COMMISSIONER

DOWNING

OPPOSED

AGENDA REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS September 19, 2022, at 9:00 a.m.

State Capitol, Room 303 Helena, MT

ACTION ITEMS

0922-1 Oil and Gas Lease Sale (September 7, 2022) APPROVED 5-0

Benefits: Common Schools

Location: Liberty, Rosebud, and Sheridan County

0922-2 Cabin and Home Sites: Set Minimum Bid for Sale APPROVED 4-1

A. Echo Lake

Benefits: Montana Tech Location: Flathead County

B. McGregor Lake

Benefits: Common Schools Location: Flathead County

C. Olney Townsite

Benefits: Deaf & Blind School Location: Flathead County

D. Mudd Creek

Benefits: Public Buildings Location: Sanders County

0922-3 Cabin and Home Sites: Final Approval for Sale APPROVED 5-0

Benefits: Common Schools Location: Flathead County

0922-4 Easements: APPROVED 5-0

A. Standard Grants

Benefits: Common Schools, Public Land Trust – Nav. Rivers

Location: Custer, Phillips, Powder River, Ravalli, and Yellowstone County

B. Easement Exchange Agreement – Forrey Creek (Application 19401)

Benefits: Common Schools, Montana Tech, and Public Buildings

Location: Flathead and Lake County

PUBLIC COMMENT

0922-1

OIL AND GAS LEASE SALE (September 7, 2022)

0922-1 Oil and Gas Lease Sale (September 7, 2022)

Location: Liberty, Rosebud, and Sheridan County

Trust Benefits: Common Schools

Trust Revenue: \$19,380.00

Item Summary

The Department of Natural Resources and Conservation (DNRC) held an online oil and gas lease sale that started on September 1, 2022, and closed on September 7, 2022, through an online auction company, EnergyNet. A total of eight tracts were offered for lease. Eight tracts were leased for a total of \$19,380.00. The eight tracts that were sold covered a total of 2480.00 acres. The average bid per acre was \$7.81.

The high competitive bid for the September 7, 2022 sale was \$24.00 per acre for Tract 7 in Sheridan County and the largest total bid was \$7,680.00 for Tract 8 in Sheridan County.

DNRC Recommendation

The director requests Land Board approval to issue the leases from the September 7, 2022, oil and gas lease sale.

State of Montana Oil & Gas Lease Sale - September 7, 2022 Lease Sale Results

The following described lands were offered for oil and gas leasing through an online bidding service, EnergyNet, beginning September 1, 2022 and closed on September 7, 2022.

Tract Stipulations	Twp	Rng Se	ec Description		Acres	Bid/Acre	Total Bid	Lessee
Liberty								
1 1, 2, 3, 4, 5, 6	36.N	6.E	16 ALL	*	640.00	\$1.50	\$960.00	SAGE ENERGY GROUP LLC
Rosebud								
2 1, 2, 3, 4, 5, 6, 7, 8	11.N	33.E	36 W2NW4, NE4, S2		560.00	\$1.75	\$980.00	MAVERICK OIL, INC.
Sheridan								
3 1, 2, 3, 4, 5, 6	36.N	54.E	3 W2SW4		80.00	\$12.00	\$960.00	4-JW, LTD.
4 1, 2, 3, 4, 5, 6, 9	36.N	54.E	4 SE4NE4, E2SE4		120.00	\$12.00	\$1,440.00	4-JW, LTD.
5 1, 2, 3, 4, 5, 6	36.N	54.E	8 NE4	*	160.00	\$16.00	\$2,560.00	YOCKIM, DENNIS W
6 1, 2, 3, 4, 5, 6	36.N	54.E	9 NW4	*	160.00	\$12.00	\$1,920.00	4-JW, LTD.
7 1, 2, 3, 4, 5, 6, 10	36.N	54.E	10 W2NW4, NE4NW4		120.00	\$24.00	\$2,880.00	4-JW, LTD.
8 1, 2, 3, 4, 5, 6	36.N	54.E	16 ALL		640.00	\$12.00	\$7,680.00	4-JW, LTD.

^{*} Part or all of tract is not state-owned surface

Summary by Lessor

	Total Acres	Total Tracts
Dept. of Natural Resources and Conservation	2,480.00	8

Oil and Gas Lease Sale Summary

Total Tracts	8
Total Acres	2,480.00
Total Bid Revenue	\$19,380.00
Average Bid Per Acre	\$7.81

State of Montana Oil & Gas Lease Sale - September 7, 2022 Stipulations

- 1 Lessee shall notify and obtain approval from the Department's Trust Land Management Division (TLMD) prior to constructing well pads, roads, power lines, and related facilities that may require surface disturbance on the tract. Lessee shall comply with any mitigation measures stipulated in TLMD's approval.
- 2 Prior to the drilling of any well on or into the lease premises, lessee shall send one copy of the well prognosis, including Form 22 "Application for Permit" to the Department's Trust Land Management Division (TLMD). After a well is drilled and completed, lessee shall send one copy of all logs run, Form 4A "Completion Report", and geologic report to TLMD. A copy of Form 2 "Sundry Notice and Report of Wells" or other appropriate Board of Oil and Gas Conservation form shall be sent to TLMD whenever any subsequent change in well status or operator is intended or has occurred. Lessee shall also notify and obtain approval from the TLMD prior to plugging a well on the lease premises.

Issuance of this lease in no way commits the Land Board to approval of coal bed methane production on this lease. Any coal bed methane extraction wells would require subsequent review and approval by the board.

- 3 The TLMD will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the inventory, the TLMD may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- 4 The lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on State-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the lease premises. The lessee's methods of control shall be reviewed and approved by the Department's Unit Office that has jurisdiction for that locale.
- 5 The definitions of "oil" and "gas" provided in 82-1-111, MCA, do not apply to this lease for royalty calculation purposes.
- 6 If the State does not own the surface, the lessee must contact the owner of the surface in writing at least 30 days prior to any surface activity. A copy of the correspondence shall be sent to TLMD.
- 7 Due to unstable soil conditions on this tract and/or topography that is rough and/or steep, surface use may be restricted or denied. Seismic activity may be restricted to poltershots.
- 8 This lease is located within designated sage grouse core habitat. Proposed activities are subject to, and shall comply with, all provisions, stipulations and mitigation requirements of the Montana Sage Grouse Habitat Conservation Strategy, as implemented by Governor's Executive Orders 10-2014, 12-2015, and amendments thereto. Contact the TLMD prior to preparing a project proposal.
- 9 Due to the floodplain/wetlands area(s), surface use may be restricted or denied.
- 10 If whooping cranes are observed on-site, construction and/or maintenance activities shall be suspended until birds leave the area.

0922-2

CABIN AND HOME SITES:

Set Minimum Bid for Sale

- A. Echo Lake
- B. McGregor Lake
- C. Olney Townsite
 - D. Mudd Creek

Location:Flathead CountyTrust Benefits:Montana TechTrust Revenue:\$1,185,000

The Department of Natural Resources and Conservation (DNRC) is requesting to set minimum bid for two (2) cabin and home sites nominated for sale in Flathead County. These sales were nominated by the lessees and DNRC in conjunction with the 2022-2023 Cabin and Home Site Sales Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2028	0.611 <u>+</u>	Lot 15, Echo Lake, COS 18885 T27N-R19W, Section 5	Robert & Shelly Chollak	Montana Tech
2030	0.851 <u>+</u>	Lot 16, Echo Lake, COS 18885 T27N-R19W, Section 5	DNRC	Montana Tech

The parcels that are currently leased as cabin sites produce an above average income for residential leases statewide. One site is currently unleased and produces no income.

Background

Preliminary Land Board approval was granted in April of 2022 (Approved 4-1) for these sites to be included as part of the 2022-2023 Cabin Site Sales Program.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for each of the proposed sales. Home sites typically contain numerous structures and the ground surfaces within most home sites have been disturbed over the course of many years of occupation and development. These sales will have no effect to state-owned heritage properties.

Access/Recreational Use:

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public. State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

Economic Analysis:

Short term – The average rates of return on these sale parcels are shown in Figure 1 below.

The parcels will continue to receive these returns if they remain in state ownership.

The income rates of return will likely grow smaller, as average annual value appreciation is greater than the annual rent increase, as shown in Figures 2 and 3 below.

