

AGENDA
REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS
Monday, May 19, 2014
State Capitol, Room 303
Helena, MT

ACTION ITEMS

- 514-1 Timber Sales**
A. Game Time
Benefits: Common Schools, Public Buildings
Location: Missoula, Powell Counties
APPROVED 4-0
- B. Helmville South**
Benefits: Common Schools
Location: Powell County
APPROVED 4-0
- C. Moran Cyclone North**
*Benefits: Eastern College – MSU/Western College – UM, Montana Tech, MSU 2nd,
Public Buildings*
Location: Flathead County
APPROVED 4-0
- D. Twin Bridges**
Benefits: Eastern College – MSU/Western College - UM
Location: Flathead County
APPROVED 4-0
- 514-2 Agriculture & Grazing Leases: Competitive Bid Hearing – Lease No. 5870 -
Steve and Bernice Kreitingner (Lessees)/TJ Knight (Bidder)**
Benefits: Common Schools
Location: Wibaux County
APPROVED 5-0
- 514-3 Communitization Agreements**
A. EOG Resources – Diamond 2-3625H Well
Benefits: Common Schools
Location: Richland County
APPROVED 5-0
- B. Continental Resources, Inc. – Davies 1-20HR Well**
Benefits: Common Schools
Location: Richland County
APPROVED 5-0
- 514-4 Land Banking Parcels: Final Approval for Sale**
Benefits: Common Schools
Location: Stillwater County
APPROVED 5-0
- 514-5 Land Banking Acquisition: Preliminary Approval for Purchase**
Benefits: Common Schools
Location: Treasure County
APPROVED 5-0
- 514-6 Easements**
Benefits: Common Schools, MSU Morrill, Public Buildings, MT Tech
*Location: Broadwater, Chouteau, Deer Lodge, Fergus, Gallatin, Petroleum, Powell, Richland,
Roosevelt, Rosebud, Sheridan, Teton Counties*
APPROVED 5-0

INFORMATION ITEMS

514-7 Real Estate Management Bureau: 2014 Project Management List – Annual Update

Benefits: Common Schools, Pine Hills School, State Normal School, Public Buildings

Location: Gallatin, Custer, Flathead, Lincoln, Sanders, Yellowstone, Missoula Counties

514-8 DNRC: Tribal Relations Update

Benefits: N/A

Location: State of Montana, including Blackfeet, Crow, Flathead, Fort Belknap, Fort Peck, Northern Cheyenne, and Rocky Boys Reservations

PUBLIC COMMENT

514-1

TIMBER SALES

- A. Game Time
- B. Helmville South
- C. Moran Cyclone North
- D. Twin Bridges

**Land Board Agenda Item
May 19, 2014**

514-1A Timber Sale: Game Time

**Location: Missoula and Powell Counties
Sections 6, 7, & 18, T15N-R13W
Sections 1, 12, & 13, T15N-R14W**

Trust Benefits: Common Schools, Public Buildings

Trust Revenue: \$717,239 (estimated, minimum bid)

Item Summary

The Game Time timber sale is located approximately 10 air miles northwest of Ovando, Montana on the Blackfoot Clearwater Game Range. The sale has one unit totaling 954 acres with an estimated volume of 36,914 tons (4,812 MBF) of sawlogs. The minimum bid value is \$19.43 per ton, which would generate approximately \$516,412.08 for the Common School Trust, \$200,826.92 for the Public Building Fund Permanent Trust, and \$109,265.44 in forest improvement fees.

A combination of selection harvest and shelterwood treatments will be utilized to promote growth of understory trees, reduce crowded conditions in the overstory, and reduce fuel concentrations on roads open to public travel. There is no old growth in the project area.

In conjunction with the sale, the Department of Natural Resources and Conservation (DNRC) will maintain and improve conditions on approximately 13.2 miles of existing road. No new roads will be constructed. Some roads within this sale are open for public travel as it is on the Blackfoot Clearwater Game Range. This activity will occur during the late spring, summer, and early fall.

This timber sale was analyzed in the Good Shepherd Timber Sale Environmental Assessment. A scoping notice was sent to adjacent landowners and interested parties in November 2010 and legal ads were placed in the weekly edition of the *Missoulian* and the *Silver State Post* newspapers. Only one comment was received, and it was in favor of the project.

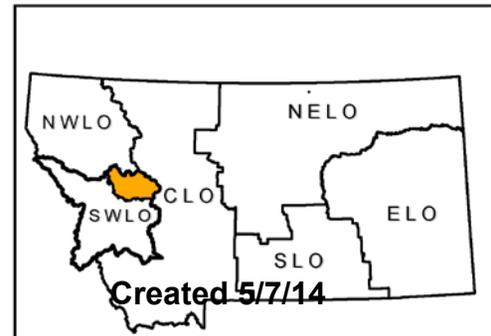
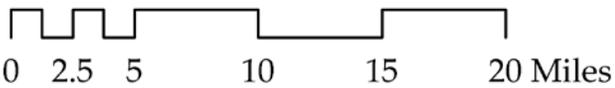
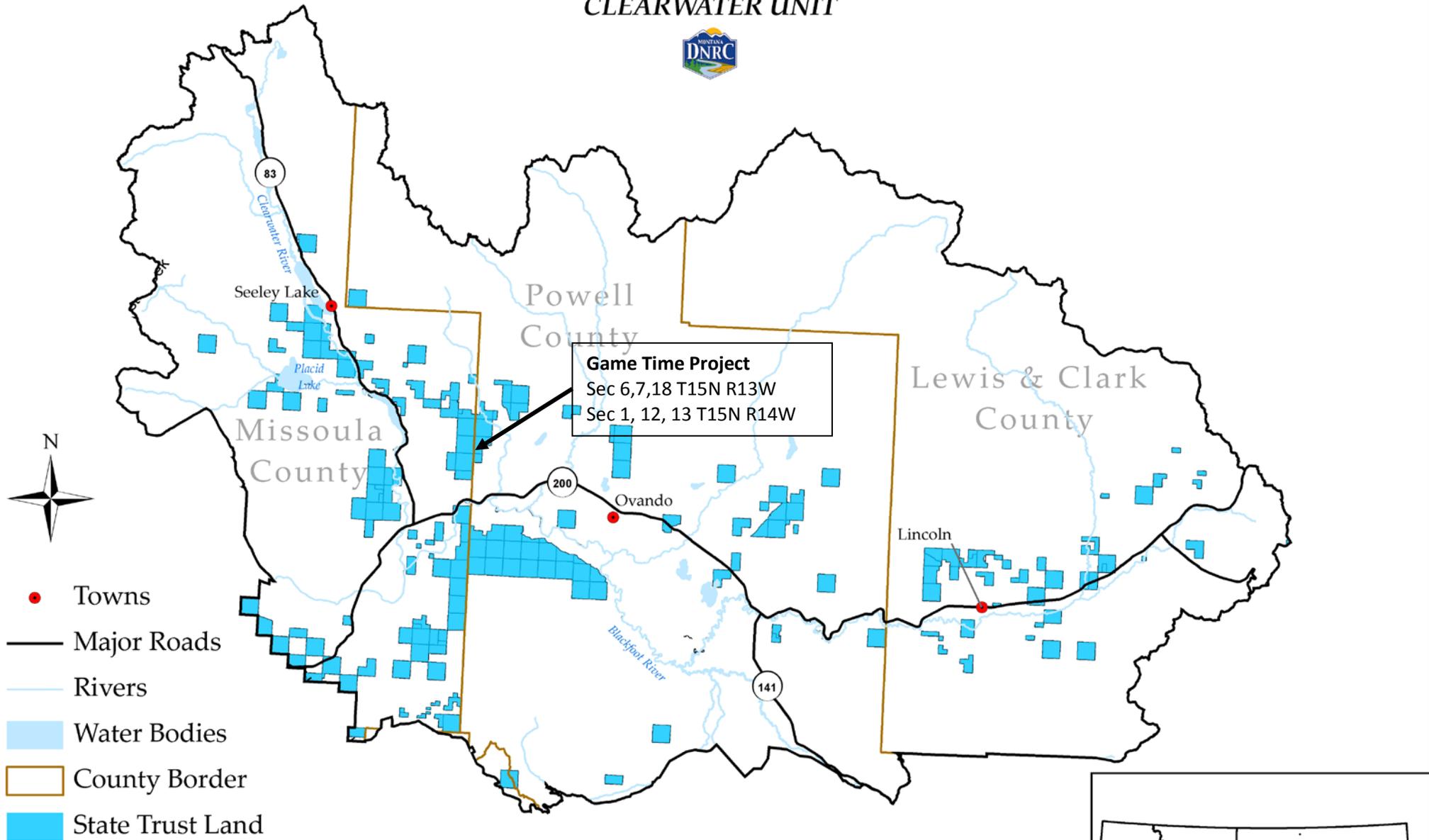
The Clearwater Unit has worked closely with Montana Department of Fish Wildlife and Parks throughout the MEPA process and during project development.

