMB appropriations.**

Bank of ND

**BANK OF NORTH DAKOTA  
HOUSE BILL 1015, Section 1, Subdivision 2**

The Bank of North Dakota's (BND) 1999-2001 proposed operations budget is comprised of the five major line items outlined below. BND revenues fund all Bank expenses and profits are available to provide capital or make transfers to the General Fund.

Over the last 5 years BND has increased it's annual income as follows:

**BND Income (5 year growth)**

(figures in millions)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
\$18	\$21.6	\$23.2	\$25.5	\$28+ (unaudited)

Income for 1998 increased 10% over 1997. The year end audit is not complete, but annual earnings will total over more than \$28 million. These increases have resulted from good expense control and strong growth in BND's loan portfolio.

**BND's Total Loan Portfolio (5 year growth)**

(figures in millions)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
\$391	\$487	\$554	\$623	\$835

Growth in the loan portfolio also demonstrates BND's commitment to its role as North Dakota's development bank. BND has averaged financing 200 business and industrial projects per year or more than 1000 projects over the last 5 years, creating thousands of new jobs in North Dakota.

Growth in total bank assets has increased to \$1.6 billion.

**BND Total Assets (5 year growth)**

(figures in millions)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
935	1,033	1,068	1,162	1,609

**MAJOR LINE ITEM EXPENSE CATEGORIES:**

**SALARIES AND WAGES**

Budget 1999 -2001	\$14,527,399
Budget 1997-1999	<u>13,461,681</u>
	\$ 1,065,718

The salaries and wages line item includes Executive budget increases of 3% per annum and another 1% to meet market demands. In particular, there is market pressure on wages to hire and retain qualified loan officers and data processing personnel. BND has reduced its number of FTE's (full time equivalent personnel) over the last five years from 181 to 178.5 employees, while greatly increasing loans, total assets and income.

BND continues to monitor efficiency ratios for salaries and wages and also in regard to the number of employees at the Bank. Expenditures for salaries and benefits are .5% of average assets. Industry average for banks in North Dakota is over 1.2%. Operating profit per employee at BND is \$157,632, compared to the industry average for banks in North Dakota of less than \$80,000. There are \$9 million in assets per employee at BND. The industry average for banks in North Dakota ranges from \$2 million to \$4 million per employee depending on bank size. These industry averages are taken from the 1998 study done by the Sheshunoff Company, a nationally recognized bank analysis and consulting firm.

**OPERATING EXPENSES**

Budget 1999-2001	\$10,835,600
Budget 1997-1999	<u>10,259,629</u>
	\$ 575,971

The overall increase in operating expenses is 6%, or 3% per annum.

One-half of the operating expenses line item budget request is for data processing. The budget request for data processing is \$5,350,000 versus \$4,932,000 for the last biennium, which accounts for \$418,000 of the total \$576,000 increase in this line item. BND pays the State of North Dakota for its mainframe computer time which is a source of income to the Information Service Division of OMB. Clearly the cost competitiveness of the computer time BND buys from ISD is a major factor in the Bank's cost structure, particularly as we continue to automate.

**EQUIPMENT**

Budget 1999-2001	\$ 500,000
Budget 1997-1999	<u>1,454,700</u>
	\$(954,000)

The budget for equipment has been reduced from the previous biennium. The equipment budgeted expenditures include approximately \$250,000 for purchase or replacement of equipment for operations and office furniture. It also includes \$250,000 for computer hardware needs.

**CAPITAL IMPROVEMENTS**

Budget 1999 -2001	\$105,000
Budget 1997 -1999	<u>270,000</u>
	(\$165,000)

The budget for capital improvements has been reduced from the previous biennium. The costs to be incurred for capital improvements are for necessary maintenance and improvements to the BND facility.

**CONTINGENCY**

Budget 1999-2001	\$2,000,000
Budget 1997-1999	<u>485,339</u>
	\$1,514,661

\$2,000,000

Items included in the contingency line item which will be evaluated by BND to determine if they are cost beneficial include:

- a) Purchase of Sioux Line property on which part of BND's building is located \$500,000
- b) In-house computer system 700,000
- c) Electronic Commerce Project 500,000
- d) Remittance processor, software and maintenance 900,000

The governor's budget included only \$1.5 million for this contingency line item. BND requests that the contingency line item be increased to \$2 million in order to allow adequate flexibility to pursue these projects on a cost effective basis.

### BEGINNING FARMERS REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund permits Bank of North Dakota to make direct loans to beginning farmers for the first time purchase of farm real estate. A beginning farmer is any person who meets all of the following criteria:

- 1) The person is a resident of North Dakota whose principal occupation is or will be the production of an agricultural commodity on a family farm.
- 2) The person intends to use the real estate to be purchased for agricultural purposes.
- 3) The person has a net worth, including that of any dependents and spouse, of less than \$150,000.

The loan amount cannot exceed \$100,000 or 75% of the appraised value and the loan term must be 25 years or less. By December 31, 1998, the program had funded or committed to fund ~~578~~ loans for \$41,627,900. As of 12-31-98, the delinquency/default performance of the fund was as follows:

Volume of Beginning Farmer loans	<del>\$408,845,156</del>
Number of Beginning Farmer loans	567 <del>578</del>
Number of delinquent Beginning Farmer loans	1
Percentage of delinquent Beginning Farmer loans	.32%
Number of default Beginning Farmer loans	0
Charge-offs on default Beginning Farmer loans	\$0

41,627,900  
Capt. at 6%

**TESTIMONY TO THE  
SENATE APPROPRIATIONS COMMITTEE**

**February 24, 1999**

**HOUSE BILL 1015**

**JOHN HOEVEN - BANK OF NORTH DAKOTA**

House Bill 1015 Contains four sections relative to the Bank of North Dakota. Those sections are listed below along with the page numbers which correspond in this testimony:

Section 1: Appropriations

Subdivision 2: BND Operations (pages 2-4)

Subdivision 3: Appropriations for PACE, AG PACE, and Beginning Farmer (p. 5-13)

Section 5: BND Transfer to the Industrial Commission for its administration and clerical support operations (page 14)

Section 12: BND Enterprise Fund, not Government Fund (page 14)

Section 13: Emergency provision for PACE funding (page 14)

Comments relative to each section and subdivision, along with supporting documentation, are attached.

**Transfers from the earnings and undivided profits of BND to the General Fund are not included in this bill as in the past, but instead are included in Senate Bill 2015 which covers OMB appropriations.**

**BND is requesting 2 changes to House Bill 1015 as passed by the House:**

- 1) Reinstatement of 1 FTE (page 3 of this testimony)**
- 2) Reinstatement of \$600,000 for the PACE Program (page 5 of this testimony)**



**BANK OF NORTH DAKOTA  
HOUSE BILL 1015, Section 1, Subdivision 2**

The Bank of North Dakota's (BND) 1999-2001 proposed operations budget is comprised of the five major line items outlined below. BND revenues fund all Bank expenses and profits are available to provide capital or make transfers to the General Fund.

Over the last 5 years BND has increased it's annual income as follows:

**BND Income (5 year growth)**

(figures in millions)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
\$18	\$21.6	\$23.2	\$25.5	\$28 (unaudited)

Income for 1998 increased 10% over 1997. The year end audit is not complete, but annual earnings will total \$28 million. These increases have resulted from good expense control and strong growth in BND's loan portfolio.

**BND's Total Loan Portfolio (5 year growth)**

(figures in millions)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
\$391	\$487	\$554	\$623	\$835

Growth in the loan portfolio also demonstrates BND's commitment to its role as North Dakota's development bank. BND has averaged financing 200 business and industrial projects per year or more than 1000 projects over the last 5 years, creating thousands of new jobs in North Dakota.

Growth in total bank assets has increased to \$1.6 billion.

**BND Total Assets (5 year growth)**

(figures in millions)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
\$935	\$1,033	\$1,068	\$1,162	\$1,609

**MAJOR LINE ITEM EXPENSE CATEGORIES:**

**SALARIES AND WAGES**

Budget 1999 -2001	\$14,298,824
Budget 1997-1999	<u>13,461,681</u>
	\$ 837,143

The salaries and wages line item includes budget increases of 2% per annum and another 1% to meet market demands. In particular, there is market pressure on wages to hire and retain qualified loan officers and data processing personnel. BND has reduced its number of FTE's (full time equivalent personnel) over the last five years from 181 to 178.5 employees, while greatly increasing loans, total assets and income.

**The House removed 1 FTE from BND's budget with a corresponding salary of \$95,329. BND requests that the FTE and salary amount be reinstated. BND covers all of its expenses and generates a return to the General Fund, so there is no savings achieved and in fact the state may lose revenue by eliminating a position we need to conduct business operations. We are in the process of advertising to fill that vacancy now.**

BND continues to monitor efficiency ratios for salaries and wages and also in regard to the number of employees at the Bank. Expenditures for salaries and benefits are .5% of average assets. Industry average for banks in North Dakota is over 1.2%. Operating profit per employee at BND is \$157,632, compared to the industry average for banks in North Dakota of less than \$80,000. There are \$9 million in assets per employee at BND. The industry average for banks in North Dakota ranges from \$2 million to \$4 million per employee depending on bank size. These industry averages are taken from the 1998 study done by the Sheshunoff Company, a nationally recognized bank analysis and consulting firm.