Figure 1: Rates of Return at Current Appraised Values

Sale No.	Rate of Return
2028	1.376%
2030	0

Figure 2: Sale 2028-Review of Past Income and Values; Forecast Income & Values

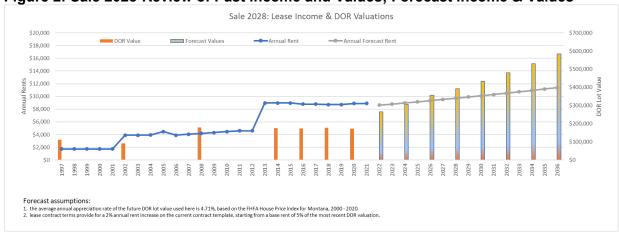
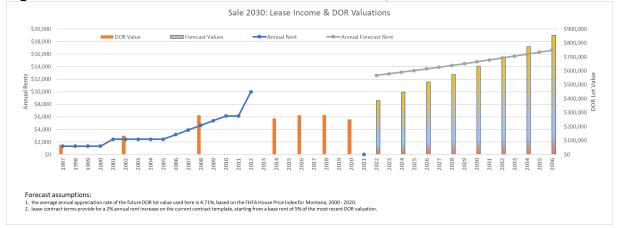


Figure 3: Sale 2030-Review of Past Income and Values; Forecast Income & Values



Long term – The funds from the sale of these parcels would be combined with other sale funds to purchase replacement lands through DNRC's Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.04% on acquisitions with income generated from annual lease payments. However, the rates of return on

land acquired more recently have been higher, ranging from 3.46% on acquisitions purchased within the last five years to 3.41% for lands acquired within the last ten years. Figure 4 shows hypothetical lot values derived from the 3-year average net revenue of the current lease, at a sample range of income rates of return that could be anticipated when the sale proceeds are used for a land banking acquisition.

Figure 4: Lot Values derived from 3-year Average Net Income at Sample Rates of Return

Sale Numbe r		Rate of Return at Current Appraised Value for Land	Average Rate of Return on all Land Banking Acquisitions	Average Rate of Return on Land Banking Acquisition s within the last 5 years	Average Rate of Return on Land Banking Acquisitions within the last 10 years
	Income Rate of Return	Various (see Figure 1)	3.04%	3.46%	3.41%
2028	Derived Lot Value	\$519,000	\$234,908	\$206,992	\$209,420
2030	Derived Lot Value	\$666,000	n/a	n/a	n/a

Appraised Values of Land and Improvements:

The appraisal of these cabin sites was prepared by Montana General Certified Appraiser Elliott M. Clark, MAI of Clark Real Estate Appraisal of Whitefish, Montana.

Sale No.	Appraised Land Value	Appraised Improvements Value
2028	\$519,000	\$403,000
2030	\$666,000	\$9,000

DNRC Recommendation

The DNRC recommends that the Land Board set the minimum bid for these cabin sites at the appraised land values and the maximum value of compensation for the improvements shown above.

Echo Lake, Flathead County



0922-2B Cabin and Home Sites: Set Minimum Bid for Sale

Location: Flathead County **Trust Benefits:** Common Schools

Trust Revenue: \$536,000

The Department of Natural Resources and Conservation (DNRC) is requesting to set minimum bid for one (1) cabin site nominated for sale in Flathead County. This sale was nominated by the lessee in conjunction with the 2022-2023 Cabin and Home Site Sale Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2031	1.311 <u>+</u>	Lot 24, McGregor Lake, COS 19909 T26N-R25W, Section 16	Thomas & Barbara Armentrout	Common Schools

The parcel is currently leased as a cabin site and produces an above average income for residential leases statewide.

Background:

Preliminary Land Board approval was granted in April of 2022 (Approved 4-1) for this site to be included as part of the 2022-2023 Cabin Site Sales Program.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for each of the proposed sales. Home sites typically contain numerous structures and the ground surfaces within most home sites have been disturbed over the course of many years of occupation and development. These sales will have no effect to state-owned heritage properties.

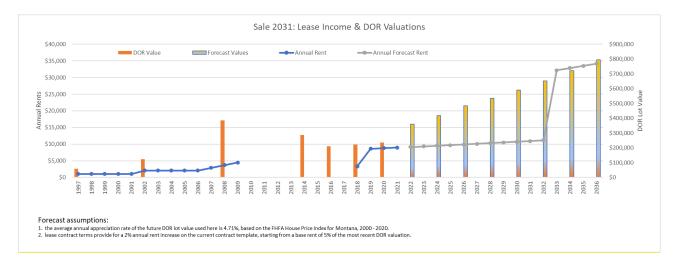
Access/Recreational Use:

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public. State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

Economic Analysis:

Short term – The average rate of return on this sale parcel is 1.326%. The parcel will continue to receive this return if it remains in state ownership. The income rates of return will likely grow smaller over the next 10 years, as average annual value appreciation is greater than the annual rent increase, as shown in Figure 1 below.

Figure 1: Sale 2031-Review of Past Income and Values; Forecast Income & Values



Long term – The funds from the sale of this parcel would be combined with other sale funds to purchase replacement lands through DNRC's Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.04% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.46% on acquisitions purchased within the last five years to 3.41% for lands acquired within the last ten years. Figure 2 shows hypothetical lot values derived from the 3-year average net revenue of the current lease, at a sample range of income rates of return that could be anticipated when the sale proceeds are used for a land banking acquisition.

Figure 2: Lot Values derived from 3-year Average Net Income at Sample Rate of Return

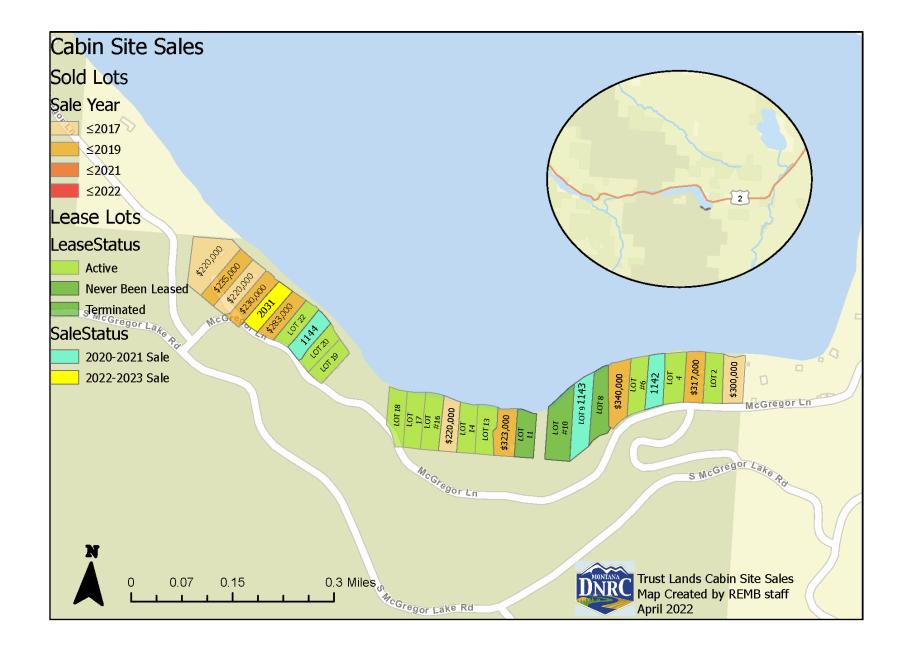
Sale Numbe r		Rate of Return at Current Appraised Value for Land	Average Rate of Return on all Land Banking Acquisition s	Average Rate of Return on Land Banking Acquisition s within the last 5 years	Average Rate of Return on Land Banking Acquisitions within the last 10 years
	Income Rate of Return	1.326%	3.04%	3.46%	3.41%
2031	Derived Lot Value	\$536,000	\$233,740	\$205,367	\$208,379

Appraised Values of Land and Improvements:
The appraisal of this cabin site was prepared by Montana General Certified Appraiser Elliott M. Clark, MAI of Clark Real Estate Appraisal of Whitefish, Montana.

Sale Nos.	Appraised Land Value	Appraised Improvements Value	
2031	\$536,000	n/a	

DNRC Recommendation

The DNRC recommends that the Land Board set the minimum bid for this cabin site at the appraised land value shown above.



0922-2C Cabin and Home Sites: Set Minimum Bid for Sale

Location: Flathead County **Trust Benefits:** Deaf & Blind School

Trust Revenue: \$75,000

The Department of Natural Resources and Conservation (DNRC) is requesting to set minimum bid for one (1) cabin site nominated for sale in Flathead County. This sale was nominated by the lessee in conjunction with the 2022-2023 Cabin and Home Site Sale Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2034	1.053 <u>+</u>	Lot 23, Olney Townsite, COS 21331 T32N-R23W, Section 7	Nathan & Patti Conkle	Deaf & Blind School

The parcel is currently leased as a cabin site and produces a below average income for residential leases statewide.

Background:

Preliminary Land Board approval was granted in April of 2022 (Approved 4-1) for this site to be included as part of the 2022-2023 Cabin Site Sales Program.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for each of the proposed sales. Home sites typically contain numerous structures and the ground surfaces within most home sites have been disturbed over the course of many years of occupation and development. These sales will have no effect to state-owned heritage properties.

Access/Recreational Use:

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public. State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

Economic Analysis:

Short term – The average rate of return on this sale parcel is 1.615%. The parcel will continue to receive this return if it remains in state ownership. The income rate of return will likely grow smaller, as average annual value appreciation is greater than the annual rent increase, as shown in Figure 1 below.