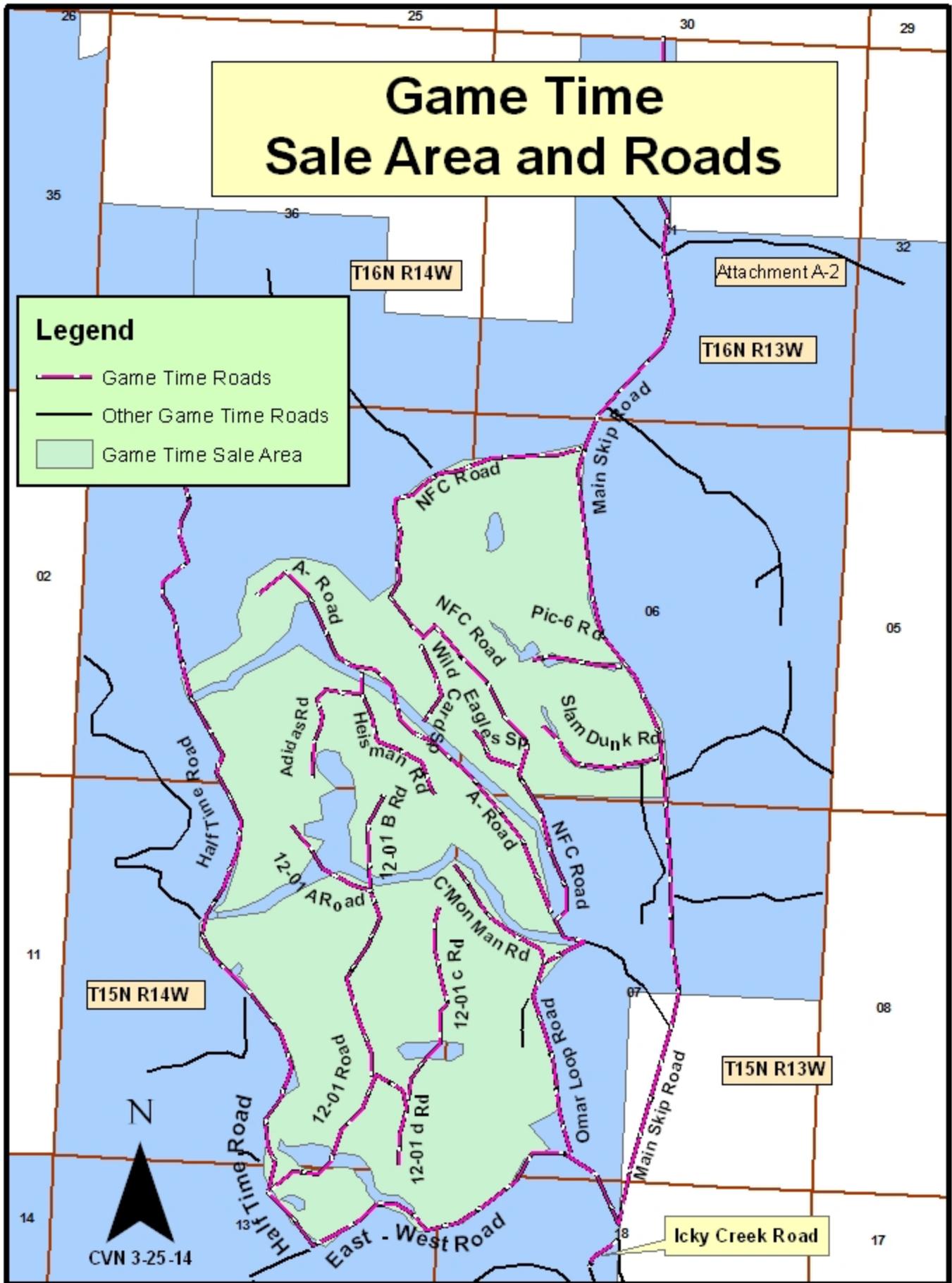
DNRC Recommendation

The director recommends the Land Board direct DNRC to sell the Game Time timber sale.

GAME TIME T.S. VICINITY MAP

CLEARWATER UNIT





**Land Board Agenda Item
May 19, 2014**

514-1B Timber Sale: Helmville South

**Location: Powell County
Section 16, T12N-R11W**

Trust Beneficiaries: Common Schools

Trust Revenue: \$167,296 (estimated, minimum bid)

Item Summary

The Helmville South timber sale is approximately 12 air miles northeast of Drummond, Montana. The sale includes six harvest units totaling 245 acres with an estimated volume of 11,694 tons (1,685 MBF) of sawlogs. The minimum bid value is \$14.36 per ton, which would generate approximately \$167,296.00 for the Common Schools Trust and \$38,239.38 in total forest improvement fees.

Silvicultural prescriptions for the proposed harvest units were a mix of seed tree and shelterwood harvests designed to improve the overall health of the stands and encourage natural regeneration. There is no old growth in the project area.

Access to the sale is through temporary road use permits acquired from 4 different private landowners. Approximately 5.7 miles of existing road would be improved and 1.98 miles of new permanent and 1.26 miles of new temporary road would be built to facilitate harvesting. All roads will continue to be closed to unauthorized vehicles.

Scoping letters were mailed to adjacent landowners and interested parties in November 2013. The following comments were received:

- Montana Fish, Wildlife and Parks was concerned about potential impacts to fisheries and wildlife *Potential impacts to wildlife were deemed low to moderate. Implementation of conservation strategies outlined in the Habitat Conservation Plan (example: 50' no harvest along South Fork of Cottonwood Creek) further mitigated potential impacts.*
- Mineral County Commissioners were in support of the project
- Frank Lee Tavenner (adjacent landowner) was concerned about communication and timing of the project. *The project leader will maintain communication throughout the project and ensure the road is passable on weekends.*
- Doug Rohrer (state grazing licensee and adjacent landowner) was concerned about noxious weeds. *DNRC will implement a comprehensive strategy for weeds which includes: power washing road equipment prior to entering State land, pre-sale spraying the road right-of-way, and post-sale monitoring with follow up as necessary.*

DNRC Recommendation

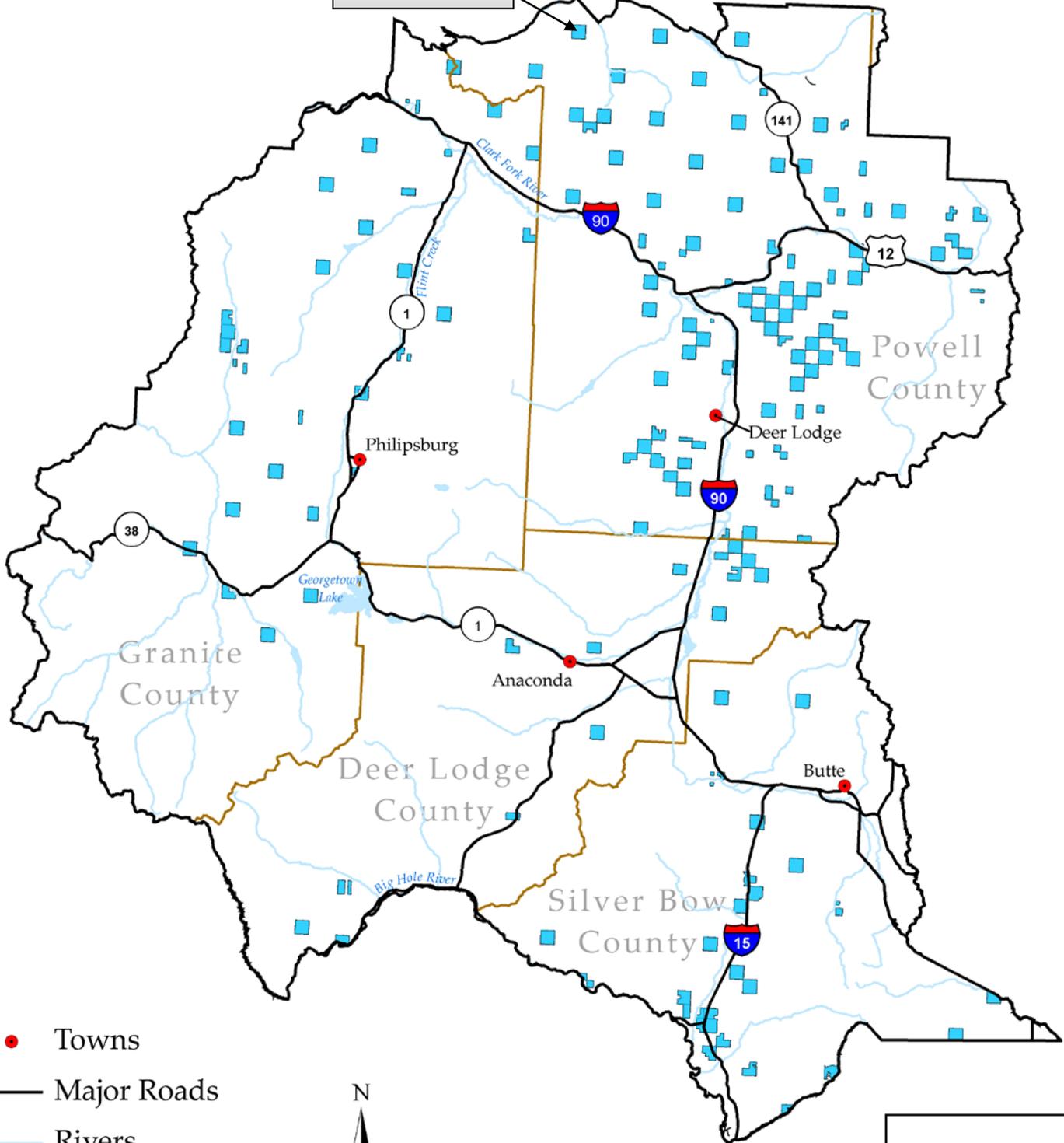
The director recommends the Land Board direct DNRC to sell the Helmville South timber sale.