**OPERATING EXPENSES**

Budget 1999-2001	\$10,835,600
Budget 1997-1999	<u>10,259,629</u>
	\$ 575,971

The overall increase in operating expenses is 6%, or 3% per annum.

One-half of the operating expenses line item budget request is for data processing. The budget request for data processing is \$5,350,000 versus \$4,932,000 for the last biennium, which accounts for \$418,000 of the total \$576,000 increase in this line item. BND pays the State of North Dakota for its mainframe computer time which is a source of income to the Information Service Division of OMB. Clearly the cost competitiveness of the computer time BND buys from ISD is a major factor in the Bank's cost structure, particularly as we continue to automate.

**EQUIPMENT**

Budget 1999-2001	\$ 500,000
Budget 1997-1999	<u>1,454,700</u>
	\$(954,000)

The budget for equipment has been reduced from the previous biennium. The equipment budgeted expenditures include approximately \$250,000 for purchase or replacement of equipment for operations and office furniture. It also includes \$250,000 for computer hardware needs.

**CAPITAL IMPROVEMENTS**

Budget 1999 -2001	\$105,000
Budget 1997 -1999	<u>270,000</u>
	(\$165,000)

The budget for capital improvements has been reduced from the previous biennium. The costs to be incurred for capital improvements are for necessary maintenance and improvements to the BND facility.

**CONTINGENCY**

Budget 1999-2001	\$1,500,000
Budget 1997-1999	<u>485,339</u>
	\$1,014,661

Items included in the contingency line item which will be evaluated by BND to determine if they are cost beneficial include:

- a) Purchase of Sioux Line property on which part of BND's building is located \$500,000
- b) In-house computer system 700,000
- c) Electronic Commerce Project 500,000
- d) Remittance processor, software and maintenance 900,000

**BANK OF NORTH DAKOTA  
HOUSE BILL 1015, Section 1, Subdivision 3  
PACE, AG PACE, BEGINNING FARMER**

**PACE FUND** - The 1999-2001 request is for \$6,600,000.

The House reduced funding for the PACE Program to ~~\$600,000,000~~ <sup>\$6,000,000</sup> which will not meet demand in the next biennium. error

The PACE Fund was established to buy down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium are as follows:

1991-1993	\$5,700,000
1993-1995	4,700,000
1995-1997	4,500,000
1997-1999	4,600,000
1999-2001	6,600,000

**AG PACE FUND** - The 1999-2001 request is for \$1,500,000.

The Ag PACE Fund was established to buy down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The Ag PACE Fund began in 1991. General Fund dollars provided to the Ag PACE Fund by biennium are as follows:

1991-1993	\$ 996,000
1993-1995	400,000
1995-1997	380,000
1997-1999	397,100
1999-2001	1,500,000

The \$1,500,000 request is a significant increase over the prior bienniums. The reason for the increase is to expand Ag PACE to provide financing for producers investing in value added ag processing or irrigation for the first time.

**BEGINNING FARMER REVOLVING LOAN FUND** - The 1999-2001 request is for \$1,000,000. The Beginning Farmer Revolving Loan Fund was established to make direct loans or buy down the interest rate on loans to beginning farmers for the first purchase of farm real estate.

General Fund dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	\$1,000,000
1993-1995	1,000,000
1995-1997	950,000
1997-1999	921,500
1999-2001	1,000,000

A more detailed explanation of each program and the performance statistics are attached.

### **PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION (PACE)**

The PACE program was established in 1991 to assist North Dakota communities in expanding their economic base. The program is available to all cities and counties throughout North Dakota for business projects that create new wealth (i.e. manufacturing, processing and targeted services industries). The program provides low interest loans to business entities through a partnership effort between the local community and the State. The maximum buy down amount permitted to be provided by the State is \$250,000 per biennium and the borrower must create at least one job per \$75,000 of total borrowing within the first year. The local community must also put up part of the buy down in each case thereby sharing the cost. This cost is less for smaller and more distressed communities, as they pay a lower percentage of the buy down amount than do larger or economically stronger communities.

The PACE program has been an important component of business financing in over 50 communities throughout North Dakota. The program can be tied to the creation of over 6,800 new jobs already in place and another 130 are committed to be created within the next year.

The PACE program works well because it has clearly defined guidelines and measurable cost and benefits. The well defined guidelines enable the effective and fair administration by the Bank of North Dakota and the effective marketing and utilization by the economic development community. As of December 31, 1998 the delinquency/default performance of the Fund was as follows:

Volume of PACE loans	\$164,300,000
Number of PACE loans	308
Number of delinquent PACE loans	9
Percentage of delinquent PACE loans	2.79%
Number of default PACE loans	12
Charge-offs on default PACE loans	.11%

In terms of measurable costs and benefits, PACE is a very good investment for the State of North Dakota. The attached analysis shows the investment in PACE buy down funds is paid back to the State in less than three years through additional sales tax and income revenue generated from new job creation.

### INVESTMENT BENEFIT ANALYSIS

#### Investment

PACE buy down funded as of December 31, 1998: \$24,400,000

#### Benefit

Gross annual salary dollars generated: 6,870 jobs created at \$15,000 per year (FTE's only, part time jobs are not included)	\$103,050,000
Annual state sales and income tax generated	\$10,000,000
Period required to recoup investment	2.4 years

### ASSUMPTIONS

- 1) This analysis is based upon the premise that the State of North Dakota will receive direct benefits from additional income tax revenue and additional sales tax revenue. Local benefits such as property tax are not included in this analysis. (Assume those funds go to reimburse the local community for its share of the buy down).
- 2) The gross salary amount is calculated by multiplying the total number of jobs created (6,870) by an average yearly salary of \$15,000.
- 3) 50% of the gross salary amount is excluded from the sales tax calculation due to transactions that are either exempt from state sales tax or only indirectly impact the amount of sales tax collected.

Federal Taxes	15% of gross salary
Housing Costs	15% of gross salary
Tax Exempt Items & Personal Savings:	<u>20% of gross salary</u>
TOTAL	50% of gross salary

- 4) State sales tax is 5%. Actual calculation is  $6,870 \times \$15,000 \times .50 \times .05 = \$2,576,250$ . Jobs created are primary sector jobs (i.e. new wealth). Each new dollar injected into a local economy turns over a number of times, so economic multiplier of 3 to 7 are used to measure the impact. To be conservative, we have used an economic multiplier of 3. Actual calculation is  $\$2,576,250 \times 3 = \$7,728,750$ .

- 5) State income tax is 14% of the federal tax liability. Actual calculation is 6,870 jobs X \$15,000 X .15 X .14 = \$2,164,050.
- 6) Total state sales tax and state income tax dollars generated:
- |                  |                    |
|------------------|--------------------|
| State sales tax  | \$7,728,750        |
| State income tax | <u>\$2,164,050</u> |
|                  | \$9,892,800        |
- 7) State is paid back in tax dollars in less than three years. Actual calculation is  $24,400,000 / \$10,000,000 = 2.44$  years.

**This investment analysis is based on a model developed by Charles Bailly accounting firm. We also obtained input from the Brady-Martz accounting firm. It should be pointed out that our version is simplified and more conservative than the Bailly model.**

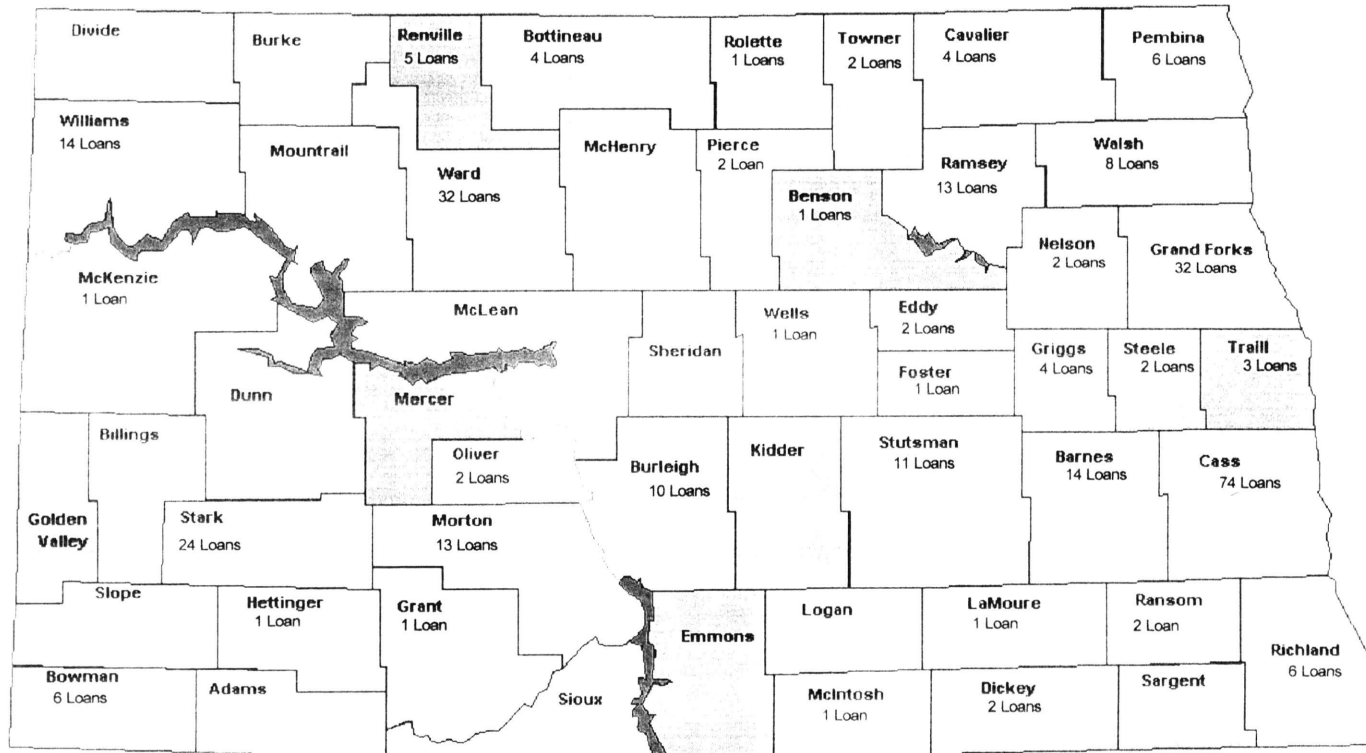
# PACE LOAN PROGRAM

(\$ Million)