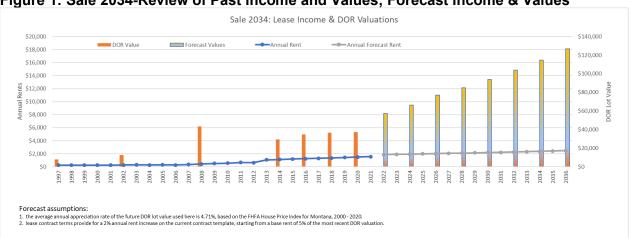


Figure 1: Sale 2034-Review of Past Income and Values; Forecast Income & Values

Long term – The funds from the sale of this parcel would be combined with other sale funds to purchase replacement lands through DNRC's Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.04% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.46% on acquisitions purchased within the last five years to 3.41% for lands acquired within the last ten years. Figure 2 shows hypothetical lot values derived from the 3-year average net revenue of the current lease, at a sample range of income rates of return that could be anticipated when the sale proceeds are used for a land banking acquisition.

Figure 2: Lot Values derived from 3-year Average Net Income at Sample Rate of Return

Sale Numbe r		Rate of Return at Current Apprais ed Value for Land	Average Rate of Return on all Land Banking Acquisition s	Average Rate of Return on Land Banking Acquisition s within the last 5 years	Average Rate of Return on Land Banking Acquisitions within the last 10 years
	Income Rate of Return	1.615%	3.04%	3.46%	3.41%
2034	Derived Lot Value	\$75,000	\$39,839	\$35,003	\$35,516

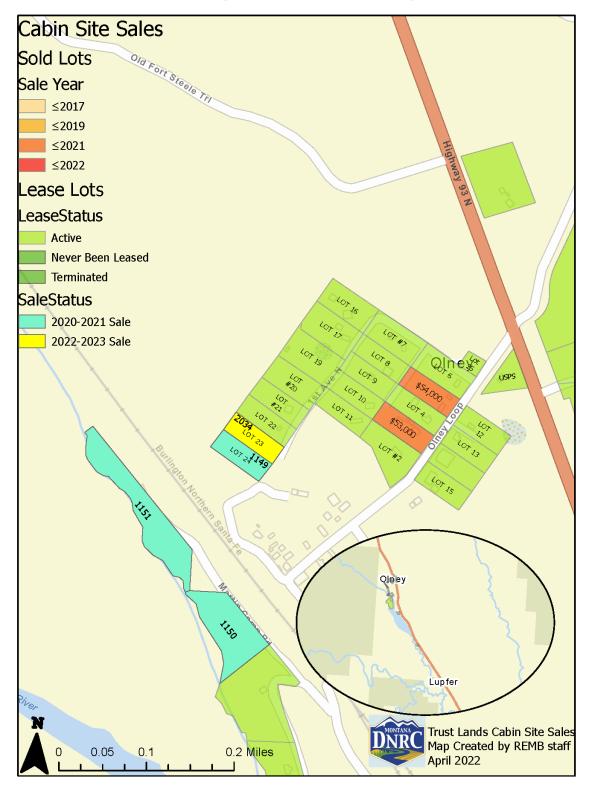
Appraised Values of Land and Improvements:

The appraisal of this cabin site was prepared by Montana General Certified Appraiser Elliott M. Clark, MAI of Clark Real Estate Appraisal of Whitefish, Montana.

Sale No.	Appraised Land Value	Appraised Improvements Value
2034	\$75,000	n/a

<u>DNRC Recommendation</u>
The DNRC recommends that the Land Board set the minimum bid for this cabin site at the appraised land value shown above.

Olney, Flathead County



0922-2D <u>Cabin and Home Sites: Set Minimum Bid for Sale</u>

Location: Sanders County
Trust Benefits: Public Buildings
Trust Revenue: \$122,000

The Department of Natural Resources and Conservation (DNRC) is requesting to set minimum bid for two (2) cabin and home sites nominated for sale in Sanders County. These sales were nominated by the lessees in conjunction with the 2022-2023 Cabin and Home Site Sales Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2032	1.06 <u>+</u>	Lot 10, Mudd Creek, COS 3534 T22N-R27W, Section 12	Glen Magera	Public Buildings
2033	1.34 <u>+</u>	Lot 13, Mudd Creek, COS 3533 T22N-R27W, Section 12	Scott & Kendra Strowbridge	Public Buildings

The parcels are currently leased as cabin sites and produce a below average income for residential leases statewide.

Background:

Preliminary Land Board approval was granted in April of 2022 (Approved 4-1) for these sites to be included as part of the 2022-2023 Cabin Site Sales Program.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for each of the proposed sales. Home sites typically contain numerous structures and the ground surfaces within most home sites have been disturbed over the course of many years of occupation and development. These sales will have no effect to state-owned heritage properties.

Access/Recreational Use:

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public. State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

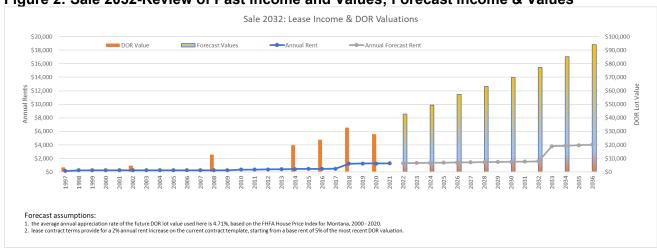
Economic Analysis:

Short term – The average rates of return on these sale parcels are shown in Figure 1 below. The parcels will continue to receive these returns if they remain in state ownership. The income rates of return will likely grow smaller, as average annual value appreciation is greater than the annual rent increase, as shown in Figures 2 and 3 below.

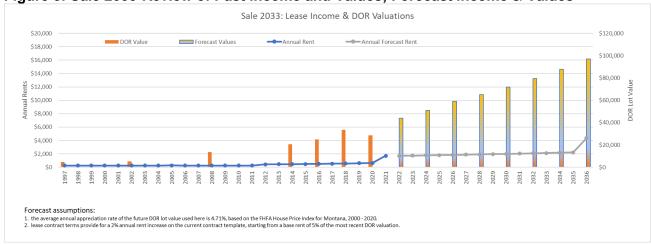
Figure 1: Rates of Return at Current Appraised Values

Sale No.	Rate of Return
2032	1.644%
2033	1.277%

Figure 2: Sale 2032-Review of Past Income and Values; Forecast Income & Values







Long term – The funds from the sale of these parcels would be combined with other sale funds to purchase replacement lands through DNRC's Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.04% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.46% on acquisitions purchased within the last five years to 3.41% for lands acquired within the last ten years. Figure 4 shows hypothetical lot values derived from the 3-year average net revenue of the current lease, at a sample range of income rates of return that could be anticipated when the sale proceeds are used for a land banking acquisition.

Figure 4: Lot Values derived from 3-year Average Net Income at Sample Rate of Return

Sale Numbe r		Rate of Return at Current Appraised Value for Land	Average Rate of Return on all Land Banking Acquisitions	Average Rate of Return on Land Banking Acquisition s within the last 5 years	Average Rate of Return on Land Banking Acquisitions within the last 10 years
	Income Rate of Return	Various (see Figure 1)	3.04%	3.46%	3.41%
2032	Derived Lot Value	\$61,000	\$32,985	\$29,065	\$29,406
2033	Derived Lot Value	\$61,000	\$25,632	\$22,586	\$22,851

Appraised Values of Land and Improvements:

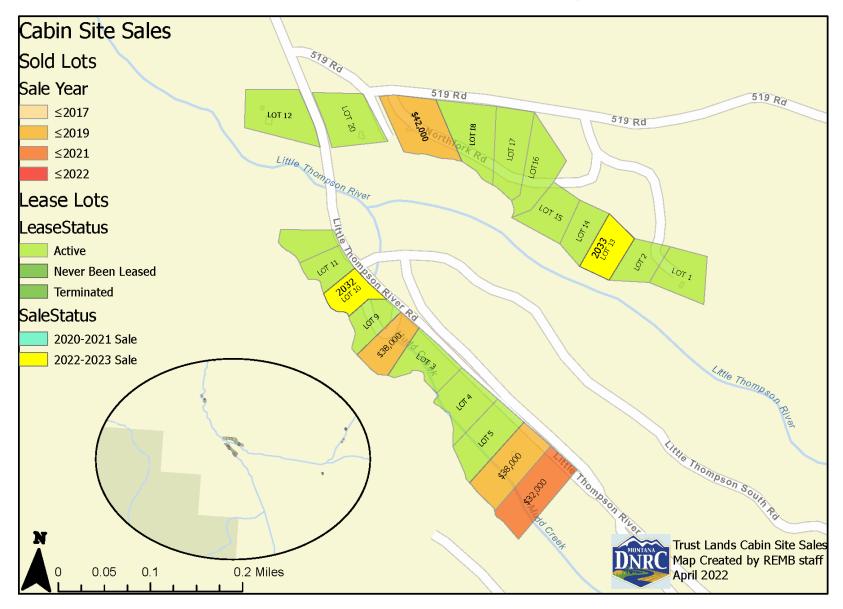
The appraisal of this cabin site was prepared by Montana General Certified Appraiser Elliott M. Clark, MAI of Clark Real Estate Appraisal of Whitefish, Montana.