HELMVILLE SOUTH VICINITY MAP ANACONDA UNIT

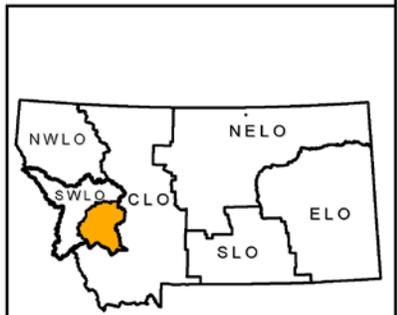
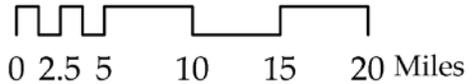
514-1B

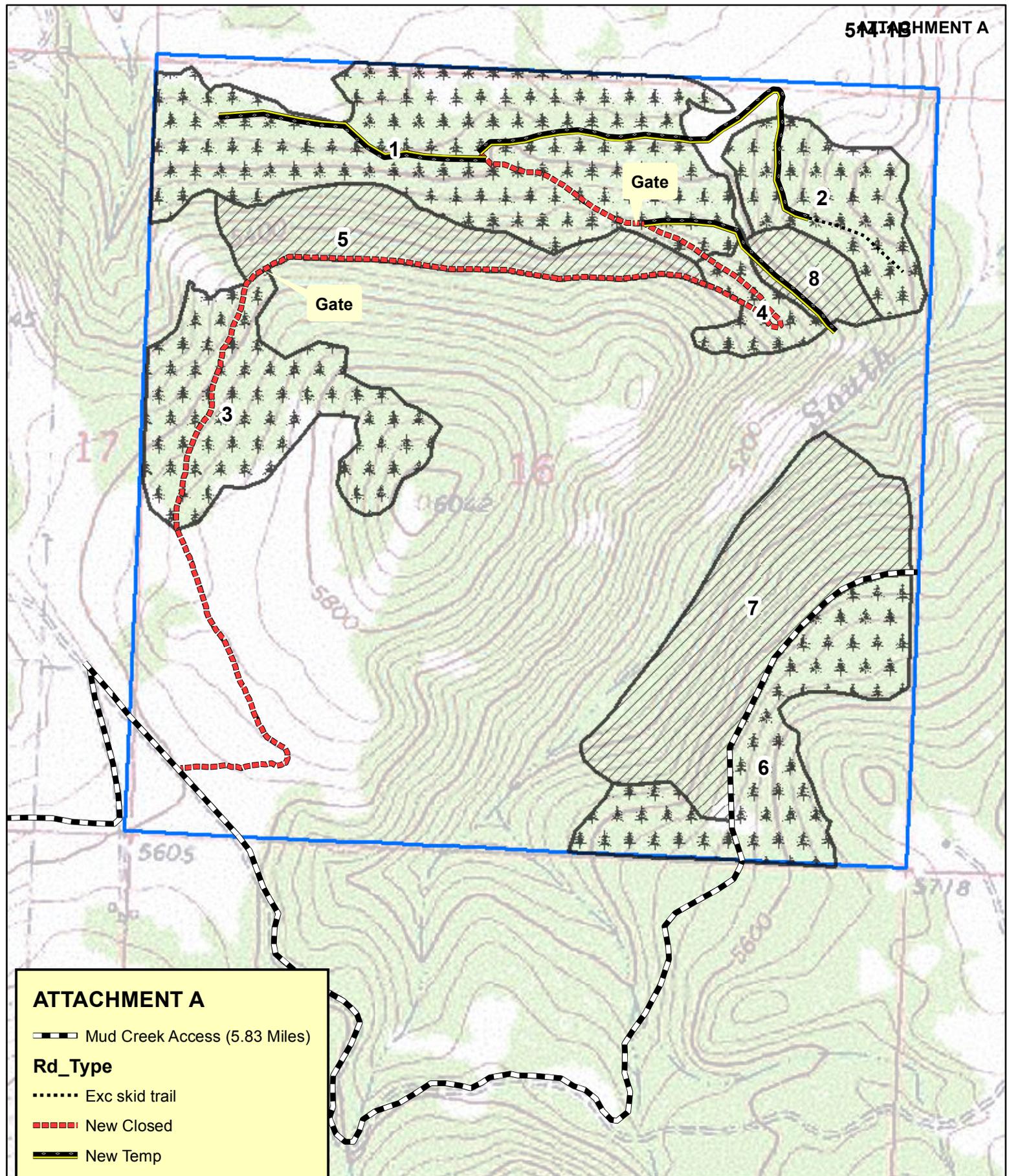


PROJECT AREA



- Towns
- Major Roads
- Rivers
- Water Bodies
- County Border
- State Trust Land





ATTACHMENT A

-  Mud Creek Access (5.83 Miles)
- Rd_Type**
-  Exc skid trail
-  New Closed
-  New Temp
- Harvest_Ty**
-  Cable
-  Tractor
-  State Land

**HELMVILLE SOUTH TIMBER SALE
T12N, R11W, S16**



Land Board Agenda Item
May 19, 2014

514-1C Timber Sale: Moran Cyclone North

**Location: Flathead County
Sections 3, 4, 10, 11, 14, & 15, T34N-R21W**

**Trust Benefits: Eastern College–MSU/Western College–U of M, Montana Tech,
Public Buildings, MSU 2nd Grant**

Trust Revenue: \$561,471 (estimated, minimum bid)

Item Summary

The Moran Cyclone Contract Harvest timber sale is located approximately 25 miles north of Columbia Falls, Montana. The sale consists of 12 harvest units totaling 439 acres, with an estimated volume of 22,540 tons (3,740 MBF) of sawlogs. The minimum bid value of \$24.91 per ton would generate approximately \$241,432.53 for Eastern College-MSU/Western College-U of M, \$151,597.17 for Montana Tech, \$106,679.49 for Public Buildings, \$61,761.81 for the MSU 2nd Grant, and \$93,991.80 in total forest improvement fees.

Harvest prescriptions are designed to reduce fuels and promote natural regeneration of western larch and Douglas fir. There are two prescriptions planned for the project area: seedtree with reserves (246 acres) and; commercial thinning (193 acres) harvests throughout the project area. There is no old growth harvest proposed.

In conjunction with the sale, the Department of Natural Resources and Conservation (DNRC) will maintain approximately 11.6 miles of existing road. Approximately one mile of temporary road will be built and will be reclaimed upon completion of the sale.