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	308	6	314
AMOUNT	\$ 164.3	\$ 6.5	\$ 170.8
BUYDOWN	\$ 24.4	\$ .8	\$ 25.2
JOBS	6,870	127	6,997

1997-1999 Biennium Buydown Fund	
Total Available Funds	\$5,034,323
Buydown Funds - Funded/Committed Loans	\$4,497,150
Remaining Buydown Funds	\$ 537,173

## COUNTIES WHICH HAVE PARTICIPATED IN THE PACE PROGRAM



This graph depicts loan activity in the PACE Loan Program from its inception on March 2, 1990 to December 31, 1998



**AGRICULTURAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION  
(AG PACE)**

The sister program to PACE is AG PACE. Developed to meet the needs of farm diversification, the program is designed to assist projects which are not involved in traditional agriculture or livestock.

By December 31, 1998, the program had funded or committed to fund 143 different loans in communities like Pingree, Lansford, Beulah and Carson. The projects in the program range from farm equipment manufacturing to green houses and from candy manufacturing to buffalo herds. By December 31, 1999, over \$7,300,000 in loans were funded under the Ag PACE program. As of 12/31/98, the delinquency/default performance of the fund was as follows:

Balance of Ag PACE loans	\$7,311,755
Number of Ag PACE loans	143
Number of delinquent Ag PACE loans	1
Percentage of delinquent Ag PACE loans	.23%
Number of default Ag PACE loans	0
Charge-offs on default Ag PACE loans	\$0

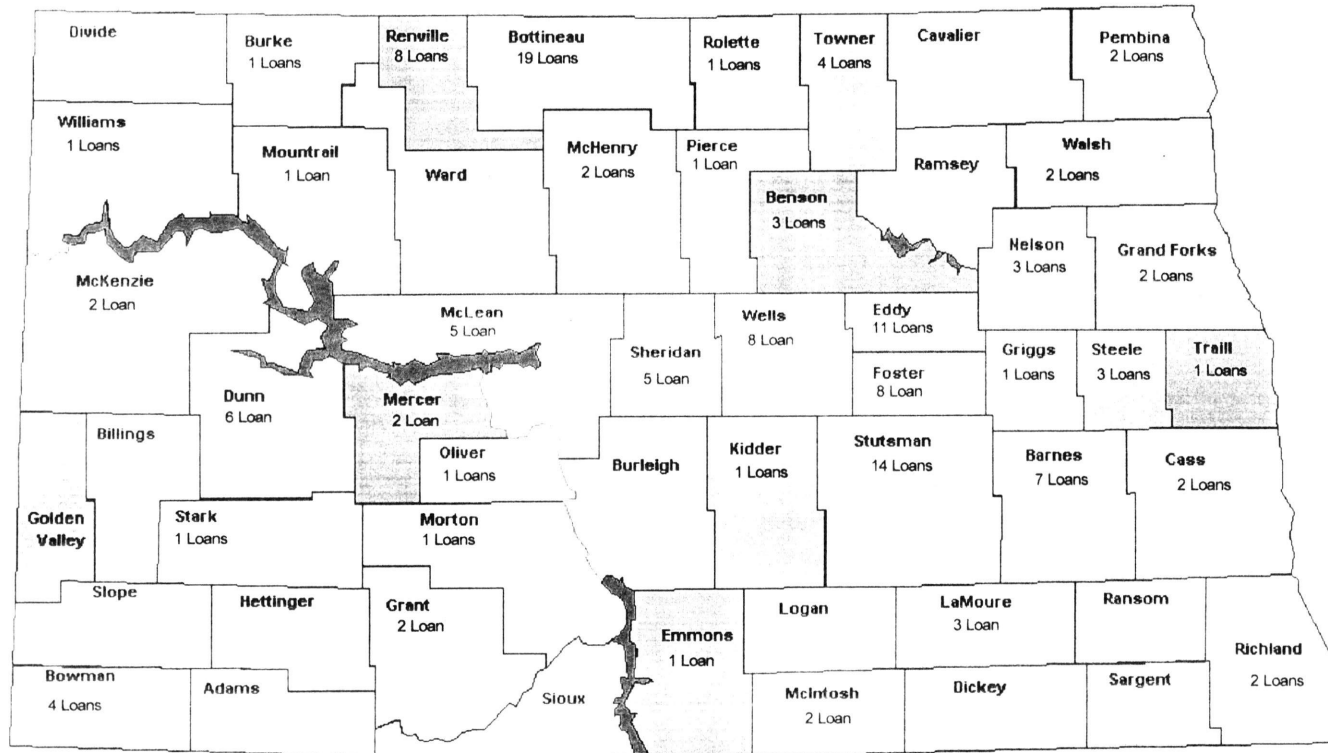
Given the difficulties experienced in the farm sector, BND is requesting additional funding for Ag PACE. The increased funding would be utilized to provide financing for producers investing for the first time in value added ag enterprises or irrigation. The Ag PACE Program would allow producers to borrow monies to invest in these types of projects at a rate of 5.25%.

# AG PACE LOAN PROGRAM

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	143	0	143
AMOUNT	\$ 7,311,755	\$ 0	\$ 7,311,755
BUYDOWN	\$ 1,866,664	\$ 0	\$ 1,866,664

1997-1999 Biennium Buydown Fund	
Total Available Funds	\$ 487,248
Buydown Funds - Funded/Committed Loans	\$ 125,878
Remaining Buydown Funds	\$ 361,370

## COUNTIES WHICH HAVE PARTICIPATED IN THE AG PACE PROGRAM



This graph depicts loan activity in the AG PACE Loan Program from its inception on July 1, 1991 to December 31, 1998

NOTE: Each AG PACE loan represents the creation of a new-farm business or the expansion of an on-farm business (non-traditional agriculture).

### BEGINNING FARMERS REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund permits Bank of North Dakota to make direct loans to beginning farmers for the first time purchase of farm real estate. A beginning farmer is any person who meets all of the following criteria:

- 1) The person is a resident of North Dakota whose principal occupation is or will be the production of an agricultural commodity on a family farm.
- 2) The person intends to use the real estate to be purchased for agricultural purposes.
- 3) The person has a net worth, including that of any dependents and spouse, of less than \$150,000.

The loan amount cannot exceed \$100,000 or 75% of the appraised value and the loan term must be 25 years or less. By December 31, 1998, the program had funded or committed to fund 567 loans for \$41,627,900. As of 12-31-98, the delinquency/default performance of the fund was as follows:

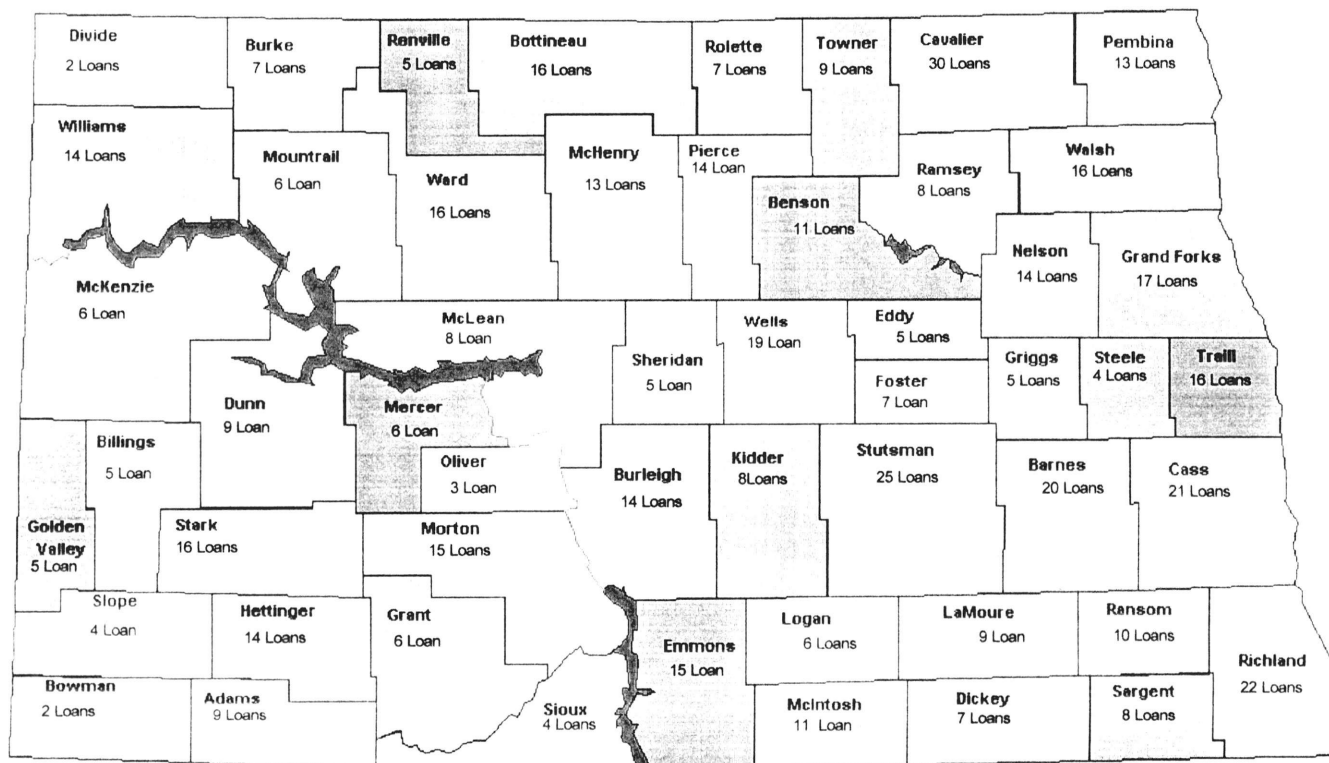
Volume of Beginning Farmer loans	\$41,627,900
Number of Beginning Farmer loans	567
Number of delinquent Beginning Farmer loans	1
Percentage of delinquent Beginning Farmer loans	.32%
Number of default Beginning Farmer loans	0
Charge-offs on default Beginning Farmer loans	\$0

# BEGINNING FARMER LOAN PROGRAM

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	567	13	580
AMOUNT	\$ 40,845,156	\$ 1,042,250	\$ 41,887,406
BUYDOWN	\$ 3,539,715	\$ 101,136	\$ 3,640,851

1997-1999 Biennium Buydown Fund	
Total Available Funds	\$ 921,500
Buydown Funds - Funded/Committed Loans	\$ 706,724
Remaining Buydown Funds	\$ 214,776

## FARM OPERATIONS WHICH HAVE UTILIZED THE BEGINNING FARMER PROGRAM



This graph depicts loan activity in the New Beginning Farmer Loan Program from its inception on July 1, 1991 to December 31, 1998  
Includes loans made out of Revolving Fund

**HOUSE BILL 1015, SECTION 5  
Transfer to the Industrial Commission**

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs. For the 1999-2001 biennium, the amount to be transferred is \$86,706.

**HOUSE BILL 1015, SECTION 12  
BND Enterprise, not Government Fund**

This language is included to clarify that appropriations for the PACE, Ag PACE, and the Beginning Farmer Programs go directly to those dedicated funds, not to BND for its operations. BND is an enterprise fund, not a government fund (or general fund agency), that is, it generates revenues to cover all of its own operations. The appropriations for PACE, Ag PACE and the Beginning Farmer Programs are passed through BND because it manages the PACE, Ag PACE, and Beginning Farmer dedicated funds.

**HOUSE BILL 1015, SECTION 13  
Emergency provision for PACE funding**

The buy down funding for the PACE Program is requested with an emergency provision so that it is available as soon as possible. The reason for the emergency measure is that all PACE Funding for the 1997-1999 biennium has been allocated and there are projects awaiting funding.



**Legislative Committee Hearing  
January 12, 1999  
House Bill No. 1015 Budget 475  
North Dakota Mill & Elevator Association**

Mr. Chairman and Representatives:

I am Mike Strobel, President and General Manager of the North Dakota Mill and Elevator. I started with the Mill August 1, 1996.

The North Dakota Mill facilities include five milling units, a terminal elevator and a packing warehouse to prepare bagged products for shipment. All Mill facilities are located in Grand Forks and have been paid for from operating profits.

With five milling units, the Mill produces and ships 22,000 cwt. of milled products daily. In addition, the Mill ships over 8,500 cwt. of food grade bran and wheat midds daily. The Mill cleans, processes and mills 50,000 bushels of top quality North Dakota wheat daily. On an annual basis, the Mill adds value to 15.6 million bushels of spring and durum wheat.

As indicated on the attached list of key statistics we have managed to increase profits and dramatically grow the business while reducing costs and improving efficiency. Every business's dream.

We are unofficially the 11<sup>th</sup> largest mill and the 15<sup>th</sup> largest milling company in the United States with sales of over \$91.7 million.

With a lot of hard work the mill has successfully transitioned from being primarily a durum mill shipping bulk flour to a handful of large pasta manufacturers to a much more complex spring wheat mill shipping hundreds of SKU's to a much more diverse customer base.

Mill of  
Strobel

Our strength is our employees. Employees that saved the Mill and had it running at full capacity 2 weeks after the flood. Employees that care enough to do it right every time. You can't imagine what an advantage it is to have a good reputation in the market place.

Our customer base is diverse but heaviest in the Ohio Valley and East Coast. Our biggest challenge is to provide great service to a customer base over 1,000 miles of railroad track away. To do this we try to be easy to do business with. We ship quality products and execute flawlessly.

In the past 2 years:

- We increased profits over 77%.
- We shipped 17.6% more cwts.
- We purchased 21.6% more North Dakota wheat.
- We have been working with NDSU planting white wheats and stronger and weaker varieties.
- We increased the bread machine mix – shipped 271%.
- We introduced a blueberry and buttermilk pancake mix and a 5 lb. whole-wheat flour.
- We grew our organic business from 0 to being the largest organic durum miller.

### OUTLOOK

Competition is fierce. Margins are under pressure. Customer consolidation continues. In other words, milling will continue to be a tough business. However, we remain optimistic and we are having another good year. We are currently breaking all production and shipping records and I would anticipate 4+ million in profits for the State.

We are optimistic enough to recommend a Mill Upgrade and Expansion Project. We anticipate the total cost of the project to be \$18 million. The project will be paid back in 5.73 years with an average annual return on invested capital over 5 years of 20.19%.

Benefits of the project include:

Increased flour sales	1,384,000 cwts.
Increase in wheat purchased	2,733,000 bushels
Five year increase in operating cash flow	\$18.3 million

Five year increase in net income                      \$11.1 million  
Reduction in operating costs per cwt.                15%

To remain profitable our plans are fairly simple. It is execution that is hard work. We want to do more of the value-added things that are difficult for other mills to do. Sell more North Dakota Mill's branded bag flour, grow the organic business, increase our tote business, introduce additional mixes and increase quality, customer service and efficiency. Do it without increasing costs.

### BUDGET REQUEST

All operating funds are generated from profits. Short-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for \$20,690,134. This represents an increase of \$1.25 million or 6.4% over the prior budget. More than 38% of this increase is for repairs, maintenance, and operating supplies to keep the mills running at full capacity. Wages and benefits account for 28% of the increase; all of it being in benefits and temporary help and overtime pay. Total employment is expected to remain at 124 full time employees.

Operating expense, excluding wages and benefits, increased 12.6%. Wages and benefits increased 2.9%.

The transfer of funds to the State has been budgeted for \$3 million for the biennium as noted in Section 9 of House Bill 1015.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

Respectfully submitted,



Michael L. Strobel  
President & General Manager



**North Dakota Mill & Elevator Association  
Key Statistics**

	<u>Year End 1996</u>	<u>Year End 1998</u>	<u>% Change</u>
Shipments - cwts			
Spring	4,442,963	5,314,438	19.6%
Durum	980,555	1,063,895	8.5%
Total cwts	<u>5,423,518</u>	<u>6,378,333</u>	17.6%
Shipments - bag cwts			
Family Flour	152,186	202,487	33.1%
Bakers	1,574,340	1,753,318	11.4%
Durum	391,157	429,500	9.8%
Total cwts	<u>2,117,683</u>	<u>2,385,305</u>	12.6%
Shipments - cwts 5 & 10 lb bags	127,877	187,196	46.4%
Pancake Mix - cases	-	1,964	
Bread Mix - cases	12,500	46,422	271.4%
Organic Flour - cwts	-	6,324	(six months ending 12/98 = 13,939 cwts)
Since 1971 Mill Profits	\$ 70,675,461		
Transfer	\$ 35,500,000		
as % of Profits	50.2%		
Wheat Purchased - Net			
Spring	10,900,489	13,377,303	22.7%
Durum	1,954,567	2,248,978	15.1%
Total bushels	<u>12,855,056</u>	<u>15,626,281</u>	21.6%
Administrative Costs per cwt	\$ 0.383	\$ 0.337	-12.0%
Total Mill Payroll & Benefits	\$ 5,031,128	\$ 5,092,655	1.2%
Operating Expense per cwt	\$ 1.72	\$ 1.54	-10.5%
Cwts per manhour			28.8%
Net Income	\$ 1,828,673	\$ 3,251,827	77.8%
Gross margin per cwt			2.4%
Gross margin as % of Net Sales			2.8%
Yield - dirty wheat	72.6%	75.3%	3.7%
Total hours worked	303,461	284,980	-6.1%



**Legislative Committee Hearing  
February 24, 1999  
House Bill No. 1015 Budget 475  
North Dakota Mill & Elevator Association**

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The budget request is for \$20,525,488. This represents an increase of \$1.08 million or 5.7% over the prior budget. More than 26% of this increase is for repairs, maintenance, and operating supplies to keep the mills running at full capacity. Wages and benefits account for 35% of the increase; all of it being in benefits and temporary help and overtime pay. Total employment is expected to remain at 124 full time employees.