Sale Nos.	Appraised Land Value	Appraised Improvements Value	
2032	\$61,000	\$84,000	
2033	\$61,000	\$101,000	

DNRC Recommendation

The DNRC recommends that the Land Board set the minimum bid for these cabin sites at the appraised land values and the maximum value of compensation for the improvements shown above.

Mudd Creek, Sanders County



0922-3

CABIN AND HOME SITES:

Final Approval for Sale

0922-3 Cabin and Home Sites: Final Approval for Sale

Location: Flathead County **Trust Benefits:** Common Schools

Trust Revenue: \$436,000

The Department of Natural Resources and Conservation (DNRC) is requesting final approval for one (1) cabin site nominated for sale in Flathead County. This sale was nominated by the lessee in conjunction with the 2020-2021 Cabin and Home Site Sale Program.

Sale No.	Acres	Legal Description	Nominator	Trust
1143	1.997±	Lot 9, McGregor Lake, COS 19909 Section 16, T26N-R25W	Jay & Diana Winters	Common Schools

The parcel is currently leased as a cabin site and produces an average income for residential leases statewide.

Background:

Preliminary Land Board approval was granted in April of 2020 (Approved 5-0), and the Land Board set the minimum bid for the land and the maximum value of compensation for the improvements at the appraised values in May of 2022 (Approved 4-1).

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for each of the proposed sales. Home sites typically contain numerous structures and the ground surfaces within most home sites have been disturbed over the course of many years of occupation and development. These sales will have no effect to state-owned heritage properties.

Access/Recreational Use:

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public. State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

Economic Analysis:

Short term – The average rate of return on this sale parcel is 2.213%. The parcel will continue to receive this return if it remains in state ownership. The income rates of return will likely grow smaller over the next 20 years, as average annual value appreciation is greater than the annual rent increase.

Long term – The funds from the sale of this parcel would be combined with other sale funds to purchase replacement lands through DNRC's Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.04% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.46% on acquisitions purchased within the last five years to 3.41% for lands acquired within the last ten years.

Appraised Values of Land and Improvements:

The appraisal of this cabin site was prepared by Montana General Certified Appraiser Elliott M. Clark, MAI of Clark Real Estate Appraisal of Whitefish, Montana. The sale proponents appealed the values determined by the appraiser and requested a hearing regarding the appraised land value. The administrative hearing was held on March 2, 2022. Administrative Law Judge Cameron Boster's recommendation to the Land Board was to set minimum bid at the appraised values. The Land Board set the minimum bid for the land and the maximum value of compensation for the improvements at the appraised values shown below in May of 2022.

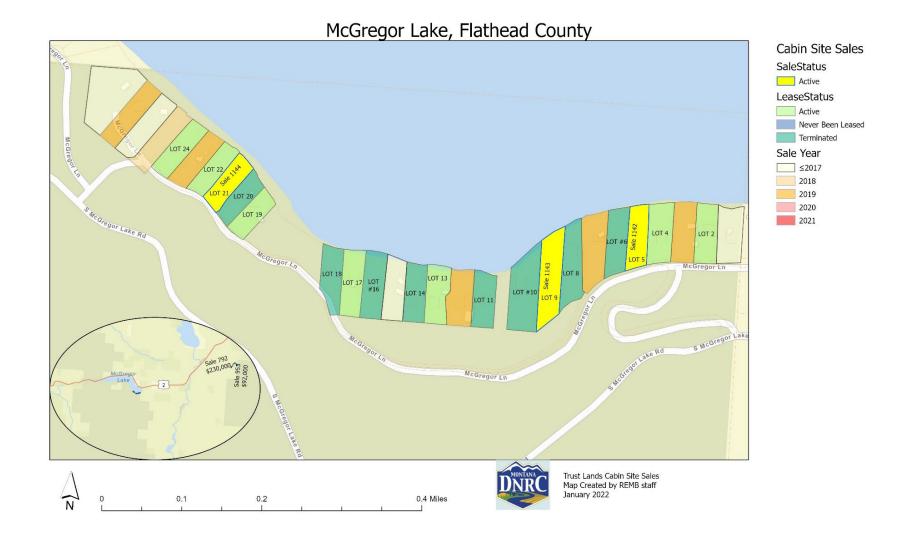
Sale Nos.	Appraised Land Value	Appraised Improvements Value	Final Sale Price
1143	\$436,000	\$220,000	\$436,000

Sale Price

The cabin site sold at public auction on August 11, 2022. There was one qualified bidder for the sale. The site sold for the final sale price listed above.

DNRC Recommendation

The DRNC recommends the Land Board grant final approval for the sale of this cabin site at the value shown above.



0922-4

EASEMENTS:

- A. Standard Grants
- B. Easement Exchange Agreement

Land Board Agenda Item

September 19, 2022

0922-4A <u>Easements: Standard Grants</u>

Location: Custer, Phillips, Powder River, Ravalli, Yellowstone County

Trust Benefits: Common Schools, Public Land Trust – Nav. Rivers

Trust Revenue: Common Schools = \$ 20,416

Public Land Trust = \$ 7,050

Item Table of Contents

Applicant	Right-of-Way Purpose	Term	Page(s)
YC Properties, LLC	River Bridge	Permanent	36-37
City of Billings	Raw Water Intake Structure	Permanent	38-39
MT Dept. of Transportation	Highway Reconstruction	Permanent	40-41
Range Telephone Cooperative	Buried Fiber Optic Cable	Permanent	42-56
Triangle Telephone Cooperative	Buried Telecommunications Cable	Permanent	57-70

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: YC Properties, LLC

1050 Satcom LN

Melbourne FL 32940-7010

Application No.: 19314

R/W Purpose: a private access bridge to conduct agricultural operations

Lessee Agreement: N/A (Navigable River)

Acreage: 0.024 Compensation: \$415.00

Legal Description: 16-foot strip across the Bitterroot River in NE4NE4, Sec. 35,

Twp. 6N, Rge. 21W, Ravalli County

Trust Beneficiary: Public Land Trust – Nav. Rivers

Item Summary

YC Properties is requesting an easement to construct a bridge to span the west channel of the Bitterroot River near the city of Hamilton. In addition to an easement for the bridge, approximately 0.006 acres of riprap will be installed below the low water mark near the bridge structure and would be authorized under a land use license. The bridge is requested for the purpose of moving agricultural equipment to an island also owned by YC Properties. Currently, machinery fords the river at a point north of the proposed bridge structure. The bridge will be constructed to a height that will provide for safe passage under it by recreationists, including paddleboarders. Public scoping occurred on this project with seven different comments received. All commenters were opposed to the bridge structure for aesthetic reasons as well as concerns over the river hydrology and sustainability of a bridge to span the river given the historic flows of this channel of the river. No portion of the bridge structure will be within the bed of the river, therefore DNRC's analysis is only for impacts to the bed of the river from the proposed project. Thus, the impacts to the Trust Land would be considered minimal for the bridge itself. The riprap will support and protect an artificial embankment on the left bank of the channel and represents the toe of the entire riprap project. Permits have been acquired from all other permitting entities, except the Floodplain Management Program which will consider the proposal after action by the Land Board.

DNRC Recommendation

The DNRC recommends approval of the easement and land use license applications of YC Properties, LLC, contingent upon approval by the Floodplain Management Program and also with the condition that a clause be placed in the easement which requires the applicant to remove any materials, including any portion of the bridge or riprap, from below the low water marks of the river in the event of a full or partial structure failure.

Application 19314





Applicant: City of Billings

2224 Montana Avenue Billings MT 59101

Application No.: 19383

R/W Purpose: a raw water intake facility Lessee Agreement: N/A (Navigable River)

Acreage: 1.10 Compensation: \$6,500.00

Legal Description: tract of land in the Yellowstone Riverbed in NE4, Sec. 4, Twp. 2S,

Rge. 25E, Yellowstone County

Trust Beneficiary: Public Land Trust – Nav. Rivers

Item Summary

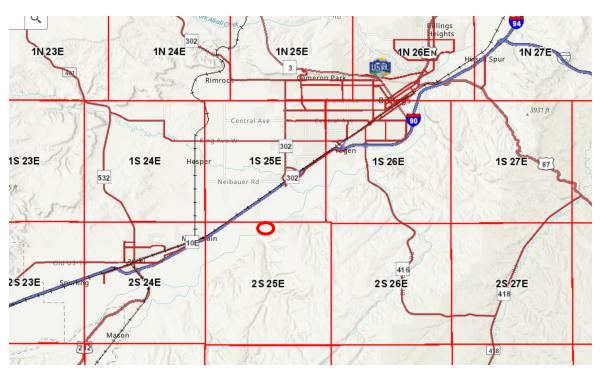
The City of Billings is requesting an easement for the purpose of constructing a new raw water intake structure in the Yellowstone River south of Billings. The structure is necessary to expand water distribution to accommodate increasing population growth and water needs on the west end of Billings. The water will be pumped from this intake structure to a City owned property that will be used as a reservoir to hold water. The cost to pump and provide water service from the current facility would be prohibitive due to distance and uphill elevation from the current operational water treatment plant. By developing the west end treatment facility, the City will be able to reduce the number of pumps needed to move water to higher elevations.