A scoping notice along with maps were sent to landowners and interested parties in July 2013. Legal ads were placed in the Flathead Beacon and the initial proposal was posted at the Olney Post Office. This project was also discussed twice during North Fork Interlocal meetings. These are meetings during which all the government agencies with jurisdiction in the North Fork of the Flathead River, and landowners meet and discuss upcoming projects and issues. Two comment letters, two emails, and one phone call were received:

- One individual was concerned about existing fuel loads on state lands adjacent to their property – *DNRC plans to remove approximately 90% of slash existing within 100 feet of any residence and for 100 feet inside any portion of a cutting unit that lies within 1,000 feet of a residential structure. A pre-commercial thinning project is also planned along the property line.*
- Two comments brought up the possibility of this project utilizing slash for biomass – *DNRC relies on the market to drive the utilization of biomass. Over the past 5 years about 15% of the volume (tons) hauled from Stillwater Unit has been material too small to be utilized for sawlogs. This material was sold as pulp wood and if there continues to be a pulp market, this practice will most likely continue into the future.*
- An adjacent landowner supported the proposed project.
- An adjacent landowner voiced concerns about retaining large larch near their property. – *Several of the trees being referenced are large cull trees and are non-merchantable as sawlogs. These trees will be retained as snags.*

DNRC Recommendation

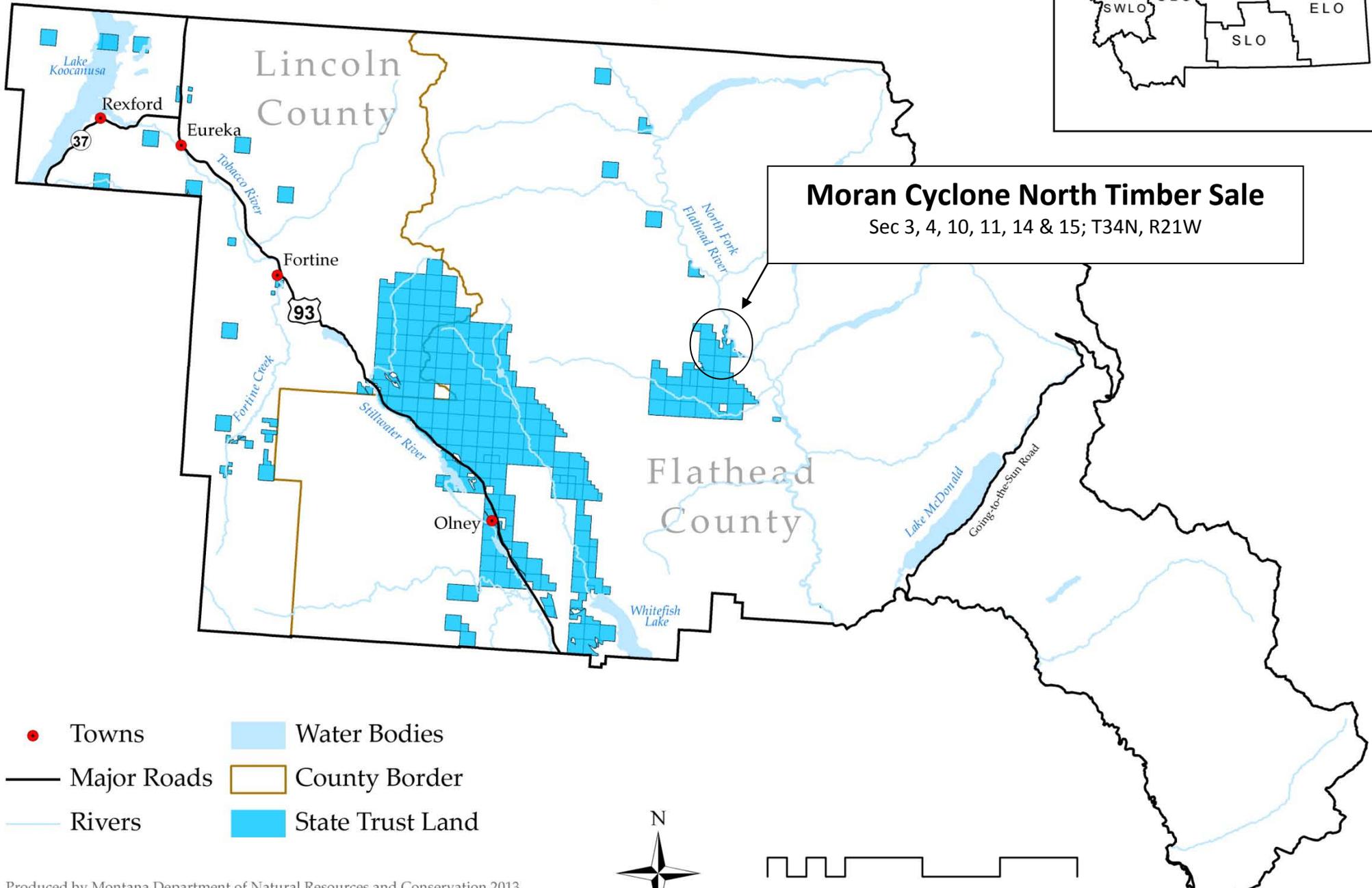
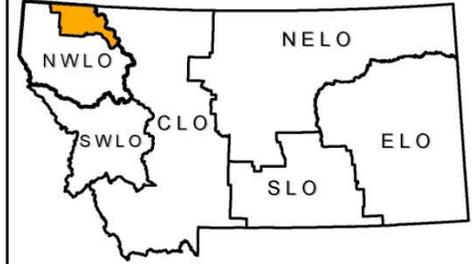
The director recommends the Land Board direct DNRC to sell the Moran Cyclone North timber sale.

VICINITY MAP (Attachment A- 1 of 3)

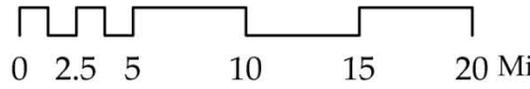
STILLWATER UNIT



514-1C



- Towns
- Major Roads
- Rivers
- Water Bodies
- County Border
- State Trust Land



Moran Cyclone North Timber Sale Unit Map



Sections 3,4,10,11, 14 and 15,
T34N, R21W

Attachment A
Page 3 of 3

Unit #	Acres	Est Tons	Est MBF
1	141	4,404	646
2	52	1,287	189
3A	4	170	28
3B	44	1,867	305
4A	14	840	141
4B	3	180	30
5A	53	3,391	577
5B	5	320	55
6	34	2,183	380
7	48	6,179	1,122
8	10	382	57
9	27	1,337	210
	435 Ac.	22,540 tons	3,740 MBF

Moran Creek West Road

Ladenburgh Rd and
Moran Creek West Rd
Intersect

Legend

- Ground Based Harvest Units
- Skyline Harvest Units
- Streams
- Ownership Boundary
- High Hazard Reduction Area
- Roads**
 - Restricted Roads
 - County Roads
 - Open Roads
 - Temporary Roads

N

**Land Board Agenda Item
May 19, 2014**

514-1D Timber Sale: Twin Bridges

**Location: Flathead County
Section 5, T30N-R22W**

Trust Benefits: Eastern College – MSU/Western College – U of M

Trust Revenue: \$26,404 (estimated minimum bid)

Item Summary

The Twin Bridges timber sale is located approximately four miles west of downtown Whitefish, Montana. The sale includes one harvest unit totaling 27 acres with an estimated volume of 957 tons (154 MBF) of sawlogs. The minimum bid value is \$27.59 per ton, which would generate approximately \$26,404.00 for the Eastern College – MSU/Western College – UM Trusts and \$3,875.85 in total forest improvement fees.

A commercial thin treatment will be utilized to:

- reduce stocking levels, and
- maintain or improve health and vigor by removing dominant, co-dominant, and intermediate trees.

A target of 75 trees per acre and a range of 60 to 80 square feet of basal area per acre is desired. Post harvest will result in an average tree spacing of 25 feet between leave trees, favoring the healthiest of the overstory. White woods (spruce, lodgepole) will be targeted for removal while also considering the removal of clumps of older, less vigorous overstory to create an opening in the canopy to meet project objectives. The sale contains no old growth.

Approximately 700 feet of existing road will be used to access the sale area.

This timber sale was analyzed in the Spencer Lake Timber Sale Environmental Assessment (EA). This EA also included the North Spencer and South Spencer timber sales. Initial public scoping occurred October 2009 and was extended until December 2009, with scoping notices sent out to adjacent landowners and interested parties. A notice was also placed in the Whitefish Pilot and Kalispell Daily Interlake newspapers. Forty-five people commented on the initial scoping.

An open house was held March 2010. Maps showing the project area and tentative silvicultural prescriptions were presented and comments taken. Thirty-six people attended the open house.

A field tour of the project area was held June 2010. Examples of prescriptions and recreational use of project area was shown and discussed. Twenty-two people attended the field tour.

The Draft EA was released and comment period extended from a 30-day to a 45-day comment period. Sixty-five people commented on the Draft EA.

Although there were many public comments the Twin Bridges sale area received very little public interest. Most of the concerns expressed by the public were in regards to recreational

activities on the North Spencer and South Spencer sale areas. The Twin Bridges area receives little recreational activity due to limited access.