Operating expense, excluding wages and benefits, increased 9.8%. Wages and benefits increased 3.2%.

The transfer of funds to the State has been budgeted for \$3 million for the biennium as noted in Section 9 of House Bill 1015.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

Respectfully submitted,



Michael L. Strobel  
President & General Manager

#13 1015  
2/24/99

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PROPOSED MILL UPGRADE AND  
EXPANSION PROJECT  
JANUARY 12, 1999

HB 1015

January 11, 1999

North Dakota Housing Finance Agency  
Division of the State Industrial Commission  
Budget No. 473.0  
Testimony of Pat S. Fricke, Executive Director  
House Appropriations Committee

Budget 473.0 of HB 1015 Section 1, Subdivision 5 covers the revenues associated with the various housing programs administered by the Housing Finance Agency (HFA) solely through Special Funds. The HFA has not utilized state General Funds of any type since its 1980 creation by initiated measure. The \$23,931,307 executive recommendation for the 1999-01 biennium represents a 7.8% decrease from the last appropriation. HFA staffing is recommended at 36, an increase of 5 FTE.

Current housing programs of the HFA are briefly described in the attached program summary. Nearly all of HFA programs involve partnerships with other entities in their delivery to program beneficiaries. These partnerships include lenders, Realtors, homebuilders, property developers, community action agencies, regional councils, apartment owners, non-profit organizations, other state and federal agencies. Funding of HFA programs is derived primarily from two general sources: 1) revenue bonds, and 2) federal funds. Total of bonds issued to date is \$1,731,630,000. Provisions are included for the associated administrative costs or administrative fees are assessed participants as appropriate. The assets, liabilities, and revenues resulting from bond issues of the HFA are not appropriated as they are held in trust by various bond trustees. The November 30, 1998 assets of these various bond funds were approximately \$735,000,000. HFA administrative costs of these bond financed programs (included herein) are accrued on a monthly basis and received from the Trustees. The HFA's largest single program, commonly referred to as the first-time homebuyer program, since its inception, has funded approximately \$900,000,000 in loans representing nearly 18,500 homeowners. At present, over 9,000 loans remain outstanding with over \$460,000,000 in principal balance.

The flood of 1997 dramatically changed loan activity during the past two years. With the help of our Congressional delegation, we were able to obtain federal legislation that enabled us to temporarily assist prior homeowners and communities to recover from the flood disaster. Approximately 1,100 home loans representing \$90,000,000 of loan principal has either been completed or committed as of December 31, 1998, the expiration of the temporary targeted disaster area eligibility criteria. Also, through the use of unique bond structuring, we have developed a means of offering reduced interest rate lending programs. Our disaster recovery interest rate reduction program enabled 33 lower income borrowers to qualify for as much as a two- percent interest rate reduction. These innovative bond structures have also enabled interest rate reductions during general interest rate market fluctuations, funding for the zero interest rate Start downpayment assistance program, and zero interest rate funding for Habitat for Humanity homes. Prior to 1997, our average annual loan volume was approximately 1,000 loans for \$50,000,000 of loan principal. In 1998, we processed approximately 2,500 loans at \$160,000,000. In 1999, after the expiration of the targeted disaster area eligibility rules, we are projecting 1,600 loans and approximately \$100,000,000 of loan principal, which is nearly double our historic annual average loan volume.

Housing  
Finance

Several years ago, the HFA adopted a policy which requires HFA single family loans to be serviced by in-state mortgage loan servicers. This policy was adopted in response to difficulties our borrowers were having with servicers located out of state and also as a result of the exodus of mortgage servicers from the state. This policy has resulted in better and more localized service to our borrowers and has improved the credit quality of the loan portfolio by reducing the delinquency rate to the 3.5% to 4.5% range. Currently, the Agency services nearly two-thirds (6,000) of the total single family portfolio. This has doubled from two years ago and is expected to continue to grow in the future. This activity has become a significant source of net operating revenues for the HFA.

HFA program activities produce a tremendous amount of records, especially the finance programs. We have utilized some vault storage space in the basement of the Capitol building for our records storage, however, we have outgrown the space available and commenced a document-imaging program last summer. Also, OMB has recently asked that we vacate the vault storage space, as we are not a Capitol building occupant. I anticipate we will have to increase our commitment to this imaging project until all of the existing documents have been converted.

The unanticipated increase in program workload and special projects, such as imaging, are being facilitated through the utilization of temporary personnel. Four of the five FTE increase are needed to accommodate increased HFA workloads, three of which would be activated July 1, 1999 and one later in the biennium based on projected portfolio growth. One FTE is being designated for a new program development director position which would be intended to assist Agency management with strategic plan initiatives, new program research and development, coordination with other housing program partners, program outreach and marketing, training, etc.

The HFA's largest appropriated funds activity involves the administration of federally funded U.S. Department of Housing & Urban Development (HUD) housing programs. Total disbursements for grants is projected at \$18,213,040, of which \$13,335,000 is for rental assistance for the benefit of over 1,683 very low income tenants in 94 projects located throughout the state which were originally developed through the HUD Section 8 New Construction/Substantial Rehabilitation Program. These properties were developed and owned by the private sector or non-profit organizations beginning in the late 1970's and early 1980's. Another \$3,500,000 is projected for rental assistance grants under the HUD Section 8 Moderate Rehabilitation Program for very low income tenants located in 45 projects representing approximately 530 units. These properties are also owned by the private sector and were rehabilitated under the program beginning in the early 1980's. Approximately \$650,000 is projected for the HFA's DCA and HARP Programs from HUD HOME program funds. DCA provides a zero interest, deferred payment loan of up to \$2,050 to assist first-time homebuyers with their downpayment and closing costs. The HARP Program assists low income households in achieving homeownership by covering part of the acquisition and rehabilitation costs. This program is administered in cooperation with local community action agencies throughout the state. The remaining \$606,000 in appropriated grant funds are budgeted for the HFA's Helping HAND and Homebuyer Education Programs (HomeSmart) funded from HFA net operating revenues. The HFA has been instrumental in obtaining grant funds to facilitate a Homebuyer Education Task Force in establishing homebuyer education programs across the state, primarily through community action agencies. Helping HAND grants are awarded to local, county, and tribal governments as well as non-profit entities to address local unmet low income housing needs.

The HFA administers the Low Income Housing Tax Credit created by the U.S. Congress in 1986 as part of the IRS Tax Code Section 42. The tax credit is an incentive for the development of rental housing for low income occupants and currently is the only viable production program available for the creation of affordable rental housing. Through a competitive process, the HFA allocates the annual tax credit authority to project applicants and is required to perform compliance monitoring regarding program requirements for the total compliance period which extends out to 30 years. To date, nearly 3,000 units have been developed or are being developed utilizing the tax credit. The redevelopment of part of the Grafton complex to senior citizen apartments is an example of tax credit utilization. Other HFA activities include a bond finance program for multifamily housing developments, purchase and sale of single family home loans, real estate loan application processing, other contracted grant and housing services, annual housing conference, and publication of an annual report.

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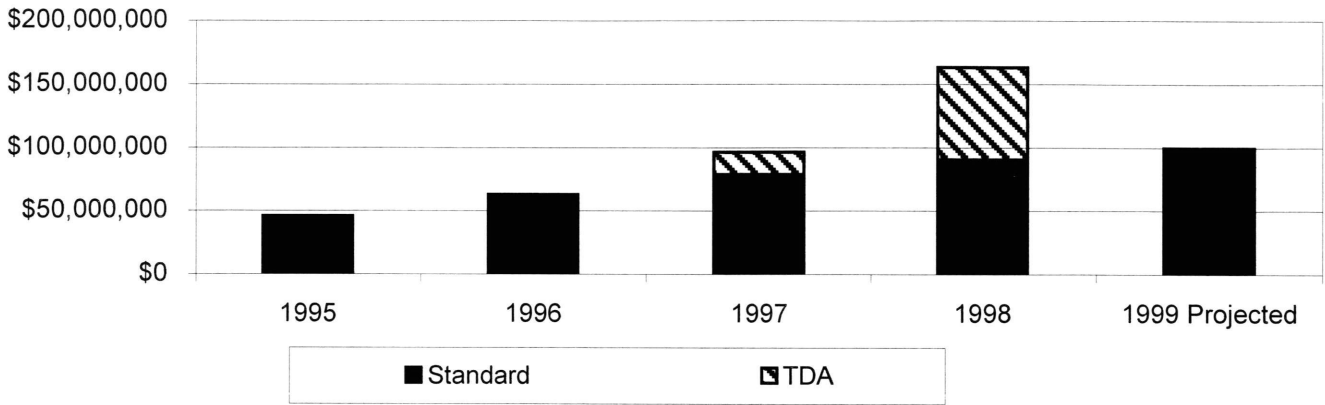
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In summary, the HFA is North Dakota's housing finance agency providing residential real estate finance and housing assistance to literally thousands of North Dakotans solely through Special Funds at no cost to the state's General Fund.