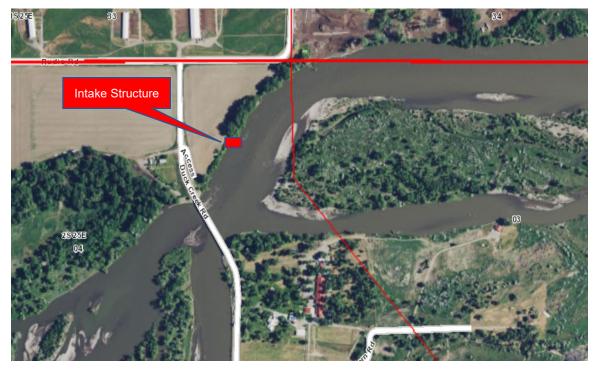
This easement is considered phase 1 of the proposed intake system. The City is also considering development of rock structures or weirs along the southern bank of the Yellowstone River to help direct water flow over their intake, which would be authorized by a navigable river land use license pending action by the Land Board for the intake structure.

DNRC Recommendation

The DNRC recommends approval of the application of the City of Billings.

Application 19383





Applicant: Montana Department of Transportation

P O Box 201001

Helena MT 59620-1001

Application No.: 19384

R/W Purpose: highway construction and maintenance, including occupancy by

public utilities as defined in §69-4-101, MCA

Lessee Agreement: ok
Acreage: 8.99
Compensation: \$5,394.00

Legal Description: tract of land in SW4SE4, Sec. 9 and E2SW4, NW4SE4, SE4NW4,

W2NE4, Sec. 16, Twp. 29N, Rge. 29E, Phillips County

Trust Beneficiary: Common Schools

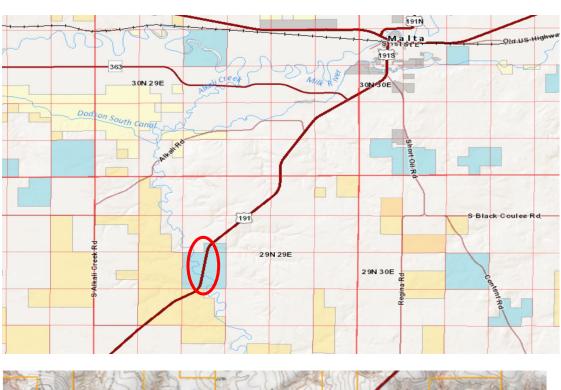
Item Summary

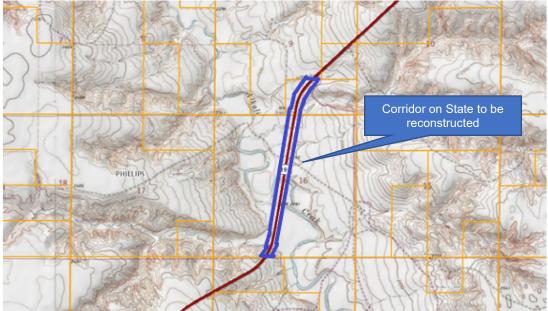
The Montana Department of Transportation is proposing to reconstruct and rehabilitate approximately 9.4 miles of US Highway 191 from a location north of Malta to its intersection with Alkali Creek Road south of Malta. The existing roadbed will be widened, new pavement installed, as well as new drainage and erosion control features added. This project is within general sage grouse habitat and a mitigation plan proposed by MSGOT has been agreed to.

DNRC Recommendation

The DNRC recommends approval of the application of the Department of Transportation.

Application 19384





Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19385

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok Acreage: 1.05 Compensation: \$630.00

Legal Description: 16-foot strip through Gov. Lots 1 and 2, Sec. 36, Twp. 1N,

Rge. 53E, Custer County

Trust Beneficiary: Common Schools

Item Summary

Range Telephone is proposing to install 87.75 miles of new buried fiber optic cable in Custer and Powder River counties, which includes laying line through six sections of State Trust Land. The proposed installation will provide upgraded infrastructure to some areas and serve new customers by constructing infrastructure where there currently isn't any. This will provide state of the art communications facilities and connectivity in rural Custer and Powder River counties. The proposed routes were located along existing roads and disturbed ground and the cable will be knifed in to minimize impacts. Portions of the route fall within sage grouse core habitat and Range Telephone has agreed to construct the line outside of the seasonal use dates described in Executive Order 12-2015.

DNRC Recommendation

Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19386

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok
Acreage: 2.18
Compensation: \$1,308.00

Legal Description: 16-foot strip through Gov. Lots 1 and 4, SE4NE4, E2SE4,

SW4SE4, Sec. 16, Twp. 1N, Rge. 54E, Custer County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation

Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19387

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok Acreage: 0.45 Compensation: \$135.00

Legal Description: 16-foot strip across the Powder River adjacent to Gov. Lots 1 & 2,

Sec. 16, Twp. 1N, Rge. 54E, Custer County

Trust Beneficiary: Public Land Trust – Nav. Rivers

Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation

Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19388

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok Acreage: 0.75 Compensation: \$450.00

Legal Description: 16-foot strip through Gov. Lot 2, NW4NW4, Sec. 16, Twp. 1N,

Rge. 54E, Custer County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation

Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19389

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok
Acreage: 2.69
Compensation: \$1,614.00

Legal Description: 16-foot strip through E2W2 and 16-foot strip through N2SW4,

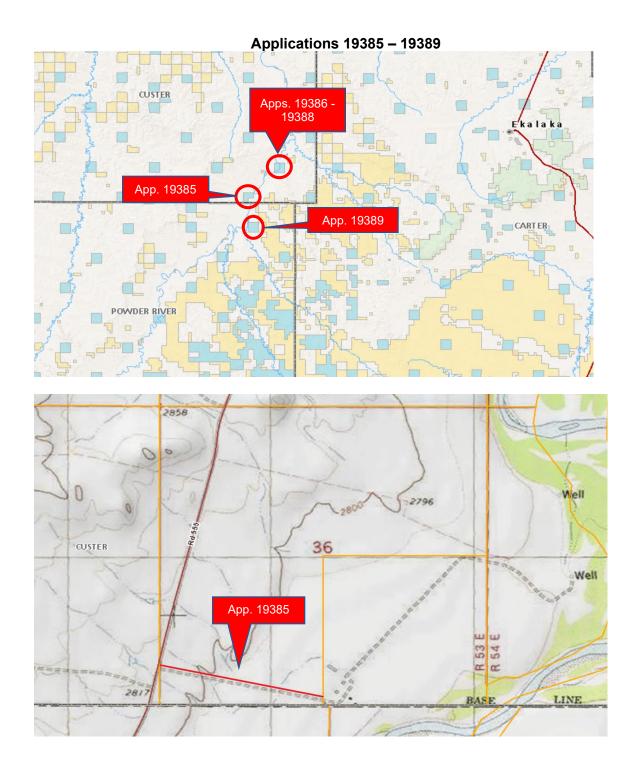
Sec. 16, Twp. 1S, Rge. 54E, Powder River County

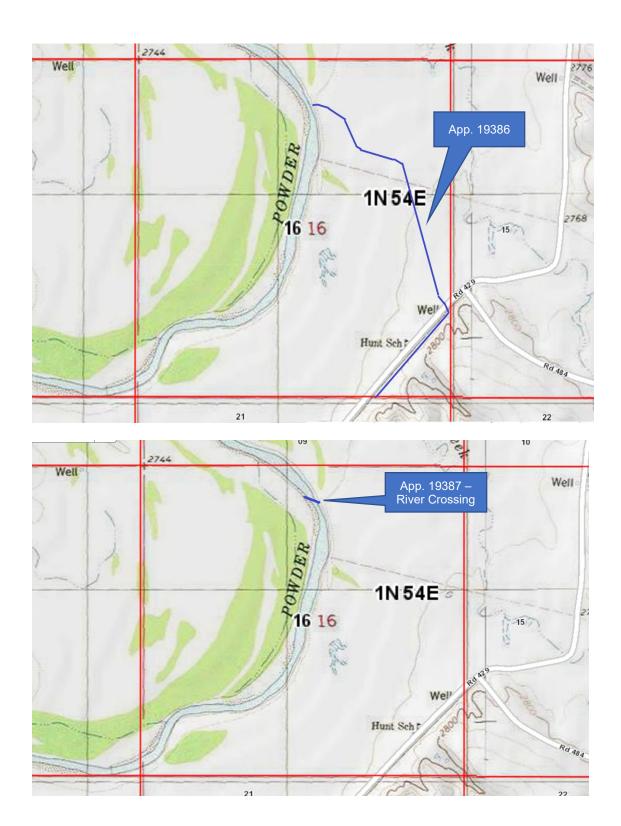
Trust Beneficiary: Common Schools

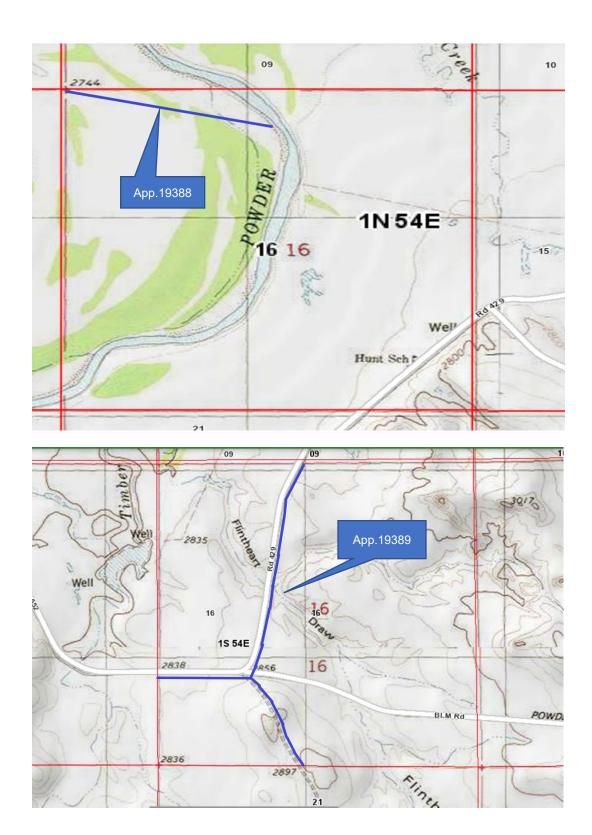
Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation







Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19390

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok
Acreage: 2.53
Compensation: \$1,518.00

Legal Description: 16-foot strip through Gov. Lot 1, NW4NE4, S2NE4 and 16-foot

strip through E2NE4, Sec. 19, Twp. 2S, Rge. 54E, Powder River

County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation

Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19391

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok Acreage: 1.11 Compensation: \$666.00

Legal Description: 16-foot strip through W2SW4, SE4SW4, Sec. 20, Twp. 2S,

Rge. 54E, Powder River County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation

Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19392

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok
Acreage: 1.48
Compensation: \$888.00

Legal Description: 16-foot strip through E2NW4, SW4NW4, W2SW4, Sec. 29,

Twp. 2S, Rge. 54E, Powder River County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation

Applicant: Range Telephone Cooperative

2325 Front St. Forsyth MT 59327

Application No.: 19393

R/W Purpose: a buried fiber optic cable

Lessee Agreement: ok
Acreage: 1.00
Compensation: \$600.00

Legal Description: 16-foot strip through W2NE4, SE4NE4, Sec. 32, Twp. 2S,

Rge. 54E, Powder River County

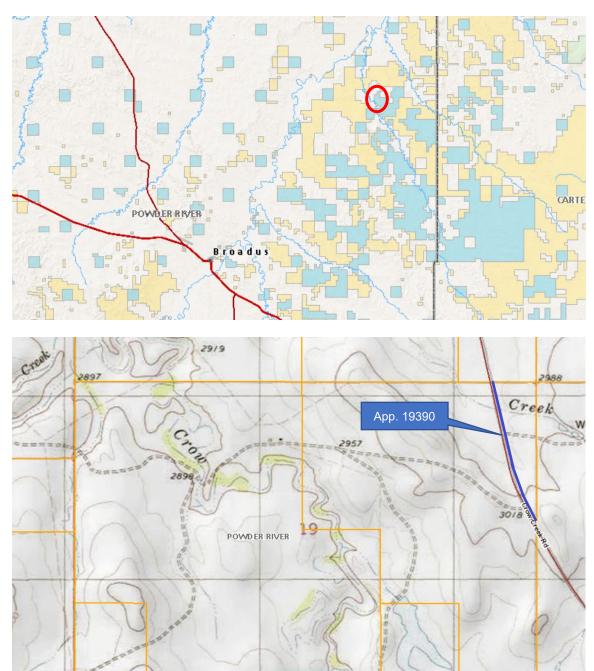
Trust Beneficiary: Common Schools

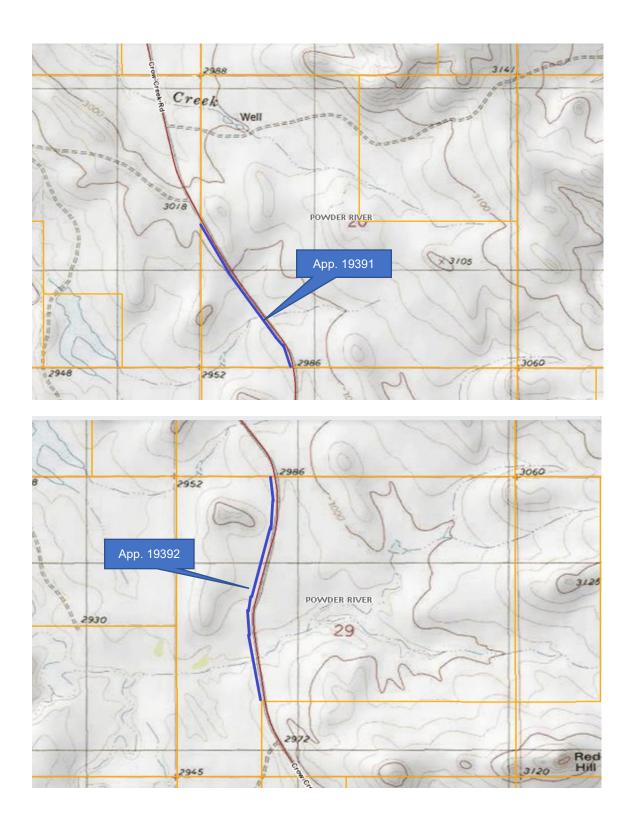
Item Summary

Continuation of Range Telephone applications.

DNRC Recommendation

Applications 19390 – 19393







Applicant: Triangle Telephone Cooperative Association, Inc.

P O Box 1220 Havre MT 59501

Application No.: 19394

R/W Purpose: a buried telecommunications cable

Lessee Agreement: ok Acreage: 2.69 Compensation: \$942.00

Legal Description: 20-foot strip through E2NW4, NE4SW4, W2SW4, Sec. 16,

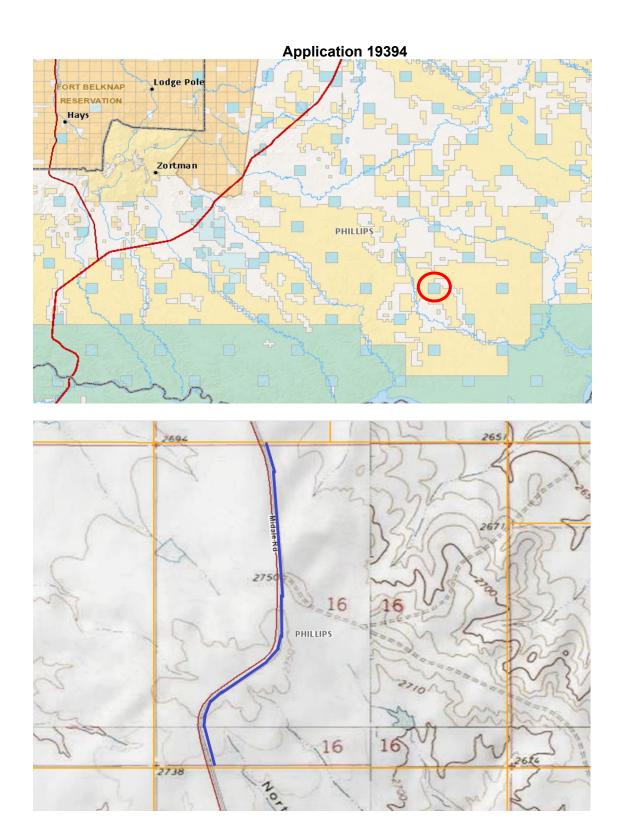
Twp. 23N, Rge. 29E, Phillips County

Trust Beneficiary: Common Schools

Item Summary

Triangle Telephone is requesting easements for the purpose of installing new telecommunications cables in the Malta exchange area. These applications are part of a 325 mile project crossing a total of 26 sections of Trust Land in Blaine and Phillips County. Nineteen of the applications were approved by the Land Board at the June 20, 2022 meeting, with the remaining 7 applications being presented in September. The overall project is within both core and general habitat for sage grouse and Triangle Telephone has agreed to a mitigation plan with the Sage Grouse Program.

DNRC Recommendation



Applicant: Triangle Telephone Cooperative Association, Inc.