DNRC Recommendation

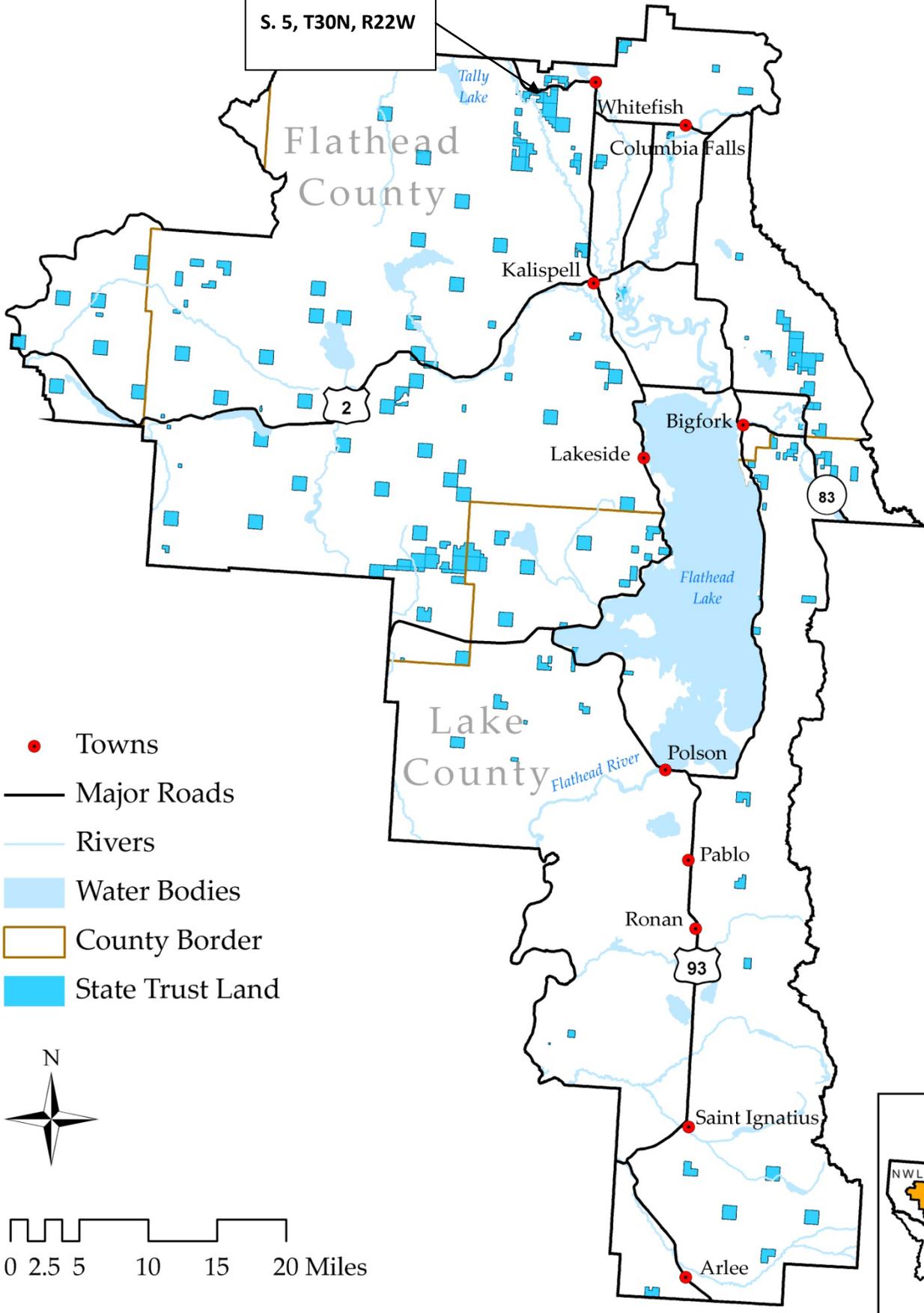
The director recommends the Land Board direct DNRC to sell the Twin Bridges timber sale.

TWIN BRIDGES VICINITY MAP KALISPELL UNIT

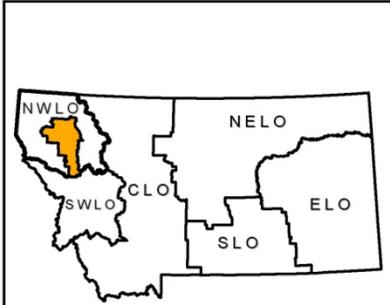
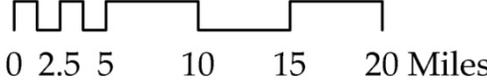
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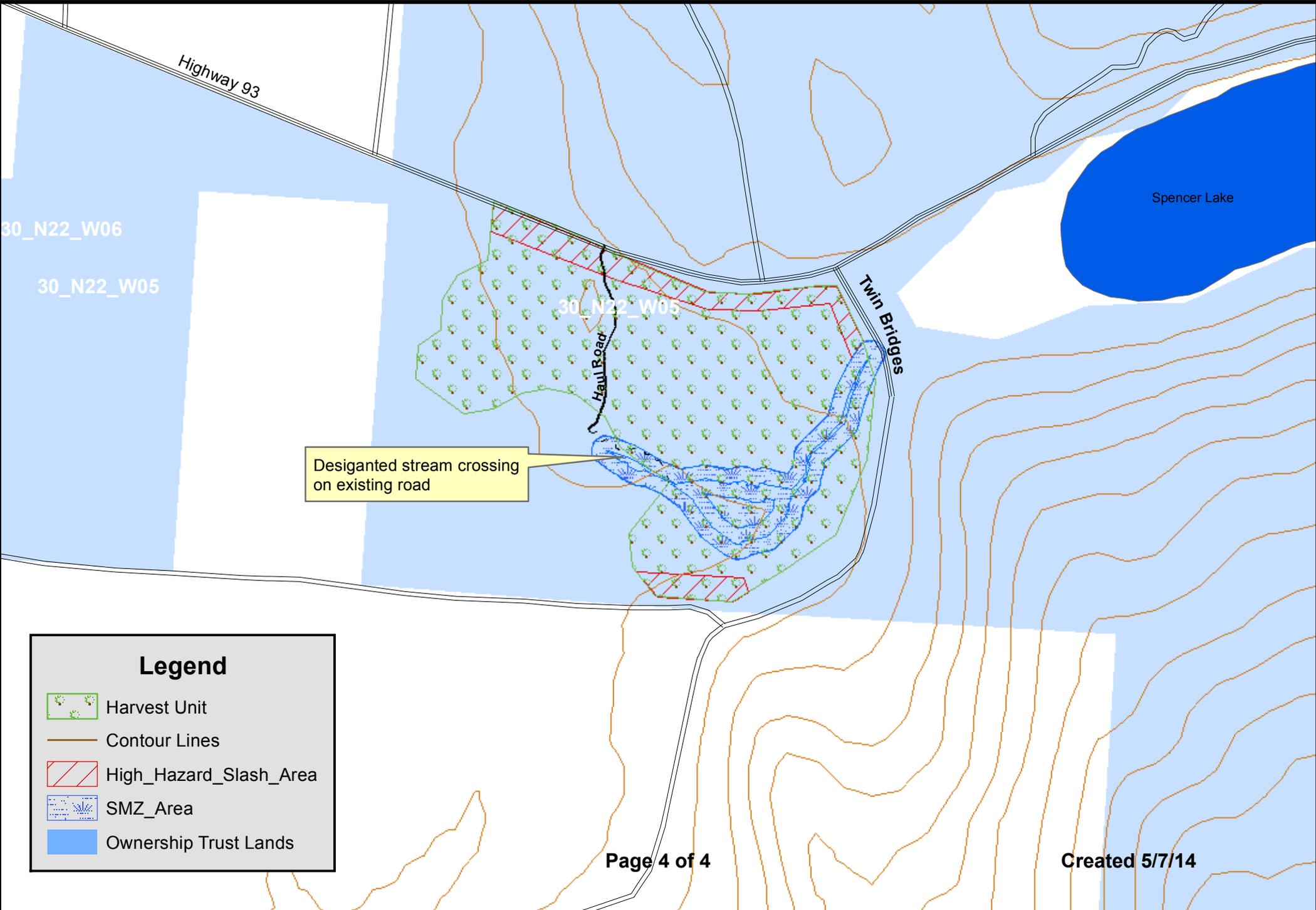


Project Location
S. 5, T30N, R22W



- Towns
- Major Roads
- Rivers
- Water Bodies
- County Border
- State Trust Land





Designated stream crossing
on existing road

Legend

- Harvest Unit
- Contour Lines
- High_Hazard_Slash_Area
- SMZ_Area
- Ownership Trust Lands

514-2

AGRICULTURE AND GRAZING LEASES: COMPETITIVE BID HEARING

Lease No. 5870 – Steve and Bernice Kreitinger
(Lessees)/TJ Knight (Bidder)

Land Board Agenda Item
May 19, 2014

**514-2 Agriculture and Grazing Leases: Competitive Bid Hearings –
Lease No. 5870 – Steve and Bernice Kreitinger (Lessee)/TJ Knight (Bidder)**

Location: Wibaux County

Trust Benefits: Common Schools

Trust Revenue: estimated \$32,911 during 10-year lease term

Item Summary

On April 28, 2014 the Department of Natural Resources and Conservation (DNRC) held a competitive bid hearing for State of Montana agricultural and grazing lease No. 5870, which is being renewed in 2014. This new ten-year lease will expire on February 28, 2024. If a lessee wishes to renew the lease for another term he must submit an application. If other persons inquire about the availability of a lease, their names and addresses are noted in the file and they are sent applications and bid forms at the time of lease renewal.