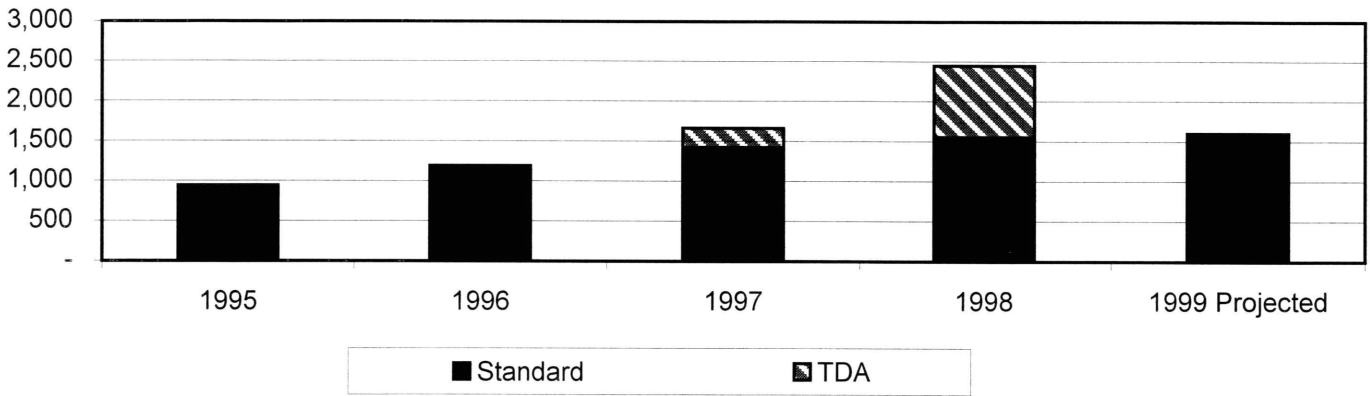


### HMFP Loan Demand



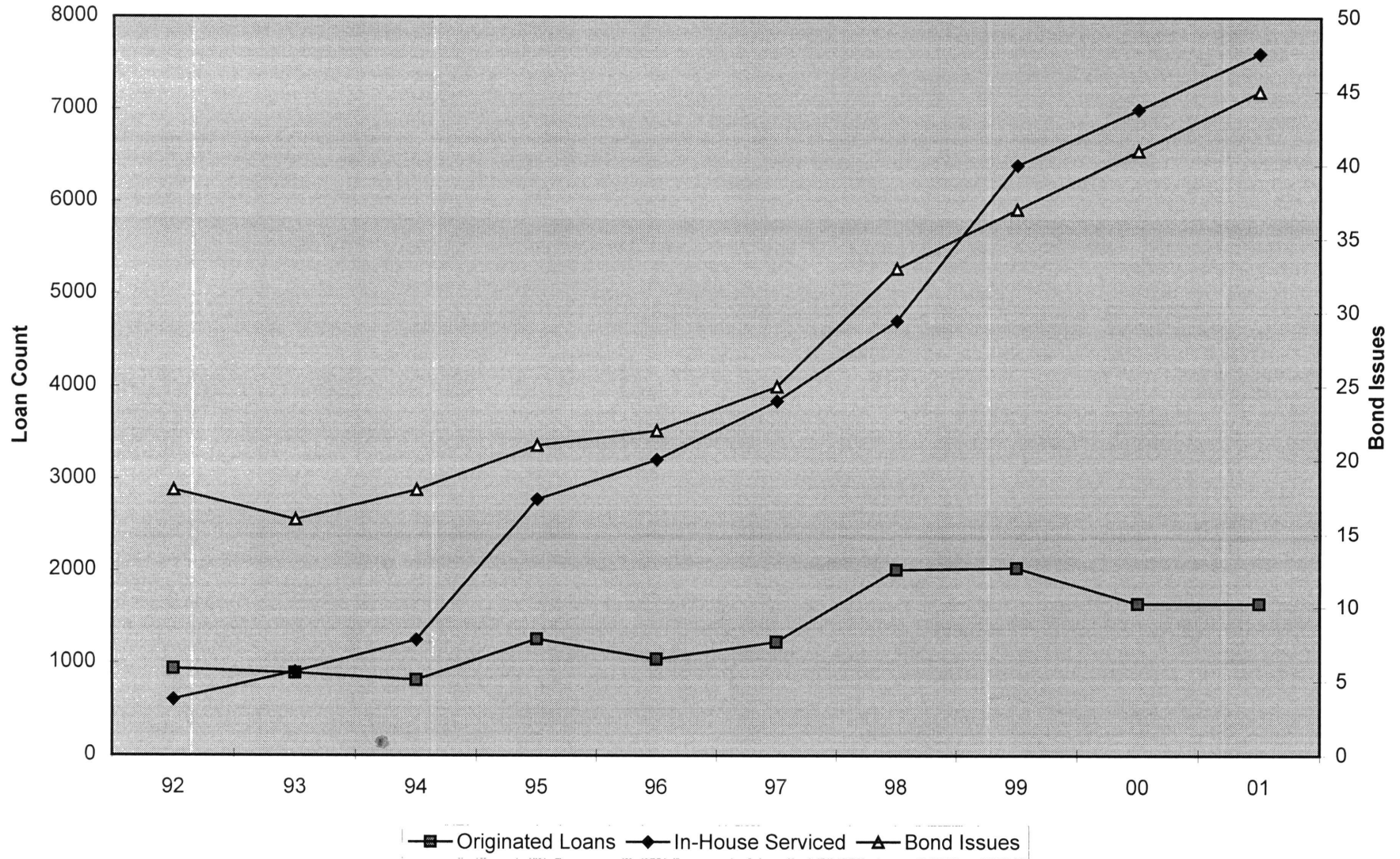
Years	Standard	TDA	Grand Total
1995	46,109,399		46,109,399
1996	62,897,658		62,897,658
1997	78,866,277	17,775,637	96,641,914
1998	90,471,665	73,003,622	163,475,287
1999 Projected	100,000,000		100,000,000
Grand Total	378,344,999	90,779,260	469,124,259

### Number of Loans



Years	Standard	TDA	Grand Total
1995	942		942
1996	1,191		1,191
1997	1,420	241	1,661
1998	1,548	899	2,447
1999 Projected	1,600		1,600
Grand Total	6,701	1,140	7,841

### Single Family FTE Analysis



North Dakota Housing Finance Agency  
Division of the State Industrial Commission  
Budget No. 473.0

Testimony of Pat S. Fricke, Executive Director  
Senate Appropriations Committee

Budget 473.0 of HB 1015 Section 1, Subdivision 5 covers the revenues associated with the various housing programs administered by the Housing Finance Agency (HFA) solely through Special Funds. The HFA has not utilized state General Funds of any type since its 1980 creation by initiated measure. The \$23,931,307 executive recommendation for the 1999-01 biennium represents a 7.8% decrease from the last appropriation. HFA staffing is recommended at 36, an increase of 5 FTE.

The House amended total appropriation to \$23,691,947 by deleting 3 FTE. We are proposing Senate reinstatement of all 3 FTE. (See attached).

Current housing programs of the HFA are briefly described in the attached program summary. Nearly all of HFA programs involve partnerships with other entities in their delivery to program beneficiaries. These partnerships include lenders, Realtors, homebuilders, property developers, community action agencies, regional councils, apartment owners, non-profit organizations, other state and federal agencies. Funding of HFA programs is derived primarily from two general sources: 1) revenue bonds, and 2) federal funds. Total of bonds issued to date is \$1,731,630,000. Provisions are included for the associated administrative costs or administrative fees are assessed participants as appropriate. The assets, liabilities, and revenues resulting from bond issues of the HFA are not appropriated as they are held in trust by various bond trustees. The December 31, 1998 assets of these various bond funds were approximately \$737,000,000. HFA administrative costs of these bond financed programs (included herein) are accrued on a monthly basis and received from the Trustees. The HFA's largest single program, commonly referred to as the first-time homebuyer program, since its inception, has funded approximately \$900,000,000 in loans representing nearly 18,500 homeowners. At present, over 9,000 loans remain outstanding with over \$460,000,000 in principal balance.