P O Box 1220 Havre MT 59501

Application No.: 19395

R/W Purpose: a buried telecommunications cable

Lessee Agreement: ok
Acreage: 4.10
Compensation: \$1,435.00

Legal Description: 20-foot strips through NW4NE4; 20-foot strip through W2NE4,

SE4NE4; and 20-foot strip through SE4NW4, NE4SW4, W2SW4,

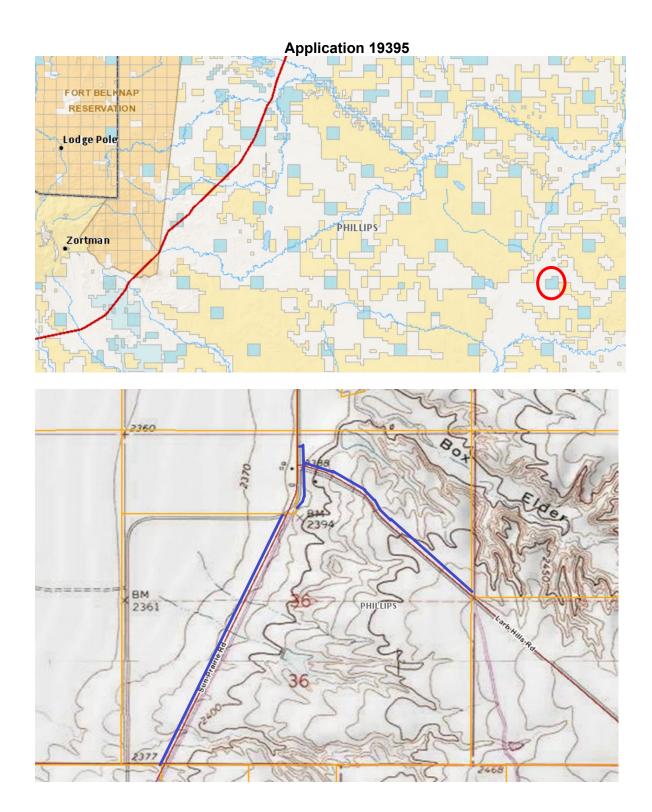
Sec. 36, Twp. 25N, Rge. 31E, Phillips County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Triangle Telephone Cooperative applications.

DNRC Recommendation



Applicant: Triangle Telephone Cooperative Association, Inc.

P O Box 1220 Havre MT 59501

Application No.: 19396

R/W Purpose: a buried telecommunications cable

Lessee Agreement: ok
Acreage: 4.51
Compensation: \$1,579.00

Legal Description: 20-foot strip through E2E2, S2S2, Sec. 36, Twp. 28N, Rge. 30E,

Phillips County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Triangle Telephone Cooperative applications.

DNRC Recommendation

Applicant: Triangle Telephone Cooperative Association, Inc.

P O Box 1220 Havre MT 59501

Application No.: 19397

R/W Purpose: a buried telecommunications cable

Lessee Agreement: ok Acreage: 0.39 Compensation: \$137.00

Legal Description: 20-foot strip through SW4SW4, Sec. 16, Twp. 28N, Rge. 31E,

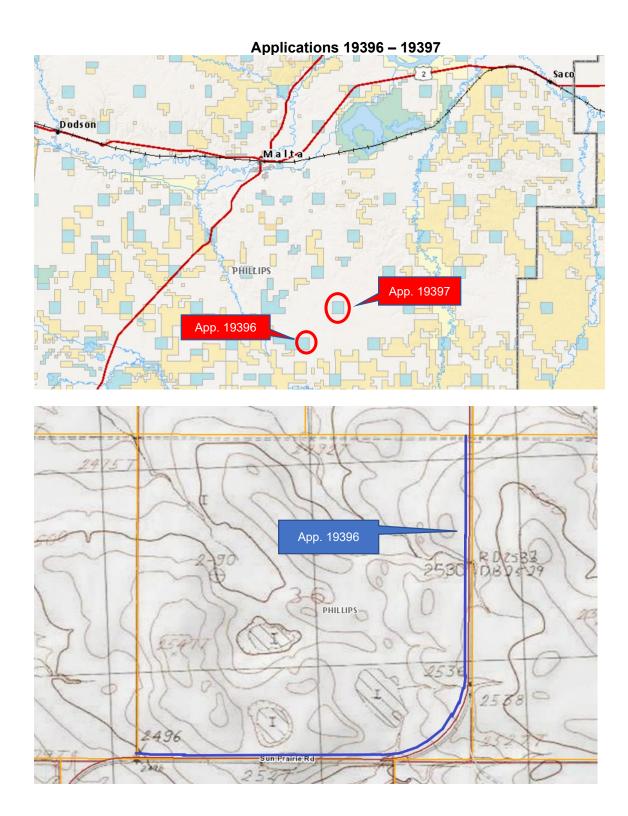
Phillips County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Triangle Telephone Cooperative applications.

DNRC Recommendation





Applicant: Triangle Telephone Cooperative Association, Inc.

P O Box 1220 Havre MT 59501

Application No.: 19398

R/W Purpose: a buried telecommunications cable

Lessee Agreement: ok
Acreage: 2.21
Compensation: \$1,547.00

Legal Description: 20-foot strip through E2SE4, S2SE4, Sec. 13, Twp. 29N,

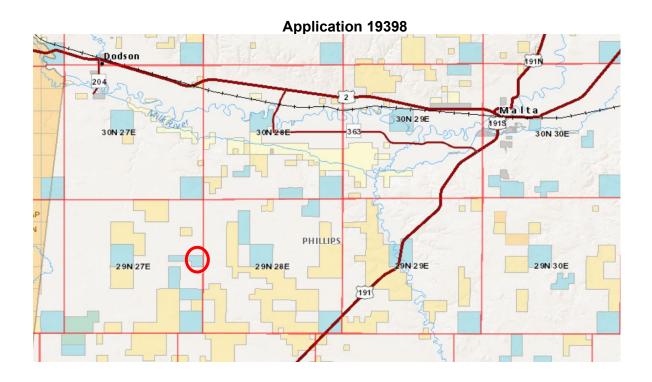
Rge. 27E, Phillips County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Triangle Telephone Cooperative applications.

DNRC Recommendation





Applicant: Triangle Telephone Cooperative Association, Inc.

P O Box 1220 Havre MT 59501

Application No.: 19399

R/W Purpose: a buried telecommunications cable

Lessee Agreement: ok Acreage: 1.22 Compensation: \$854.00

Legal Description: 20-foot strip through S2SE4, Sec. 5, Twp. 29N, Rge. 28E,

Phillips County

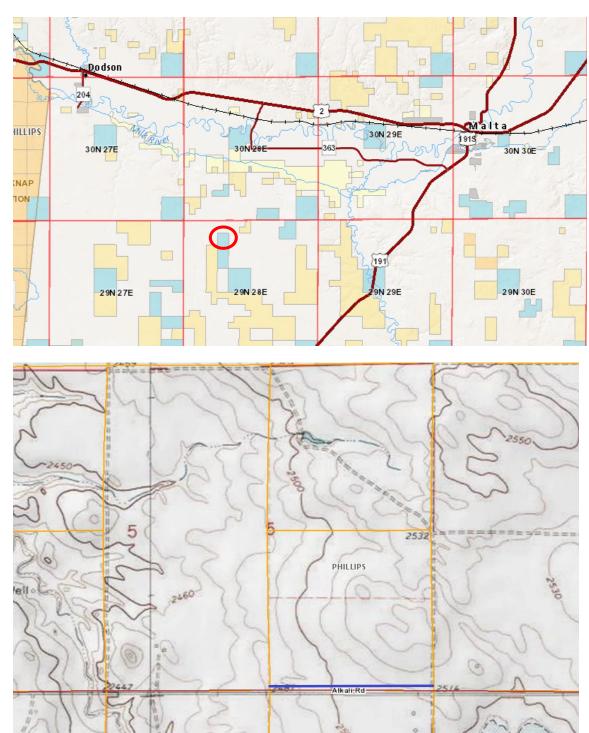
Trust Beneficiary: Common Schools

Item Summary

Continuation of Triangle Telephone Cooperative applications.

DNRC Recommendation

Application 19399



Applicant: Triangle Telephone Cooperative Association, Inc.

P O Box 1220 Havre MT 59501

Application No.: 19400

R/W Purpose: a buried telecommunications cable

Lessee Agreement: ok Acreage: 2.44 Compensation: \$854.00

Legal Description: 20-foot strip through S2S2, Sec. 36, Twp. 29N, Rge. 30E,

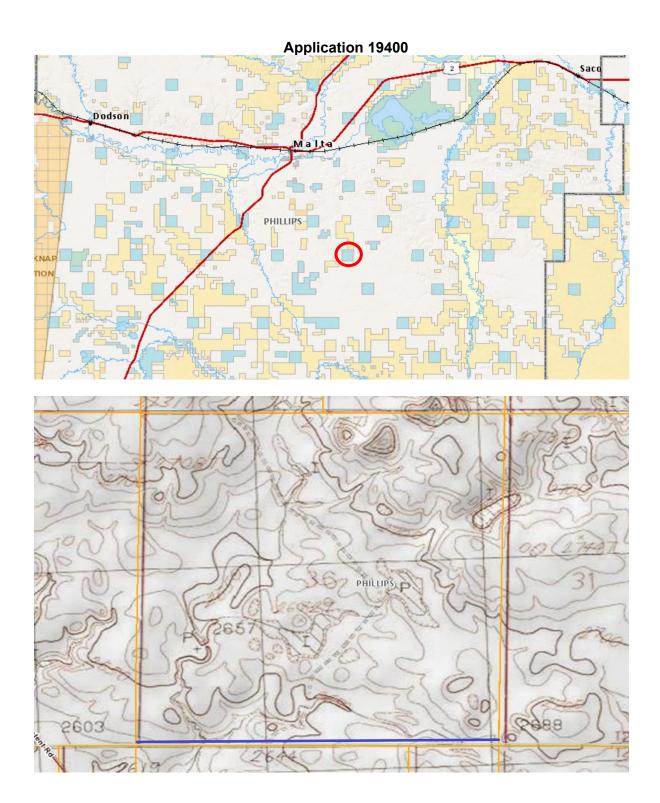
Phillips County

Trust Beneficiary: Common Schools

Item Summary

Continuation of Triangle Telephone Cooperative applications.