DNRC Recommendation

Given the evidence presented at the hearing, the director recommends that agricultural and grazing lease No. 5870 be retained by the current lessees, Steve and Bernice Kreitinger at a rental rate of \$26.35/AUM, and a 40% crop share with a \$25.23 cash minimum guarantee, which reflects the cash minimum guarantee for the state competitive bid average for Wibaux County. The 40% lessor's share for dry ground hay land is the prevailing agricultural rental rate seen in this community.

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Grazing Lease No. 5870 – Steve & Bernice Kreitinger (Lessee), T.J. Knight (Bidder).....6

INTRODUCTION

On April 28, 2014 the Department of Natural Resources and Conservation (DNRC) held a Competitive Bid Hearing for State of Montana agricultural and grazing lease No. 5870, which is being renewed in 2014. This new ten-year lease will expire on February 28, 2024. If a lessee wishes to renew the lease for another term he must submit an application. If other persons inquire about the availability of a lease, their names and addresses are noted in the file and they are sent applications and bid forms at the time of lease renewal.

The statutory absolute preference right within Section 77-6-205(2), MCA, to renew a state agricultural and grazing lease was declared unconstitutional by Judge Jeffrey Sherlock in Broadbent v. State of Montana, et al., First Montana Judicial District Court, Cause No. BDV-2003-361, because it impermissibly interfered with the constitutional power of the Land Board, under Article X, Section 4 of the Montana Constitution, to choose its lessees. The Land Board, in response to Judge Sherlock's ruling, amended ARM 36.25.117 to exercise its constitutional prerogative to grant a qualified preference right to incumbent lessees in good standing. Through this rule, the Land Board has expressed its qualified preference to issue renewals of agricultural and grazing leases to the incumbent lessee provided that they have not committed illegal subleasing and do not have a history of lease violations. However, in all instances, the Land Board has reserved the right to choose the best-qualified lessee.

As part of its constitutional power, the Land Board may also determine the rate at which such leases will be issued. The Land Board has recognized that full market value encompasses the concept of sustained yield. Section 77-6-101 MCA. In Jerke v. State Dept. of Lands, 182 Montana 294, at 296-297, 597 P.2d 49 at 50-51 (1979), the Montana Supreme Court held that a grazing district which was not a lessee of a state grazing lease could not exercise a preference right. The Court described the rationale of the preference right to meet a high bid as follows:

Sustained yield is the policy which favors the long term productivity of the land over the short term return of income. State ex rel. Thompson v. Babcock, supra. The preference right seeks to further this policy by inducing the state's lessees to follow good agricultural practices and make improvements on the land. This is accomplished by guaranteeing that the lessees will not lose the benefits of their endeavors by being outbid when their leases terminate. They are preferred and may renew their leases by meeting the highest bid submitted.

Id.

Exercised in such a manner, such a preference is in the best financial interests of the school trust beneficiaries. All other things being equal, the Land Board has recognized that stability of land tenure encourages existing lessees to make greater improvements in the land, knowing that they will likely be able to utilize these improvements in the future, and that some stability of tenure allows lessees to operate more efficiently. The duty to prudently maximize revenue return to the trust estate from the trust properties is always subject to the duty to preserve the financial productivity of the trust lands. Oklahoma Education Association v. Nigh, 642 P.2d 230 at 238 (1982).

No applicant for a grazing lease can compel the State Board of Land Commissioners to grant it an interest in state trust lands, especially where the concept of sustained yield is ignored. See Skillman v. Department of State Lands, 188 Montana 383, 613 P.2d 1389 (1980); Gibson v. Stewart, 50 Mont. 404, 147 P. 276 (1915) (Whether a tract of state land shall be leased is a question addressed to the sole discretion of the Land Board.); §77-6-206, MCA ([T]he board may withdraw any agricultural or grazing land from further leasing for such period as the board determines to be in the best interest of the state".)

Under ARM 36.25.117, if a lessee exercises the qualified preference right but believes that the bid amount is excessive, he or she may request a hearing. The purpose of the hearing is twofold: 1) to determine the best-qualified lessee for the upcoming lease term; and 2) to ascertain the appropriate rental rate for that term. Specifically, the director of DNRC inquires whether the high bid amount represents the fair market value of the lease and whether the rental rate is truly in the best interests of the trust. In determining whether the "high bid" rental rate is in the best interests of the beneficiaries of the trust, the Land Board must utilize the criteria set out in §77-6-205(2), MCA, and in Thompson v. Babcock, 147 Montana 46, 409 P.2d 808 (1966). Under these criteria, the Montana Supreme Court has held that the "high bid" may be rejected where it is either "...above community standards for a lease of such land, would cause damage to the tract, or impair its long-term productivity".

The Montana Supreme Court has recognized that an excessive rental rate, at some point, economically compels a lessee to graze all the available forage on a grazing lease or reduce costly fertilizer, herbicide, and summer fallow treatments on agricultural leases. When state lands are over-grazed or farmed with minimal input costs, they produce more noxious weeds, less forage or crops, and less future income for the beneficiaries of the various trust lands. In extreme cases, the productivity of the land may be permanently damaged. Thus, it is in the best interests of the state to set a rental rate which balances the competing factors. In this "balancing act", the Land Board is attempting to maximize long-term income by allowing the lessee a sufficient monetary incentive to exercise wise range management and agricultural practices. If the rate is too low, the state will not receive full market value for its lands. If the rate is too high, the lessee may be induced to over-graze the tract, or reduce inputs such as herbicides, and long-term trust income to the trust beneficiary will inevitably suffer.

In the competitive bid hearing process, the director is recommending the rental rate for the next term of the grazing or agricultural lease. The economic viability of these leases fluctuates according to prevailing weather conditions and commodity prices; both of which can vary wildly. Despite these fluctuations, the grazing rental charged by the Board must be paid by the lessee whether or not any forage upon the lease is utilized. By contrast, private lessors generally do not collect rentals when they no longer have forage available for lease. Consequently, setting an appropriate rental rate, so as to sustain the long-term viability of school trust leases and maximize long-term income, is simply not as easy as accepting the highest bid. If it were, there would be no need for a hearing on the subject.

The best lessee is chosen according to nine criteria set out within ARM 36.25.117:

- 1) an intended grazing or cropland management plan for the new term of the lease;
- 2) experience associated with the classified use of the land;
- 3) other non-state lands that are fenced and managed in common with the state land;
- 4) intended grazing or cropland improvements that will benefit the health and productivity of the state lands;
- 5) a weed management plan;
- 6) management goals and objectives and monitoring procedures to determine if they are being met;
- 7) the method or route used to access the state land;
- 8) any other information the director deems necessary in order to provide a recommendation to the board; and,
- 9) the incorporation of all or part of this information as terms and conditions in the new lease agreement.

The current policy of the Board authorizes the director of the Department of Natural Resources and Conservation to hold the competitive bid hearings; hear the evidence; and make

recommendations to the Land Board. Since the rental rates are based upon the evidence presented at the hearing, the Land Board members must avoid consideration of information outside the hearing record.

This year the director granted requests for hearing on two leases. At the conclusions of the second hearing, the high bidder rescinded his bid, and the competitive bid hearing was withdrawn. The hearings were conducted on April 28th, 2014 at the offices of the Department in Helena, Montana. All hearings were electronically recorded and all witnesses testified under oath. However, the hearings were conducted in an informal manner. Department personnel present at the hearings were: Director John E. Tubbs; Trust Lands Management Division Administrator Shawn Thomas; Agriculture and Grazing Management Bureau Chief Kevin Chappell; Trust Lands Attorney Tommy Butler, Trust Lands Attorney Valerie Balukas, and Trust Lands Accountant, April Kidwell.

In preparation for this hearing, both the lessee and the high bidder were notified of the time and place of the hearing and given copies of ARM 36.25.117. The testimony and evidence considered during the hearing; a summary of the hearing; and the findings and conclusions recommended are set out as follows:

2014 COMPETITIVE BID HEARINGS

Hearing Time: Monday, April 28, 2014 @ 9:00 a.m.

Lease No.: 5870 County: Wibaux

Lessee: Steve & Bernice Kreitinger

Tracts:

T13N R59E Section 4: Lots 1 & 2, S½NE¼ - 161.04 Ac. - Common School Grant

Grazing Acres: 41.04 AUM Rating: 10

Ag (Hay) Acres: 120

High Bidder: T.J. Knight

High Bid: \$26.35 per AUM and the Greater of 48% Crop Share or \$28.23/Acre

Other Bids: None

Previous Rental: Minimum Grazing Rental and ⅓ Crop Share

Prevalent Community Rental Information:

State Land County Bid Averages: \$23.99/AUM

48% Crop Share with \$25.23/Ac Guarantee

MT Ag Statistics 2013 Statewide Private Grazing Rate: \$21.00/AUM

MT Ag Statistics 2013 SE Montana Dryland Cash Rent: \$22.50/Acre

Findings:

This tract is located on state classified agricultural and grazing lands approximately 5 miles southwest of the town of Wibaux, Montana. This tract possesses convenient public access. Stock-water resources are limited. An un-named ephemeral swale runs through the lease premises in the NE¼ of Section 4. A stock-water dam is located in the SE¼NE¼ of Section 4 together with an undeveloped low-volume spring. Mr. Kreitinger testified that limited water is available for livestock in early spring months, but potable water remains unavailable in later months of the grazing season. Mr. Kreitinger testified that after July, there is usually no water available on these lands for livestock use.