The flood of 1997 dramatically changed loan activity during the past two years. With the help of our Congressional delegation, we were able to obtain federal legislation that enabled us to temporarily assist prior homeowners and communities to recover from the flood disaster. Approximately 1,100 home loans representing \$90,000,000 of loan principal has either been completed or committed as of December 31, 1998, the expiration of the temporary targeted disaster area eligibility criteria. Also, through the use of unique bond structuring, we have developed a means of offering reduced interest rate lending programs. Our disaster recovery interest rate reduction program enabled 33 lower income borrowers to qualify for as much as a two-percent interest rate reduction. These innovative bond structures have also enabled interest rate reductions during general interest rate market fluctuations, funding for the zero interest rate Start downpayment assistance program, and zero interest rate funding for Habitat for Humanity homes. Prior to 1997, our average annual loan volume was approximately 1,000 loans for \$50,000,000 of loan principal. In 1998, we processed approximately 2,500 loans at \$160,000,000. In 1999, after the expiration of the targeted disaster area eligibility rules, we are projecting 1,600 loans and approximately \$100,000,000 of loan principal, which is nearly double our historic annual average loan volume.

Several years ago, the HFA adopted a policy which requires HFA single family loans to be serviced by in-state mortgage loan servicers. This policy was adopted in response to difficulties our borrowers were having with servicers located out of state and also as a result of the exodus of mortgage servicers from the state. This policy has resulted in better and more localized service to our borrowers and has improved the credit quality of the loan portfolio by reducing the delinquency rate to the 3.5%

to 4.5% range. Currently, the Agency services over two-thirds (7,000) of the total single family portfolio. This has doubled from two years ago and is expected to continue to grow in the future. This activity has become a significant source of net operating revenues for the HFA.

HFA program activities produce a tremendous amount of records, especially the finance programs. We have utilized some vault storage space in the basement of the Capitol building for our records storage, however, we have outgrown the space available and commenced a document-imaging program last summer. Also, OMB has recently asked that we vacate the vault storage space, as we are not a Capitol building occupant. I anticipate we will have to increase our commitment to this imaging project until all of the existing documents have been converted.

The unanticipated increase in program workload and special projects, such as imaging, are being facilitated through the utilization of temporary personnel. Four of the five FTE increase are needed to accommodate increased HFA workloads, three of which would be activated July 1, 1999 and one later in the biennium based on projected portfolio growth. One FTE is being designated for a new program development director position which is intended to assist Agency management with strategic plan initiatives, legislated changes, new program research and development, coordination with other housing program partners, program outreach and marketing, training, etc.

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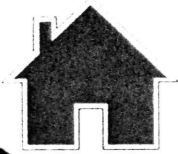
**HB 1015  
Budget 473.0**

**Senate Amendments**

These positions are needed primarily to address increased workloads.

	Restore New Account Budget Specialist FTE	Restore New Program Development Director FTE	Restore New Housing Program Specialist I FTE	* TOTAL
Salaries and wages	\$ 69,875	\$ 118,129	\$ 16,169	\$ 204,173
Operating expenses				
Equipment				
Grants				
Contingency				
Total all funds	\$ 69,875	\$ 118,129	\$ 16,169	\$ 204,173
Special funds	\$ 69,875	\$ 118,129	\$ 16,169	\$ 204,173
General fund	\$ 0	\$ 0	\$ 0	\$ 0
FTE	1.00	1.00	1.00	3.00

\* Calculations not included for any related compensation package and health insurance cost adjustments.



# North Dakota Housing Finance Agency Programs

PO Box 1535, 1600 East Interstate Avenue, Suite 3, Bismarck, ND 58502-1535  
<http://www.ndhfa.state.nd.us>

701-328-8080, FAX: 701-328-8090, ND Toll Free 1-800-292-8621  
RELAY NORTH DAKOTA: 1-800-366-6888 (TTY)

The North Dakota Housing Finance Agency (NDHFA) was created in 1980 by an Initiated Measure approved by a majority of North Dakota voters. The NDHFA is authorized to provide financing for qualified residential real estate by utilizing the proceeds of tax-exempt bonds to fund mortgage loans. The HFA is also authorized to establish other housing programs, generally for the benefit of low and moderate-income households, utilizing federal and other funding sources.

The Industrial Commission of North Dakota, consisting of the Governor, Attorney General, and Commissioner of Agriculture oversees the NDHFA with advise from a six-member citizen Advisory Board. NDHFA is committed to providing decent, safe, and affordable housing to low and moderate-income North Dakotans.

## SINGLE FAMILY PROGRAMS

### HOME MORTGAGE FINANCE PROGRAM (HMFP)

Commonly known as the First-Time Homebuyer Program, this program provides low interest rate mortgages for first-time homebuyers in North Dakota. Participating North Dakota lenders originate the loans and sell them to NDHFA. The loans are either serviced by the participating lender or NDHFA. To qualify, applicants must not have owned a home in the past three years; meet income limits, which vary based on county and family size; meet normal credit underwriting standards; and intend to occupy the property as their principal residence. The purchase price of the property must be within program limits.

The first-time homebuyer requirement is waived for eligible buyers in Ramsey County, designated a targeted disaster area. Contact a participating lender for an application. Contact NDHFA for the participating lender list.

### DOWNPAYMENT AND CLOSING COSTS ASSISTANCE PROGRAM (DCA)

DCA provides a zero interest rate deferred payment loan up to \$2,050 to assist first-time homebuyers with downpayment and closing costs. Applicants must be receiving a single family mortgage loan from NDHFA; have an annual income of 80 percent or less of the median income (adjusted for family size) for the county in which the property is located; and cannot have cash assets exceeding 10 percent of the purchase price of the home. The purchase price of the home cannot exceed the limits in effect at the time of purchase.

Contact a participating lender for an application. Contact NDHFA for the participating lender list.

### START DOWNPAYMENT ASSISTANCE PROGRAM

The Start Program provides a 10-year, zero interest rate loan not to exceed three percent of the purchase price of the home or \$3,000 (whichever is lower) to assist first-time homebuyers with their downpayment requirement. Applicants must be receiving a Home Mortgage Finance Program (HMFP) loan. In addition to meeting the income and purchase price limits of the HMFP, borrowers cannot have cash assets exceeding 10 percent of the purchase price.

Contact a participating lender for an application. Contact NDHFA for the participating lender list.

### RURAL REAL ESTATE MORTGAGE PROGRAM (RREM)

The Rural Real Estate Mortgage Program (RREM) is a secondary market for certain mortgage loans, other than those eligible for the HMFP, secured by residential real estate located in North Dakota and originated by North Dakota lenders. Eligible loans include the RHS Section 502 Guaranteed Loans and Direct Leveraged loans, as well as, the HUD Section 184 Indian Home Loan Guarantee Program. In some instances, income and purchase price limits apply and, in all cases, the property must be owner-occupied.

Contact a participating lender for an application. Contact NDHFA for the participating lender list.

### HOMEOWNERSHIP ACQUISITION AND REHABILITATION PROGRAM (HARP)

HARP assists low-income households (up to 80 percent of the area median income) achieve affordable home ownership. The program provides a two percent HMFP interest rate reduction; homebuyer education to prepare the borrower for home ownership; assists in finding an affordable home; provides rehabilitation funds to bring the property up to a safe and sanitary level, and if necessary, assists with the acquisition of the home. The applicant must have an annual income equal to or less than 80 percent of the median income (adjusted for family size) for the county in which the property is located and be an acceptable credit risk. The home must be a single family residence (including townhouse, condominium, or manufactured home with a permanent foundation); pass both Housing Quality Standards (HQS) and environmental reviews at the time of occupancy; and the purchase price may not exceed the limits in effect at the time of the purchase.

Contact the Community Action Agency in your area. They will assist the homebuyer through the process.



## **MAJOR HOME IMPROVEMENT PROGRAM**

This program provides low interest rate mortgages to eligible borrowers to buy and rehabilitate a single family home or to refinance and rehabilitate the borrower's present single family home. Borrowers are not required to be first-time homebuyers. Applicants must be the first residents of the home following the completion of qualified improvements; meet income limits, which vary based on county and family size; and cannot have cash assets exceeding 10 percent of the purchase price. The home must be their primary residence and the purchase price may not exceed the limits in effect at the time of the purchase.

Contact a participating lender for an application. Contact NDHFA for the participating lender list.

## **HOMESMART PROGRAM**

HomeSmart is a homebuyer education incentive program which is designed to help first-time homebuyers prepare for home ownership. NDHFA borrowers, who have successfully completed an NDHFA approved homebuyer education program, receive a \$100 grant if they purchase a home with an NDHFA loan within 12 months of completing the course.

Contact a participating lender for information. Contact NDHFA for the participating lender list.

## **APPLICATION PROCESSING SERVICE (APS) (for lenders)**

NDHFA provides application processing, loan underwriting, closing document preparation, loan closing disbursement, and final packaging and delivery services for participating lenders, if requested.

Contact NDHFA for more information.

# **MULTIFAMILY PROGRAMS**

## **LOW INCOME HOUSING TAX CREDITS (Housing Credits)**

The Low Income Housing Tax Credit program provides incentives for the production and rehabilitation of rental housing. This program allows owners who invest in low-income housing and accept income and rental restrictions to receive federal tax credits. Under this program, owners of low income housing are entitled to receive an annual tax credit for up to 10 years based on various requirements such as the amount of capital invested and the level of commitment to low-income tenancy. In exchange for housing credits, owners must agree to rent the units to households whose incomes, based on HUD-published median income limits, qualify them as low-income. The housing credit program is designed to compensate the property owner for charging rents that are generally lower than would be feasible without the credits.

Contact NDHFA for application information.