DNRC Recommendation



Land Board Agenda Item September 19, 2022

0922-4B <u>Easement Exchange Agreement – Forrey Creek (Application 19401)</u>

Location: Flathead, Lake County

Trust Benefits: Common Schools, MT Tech, Public Buildings

Trust Revenue: N/A (Donation of Excess Costs Owed to Cooperator)

I. Applicant:

FLATHEAD RIDGE RANCH, LLC 1500 Solana Blvd. Building 4, Suite 4500 Westlake, TX 76262

II. Purpose of Reciprocal Access Agreement:

State land is intermingled with Flathead Ridge Ranch (Cooperator) property. In order for both parties to gain legal access, they have proposed to exchange easements as part of this Easement Exchange (Agreement).

The State will grant a perpetual non-exclusive easement, 60 feet in width, to Cooperator for the purpose of constructing, reconstructing, maintaining, repairing, and using a road or road segment for all lawful purposes, including buried utilities.

Cooperator will secure and deliver access rights, 60 feet in width, in favor of the State for all lawful purposes, including buried utilities with rights in favor of the motorized public across Sec. 5, T25N R20W and non-motorized across Sec. 7 and 12 of T25N R20W, across Flathead Ridge Ranch's property in Flathead County.

In addition, Flathead Ridge Ranch has secured and delivered easement rights, 40 feet in width, in favor of the State for the purpose of forest resource management purposes from Patrick C. Patton across Sec. 21, 27, 28, 29 and 32 of T28N R25W.

III. Legal Description (R/W):

Flathead County:

State Land burdened - T25N R20W, Sec. 8 - 13.45 acres

State Land benefited - T25N R20W, Sec. 8

T26N R21W, Sec. 36 T28N R25W, Sec. 34

Coop Land burdened - T25N, R20W, Secs. 5, 7 &12 - 9.55 acres

Coop Land benefited - T25N R20W

Section 7: All

Section 17: NW1/4, SE1/4

Section 18: N1/2

T25N R21W

Section 1: All Section 2: All

Section 3: Gov. Lots 1 - 10, E1/2SW1/4, E1/2NW1/4

Section 9: SE1/4 Section 10: All Section 11: All Section 12: All

Section 13: W1/2W1/2

Section 14: All Section 15: All

Section 22: Gov. Lots 1 - 4 & 6 - 9

Section 23: All Section 24: W1/2

Section 25: Gov. Lots 1 - 3, N1/2, N1/2S1/2

Section 26: Gov. Lots 1, 2 & 8

Section 34: Gov. Lot 3

Section 35: All

Cooperator to secure access across 3rd party in Secs. 21, 27, 28, 29 and 32 of T28N R25W - 33.55 acres

Total R/W Acres:

State grant to Coop: 13.45 acres (60-ft) Coop grant to State: 9.55 acres (60-ft) 3rd party grant to State: 33.55 acres (40-ft)

Total R/W Miles:

State grant to Coop: 1.85 miles Coop grant to State: 1.31 miles 3rd party grant to State: 6.92 miles

IV. Costs to be Borne by Each Party:

Excess costs, by land value and road costs are summarized as follows:

	EXCESS COSTS	
	State owes	Cooperator owes
	Cooperator	State
Land Value	\$ 126,520	\$ 107,600
NET BALANCE	\$ 18,920	

TOTAL LAND AND ROAD \$ 18,920

Land values are calculated with consideration given to trusts burdened and trusts benefited by the easement granted. The remaining Net Balance of \$18,920 that the State owes Cooperator will be considered a "donation" by Cooperator if this agreement is approved by the Land Board.

V. Results of MEPA Analysis:

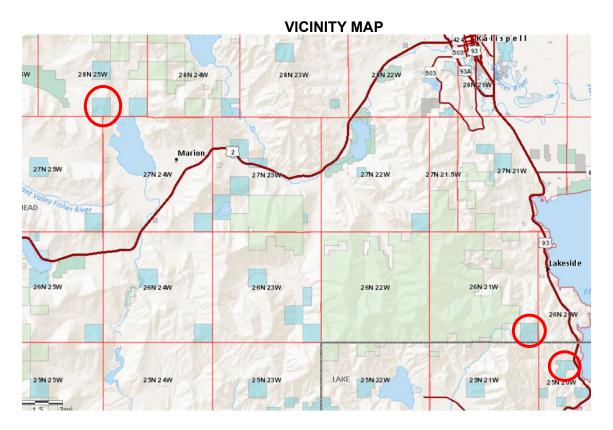
The original EA for this proposal was completed in late 2010 when an exchange was initially proposed with a previous landowner. Conditions on the ground have not changed, thus the EA completed in 2010 was found to be applicable for this updated proposal.

VI. Benefits to State:

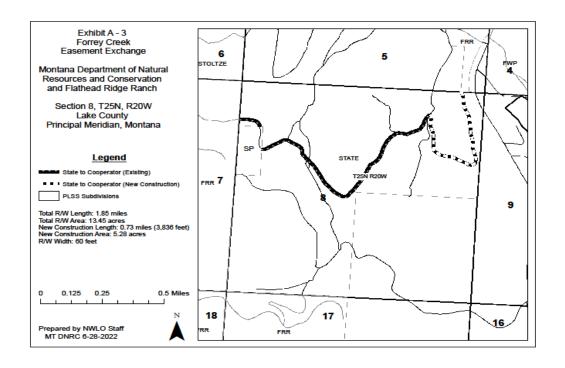
- 1. Describe the rights regarding which DNRC lands are being accessed.
 - Provides full permanent access for all lawful purposes (including utilities) and rights in favor of the motorized public to 640 acres of State Trust Lands (Sec. 8).
 - Provides full permanent access for all lawful purposes (including utilities) and rights in favor of the non-motorized public to 640 acres of State Trust Lands (Sec. 36 T26N R21W).
 - Provides full permanent access for forest resource management purposes to 640 acres of State Trust Lands (Sec. 34 T28N R25W)
- 2. Describe the public access situation and the effects of this agreement.
 - Previous easements through a subdivision private road allowed only resource management purposes. As a result of this agreement, the public will benefit by motorized access to Sec. 8 T25N R20W and non-motorized access to Sec. 36 T26N R21W.
- 3. Describe other benefits associated with completing the agreement.
 - Provides for acquisition costs to be shared and thereby reduces access
 acquisition costs. Cooperator has agreed to bear all costs of new road
 construction, including paving the road on their private lands in Sec. 5 (Lot 15 of
 COS 4779) and creation of a public parking lot adjacent to State Land. The
 State's shared responsibility for future maintenance and road reconstruction, is
 limited to existing conditions (i.e. unimproved road surface).
 - Provides for legal access for forest resource management to a section of State Trust Land which was previously cost prohibitive to obtain permanent access on due to length of road (approximately 7 miles).
 - Provides for legal access for land management opportunities and other uses if need be.

VII. Recommendation/Action:

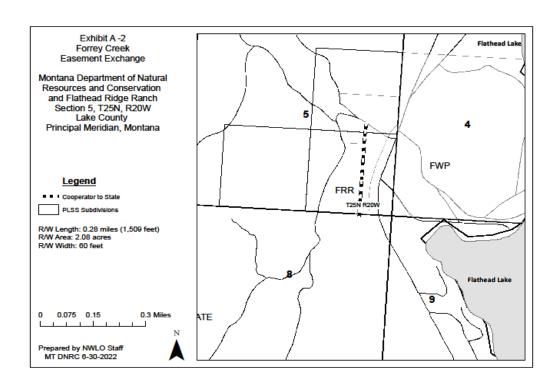
After review of the documents, exhibits, and benefits to the State, the Department recommends approval of this proposed Reciprocal Access Agreement and further recommends waiver of the 1% conveyance fee due to public access being obtained.

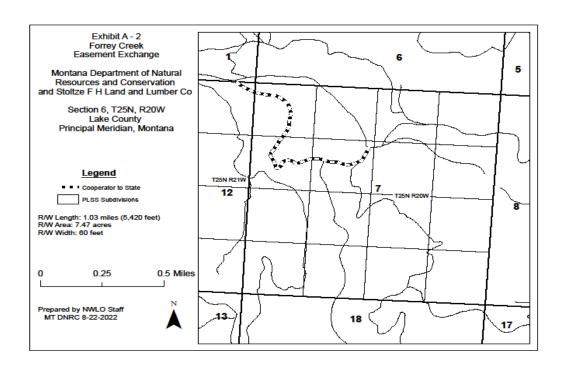


STATE TO COOPERATOR



COOPERATOR TO STATE





3rd PARTY GRANT TO STATE