This tract had been previously enrolled in the Conservation Reserve Program, but recently was put back into hay production by the lessee during the last two growing seasons. This tract is representative of dry-land hay production in Wibaux County. Mr. Kreitinger testified that with good annual precipitation, dry-land grass hay production on these lease premises will typically not exceed 1.5 Tons per acre. But, since hay production is commensurate with precipitation, 0.75 Tons per acre of grass hay production is more commonly seen in drier years. The field evaluation form reports that the forage of this tract is primarily composed of Western Wheatgrass, Green Needle grass, and Sedges with some Alfalfa. This tract typically experiences only 10" to 14" inches of annual precipitation.

Mr. Kreitinger stated that weeds are always a concern due to recreational access and the flow of water down the drainage features on this tract, which tends to spread weeds. He takes two weeks each year to control the spread of noxious weeds on this tract by spraying herbicide. Mr.

Knight stated that the prevalent weeds that require control in this area are Canadian Thistle and Burdock.

Mr. Kreitinger has 30 years of experience in the production of cattle and is a member of the Wibaux County Noxious Weed Board. He has witnessed a rise in grazing rental rates in the local community with the rise of cattle prices. He knew of other grazing leases in the area at the rates of \$18.00 and \$20.00 per AUM. He knew of another grazing lease in the area at \$26.00/AUM, although he stated that the lessor in that lease provided additional services, such as: checking on livestock, fence maintenance, and water maintenance. Mr. Kreitinger acknowledged that the high bid grazing rental rate of \$26.35 per AUM reflected current grazing rental rates in the area.

Mr. Knight sought this state lease to expand the forage base for his livestock business. Mr. Knight testified that he owns private land directly adjoining the east side of this state tract, and he would propose to provide water for livestock use on this state tract by extending a pipeline from his private lands and constructing a stock tank on these state lands. He would fence the south side of this state tract. He proposed to harrow the agricultural portion of the lease premises and plant a stand of Alfalfa on this tract. Mr. Knight testified that grazing lease rates in this area were generally between \$20.00 and \$30.00/AUM.

Mr. Knight testified that grass hay prices in the area are approximately \$85.00 per Ton. He entered into an agricultural lease for hay ground on nearby private land where the lessor was paid 40% of the hay crop produced, and Mr. Knight bought the lessor's share of hay at \$85.00 per Ton. However, he said that the quality of that hay was not as good as the hay typically produced on this state tract.

Mr. Kreitinger testified that the high bid crop share rental rate of 48% was too high, and that although a 60/40 crop share split between the lessee and lessor was commonly seen in this area, a 75/25 split is seen more recently. Moreover, he contended that although he paid \$99.00 per Ton for hay ten years ago, current hay prices in the area are \$55.00 per Ton, and that he has sold hay at that price recently.

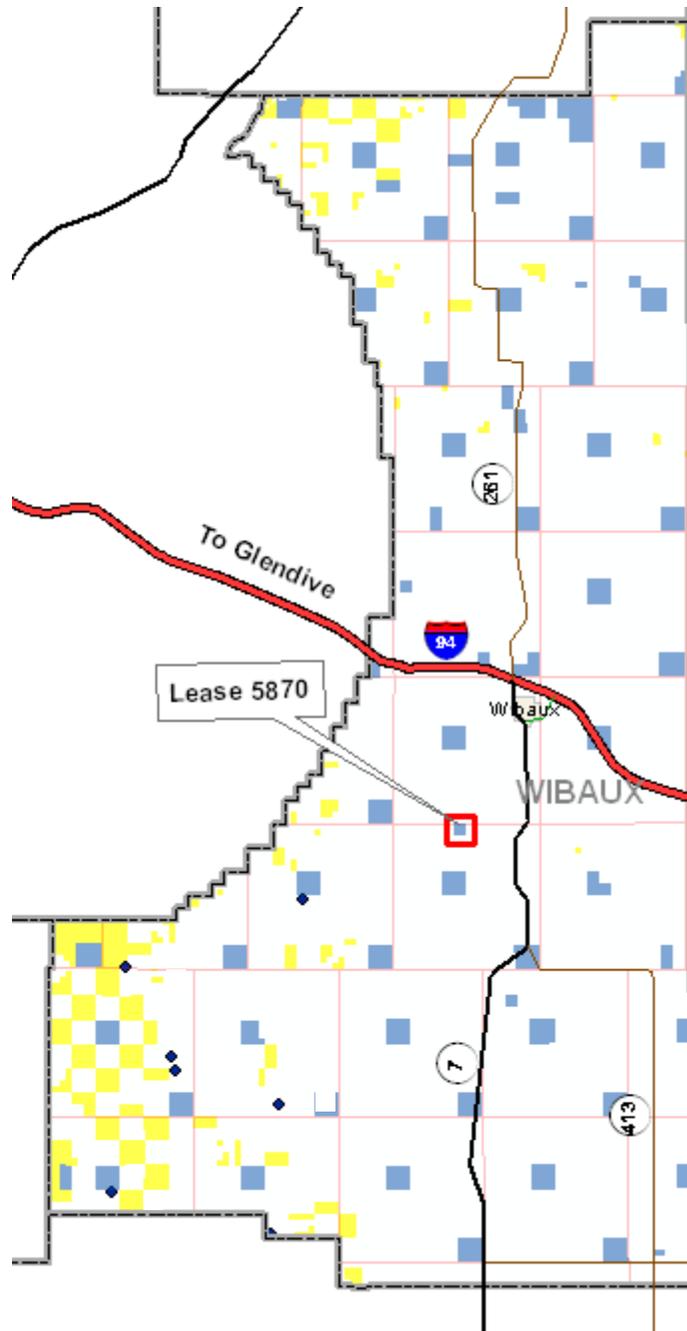
Recommendation:

Given the evidence presented at the hearing, the director concludes that the high bid of \$26.35/AUM is consistent with community standards for a lease of this type, and that instituting such a rental rate would not impair the long-term productivity of this tract given the level of current cattle prices.

The evidence shows that Steve and Bernice Kreitinger have successfully operated this tract, and that they possess substantial experience in grazing and crop land management. Kreitinger's management plan is to continue to produce hay from this State tract and graze a portion of it, and protect it from the spread of noxious weeds. Based upon previous results of Kreitinger's stewardship, this continued management should benefit the health and productivity of this land.

Given the evidence presented at the hearing, the director recommends that agricultural and grazing lease No. 5870 be retained by the current lessees, Steve and Bernice Kreitinger at a rental rate of \$26.35/AUM, and a 40% crop share with a \$25.23 cash minimum guarantee, which reflects the cash minimum guarantee for the state competitive bid average for Wibaux County. The 40% lessor's share for dry ground hay land is the prevailing agricultural rental rate seen in this community.

Vicinity Map – Agriculture and Grazing Lease No. 5870



Area Map – Agriculture and Grazing Lease No. 5870



514-3

COMMUNITIZATION AGREEMENTS

- A. EOG Resources –
Diamond 2-3625H Well
- B. Continental Resources –
Davies 1-20HR Well

Land Board Agenda Item
May 19, 2014

514-3A Communitization Agreement: EOG Resources – Diamond 2-3625H Well

**Location: Roosevelt County
T29N R56E Sections 25 & 36**

Trust Benefits: Common Schools

Trust Revenue: Unknown

Item Summary

EOG Resources has filed a request with the Department of Natural Resources and Conservation (DNRC) for the approval of a communitization agreement to communitize state owned acreage in conformity with Montana Board of Oil and Gas Conservation Commission (BOGC) regulations.

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. The agreement allows the state to receive its proper share of production from the spacing unit and must be approved by DNRC for state lands.