## **CONTRACT ADMINISTRATION**

NDHFA administers contracts for HUD Section 8 New Construction or Substantially Rehabilitated housing developments located throughout North Dakota. Construction of these developments was completed in the late 1970's and early 1980's. NDHFA's primary role is the regulatory oversight of these low-income multifamily projects and the distribution of HUD rental assistance funds.

## **MODERATE REHABILITATION PROGRAM**

The HUD Section 8 Moderate Rehabilitation Program was designed for the renovation of existing substandard housing units and enables North Dakota households with very low income the ability to afford safe and decent housing through the use of rent subsidies. NDHFA's primary role is the regulatory oversight of these low-income multifamily projects and the distribution of HUD rental assistance funds.

# **GRANT PROGRAMS**

## **HELPING HOUSING ACROSS NORTH DAKOTA (Helping HAND)**

This grant program provides county, local, tribal governments, and nonprofit entities, with a source of funds to assist in addressing critical housing needs of low-income individuals. Selection criteria is reviewed and updated annually.

Contact NDHFA for application information.

## **RENTAL REHABILITATION ASSISTANCE PROGRAM (RRAP)**

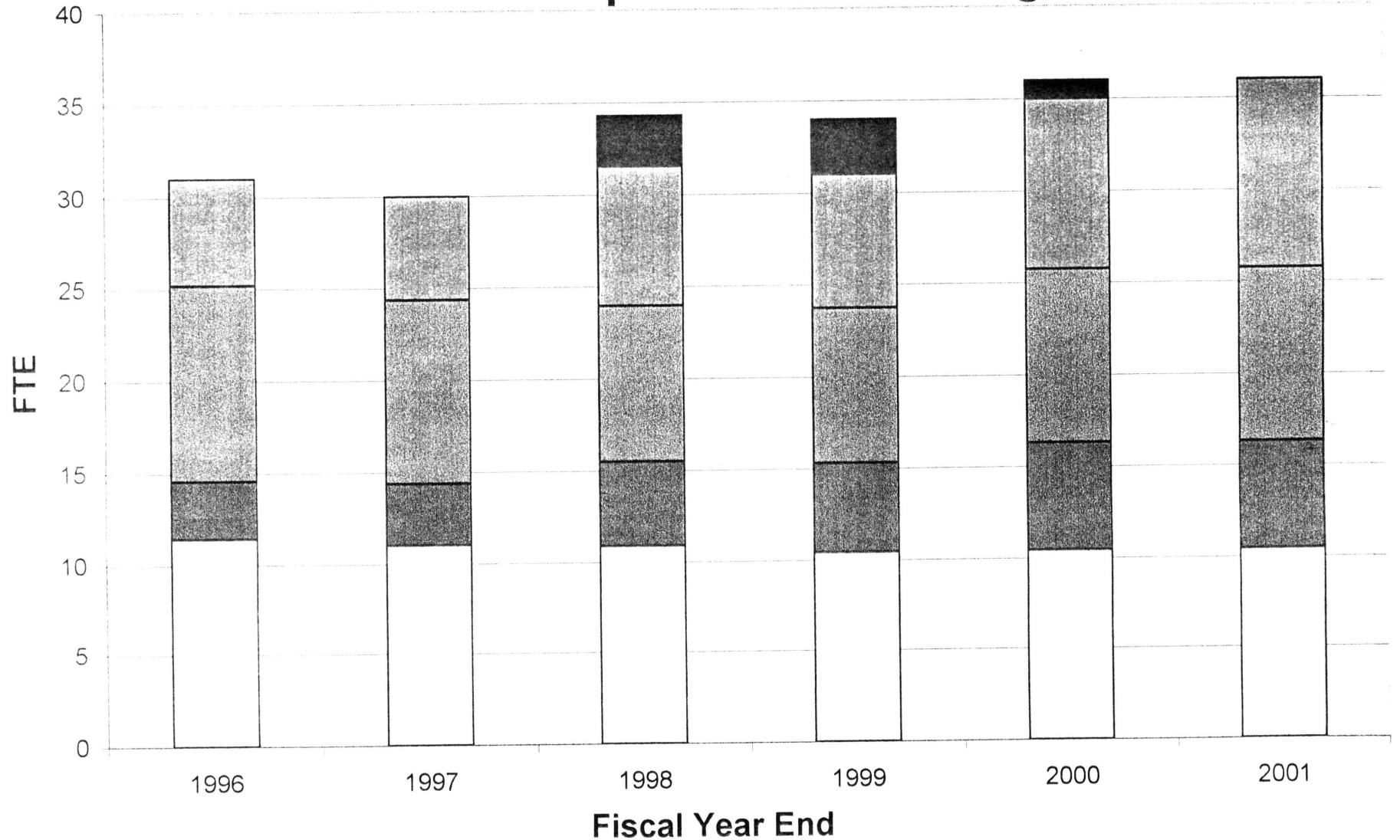
This grant program provides funds for property improvements to rental units that address the needs of people who have physical disabilities. Preference is given to rental housing organizations that address the physical requirements of Section 504 of the Rehabilitation Act of 1973, with improvements that benefit individuals participating in the North Dakota Department of Human Services Developmental Disabilities or Vocational Rehabilitation Division programs and have a dollar-for-dollar match. Non-profit organizations have priority over for-profit organizations.

All grant funds must be used to provide decent, safe, and sanitary rental housing for very low-income residents.

Contact NDHFA for application information.

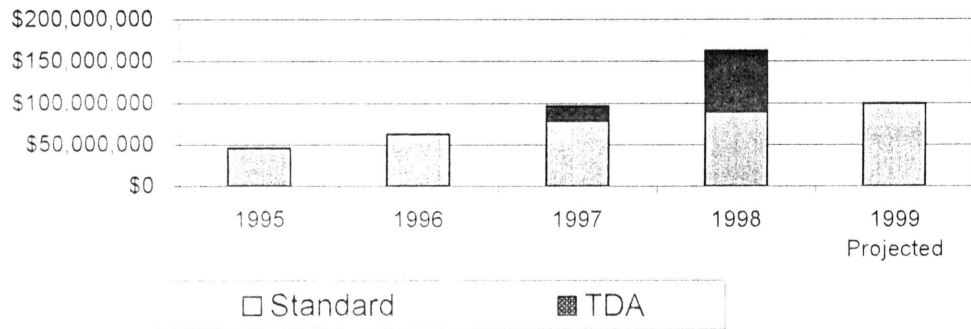


# NDHFA Departmental Staffing



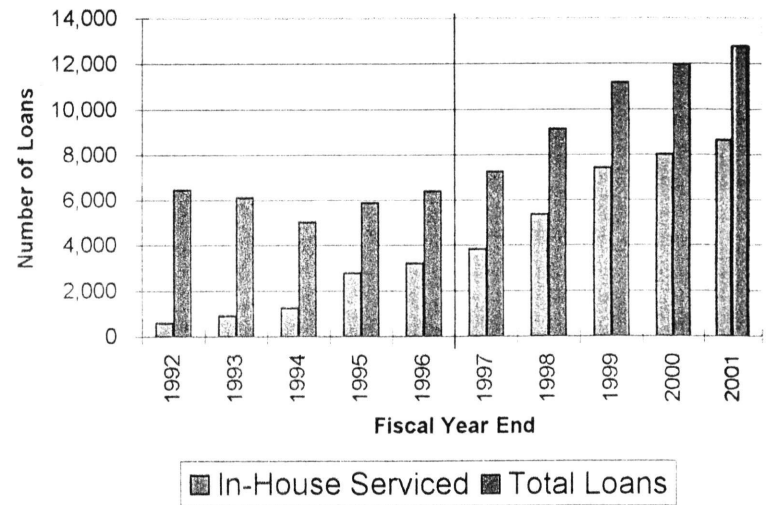
Multifamily  
 SF Bond Admin.  
 Temporary, Contract, & Overtime  
 Misc. Programs  
 In House Servicing

### HMFP New Loan Demand

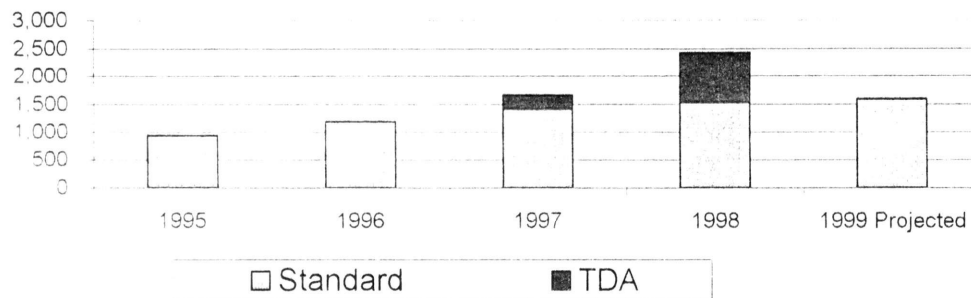


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1998	89,509,353	72,950,234	162,459,587
1999 Projected	100,000,000	-	100,000,000
Grand Total	377,382,687	90,725,872	468,108,559

### North Dakota Housing Finance Agency HMFP Loans Outstanding



### HMFP New Loans



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1998	1,531	899	2,430
1999 Projected	1,600	-	1,600
Grand Total	6,684	1,140	7,824

### Bond Accounting