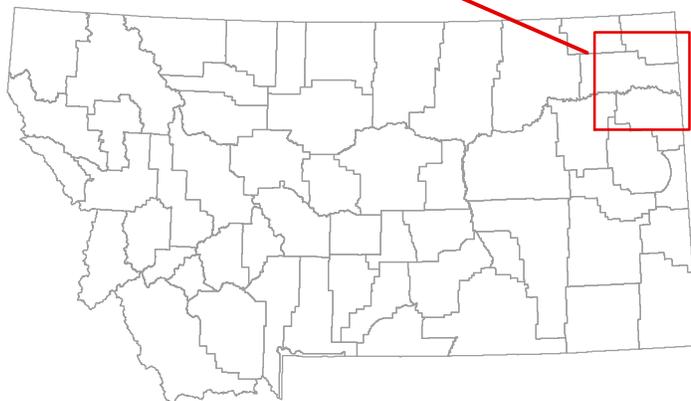
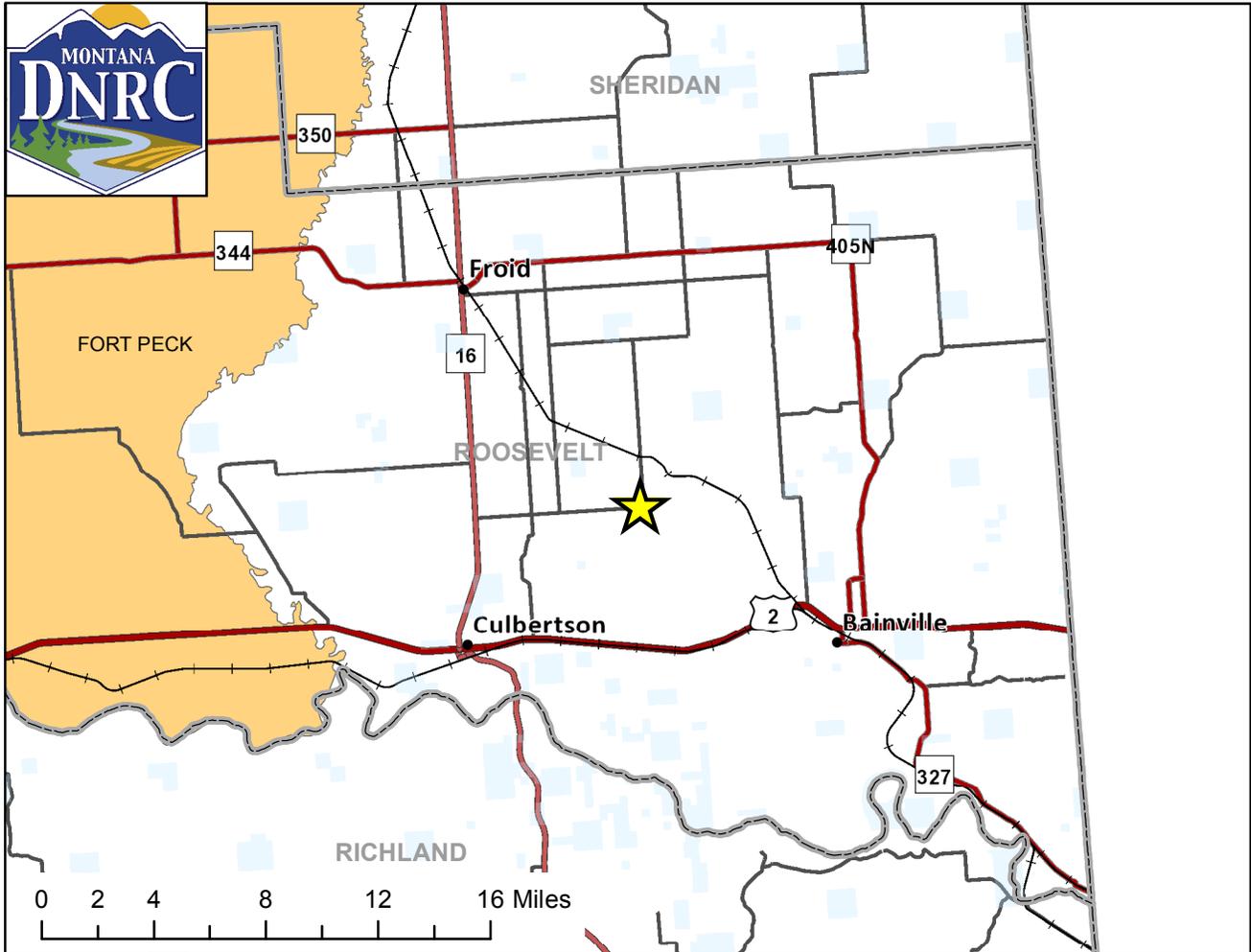
The Diamond 2-3625H well is a horizontal Bakken/Three Forks formation oil well located approximately 8 miles northeast of Culbertson and was drilled on state land in the SE4SE4 of Section 36. DNRC owns 640 acres of the 1,280 mineral acres in the permanent spacing unit that will be communitized. The agreement encompasses the Bakken/Three Forks Formation in Sections 25 & 36 T29N R56E.

DNRC's tract comprises 50% of the communitized area. DNRC will consequently receive 6.5% of all oil production (13% royalty rate x 50% tract participation).

DNRC Recommendation

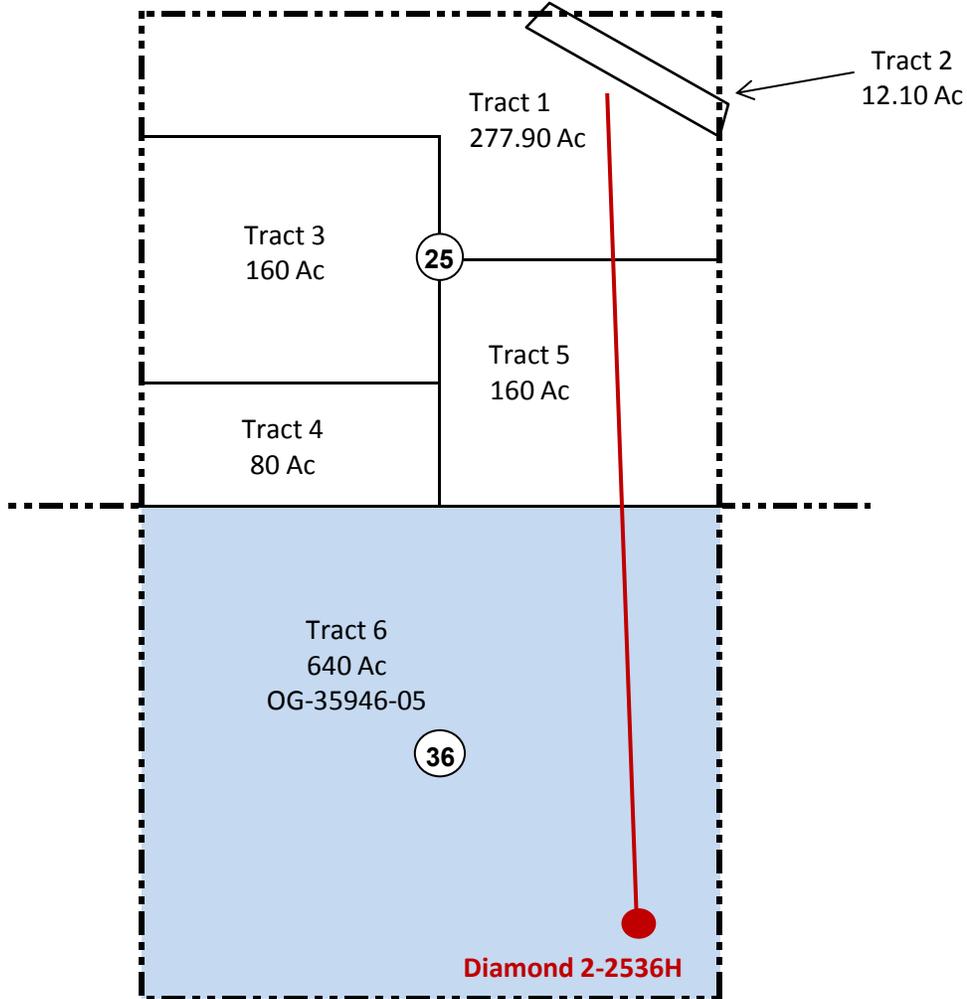
The director recommends the Land Board approve this communitization agreement.

Vicinity Map - Diamond 2-3625H Well



Township 29 North Range 56 East

Sections 25 & 36



Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	Fee	227.90	17.8047%	16.67%	0.029674
2	Fee	12.10	0.9453%	n/a	0.009440
3	Fee	160.00	12.5000%	16.67%	0.020833
4	Fee	80.00	6.2500%	18.75%	0.011719
5	Fee	160.00	12.5000%	various	0.002000
6	State of Montana	640.00	50.0000%	13.00%	0.065000
Total		1280.00	100%		

* The Operator of the Communitized Area is EOG Resources, Inc.

Land Board Agenda Item
May 19, 2014

514-3B Communitization Agreement: Continental Resources, Inc. – Davies 1-20HR Well

**Location: Richland County
T26N R54E Sections 17 & 20**

Trust Benefits: Common Schools

Trust Revenue: Unknown

Item Summary

Continental Resources, Inc., has filed a request with the Department of Natural Resources and Conservation (DNRC) for the approval of a communitization agreement to communitize state owned acreage in conformity with Montana Board of Oil and Gas Conservation Commission (BOGC) regulations.

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. The agreement allows the state to receive its proper share of production from the spacing unit and must be approved by DNRC for state lands.

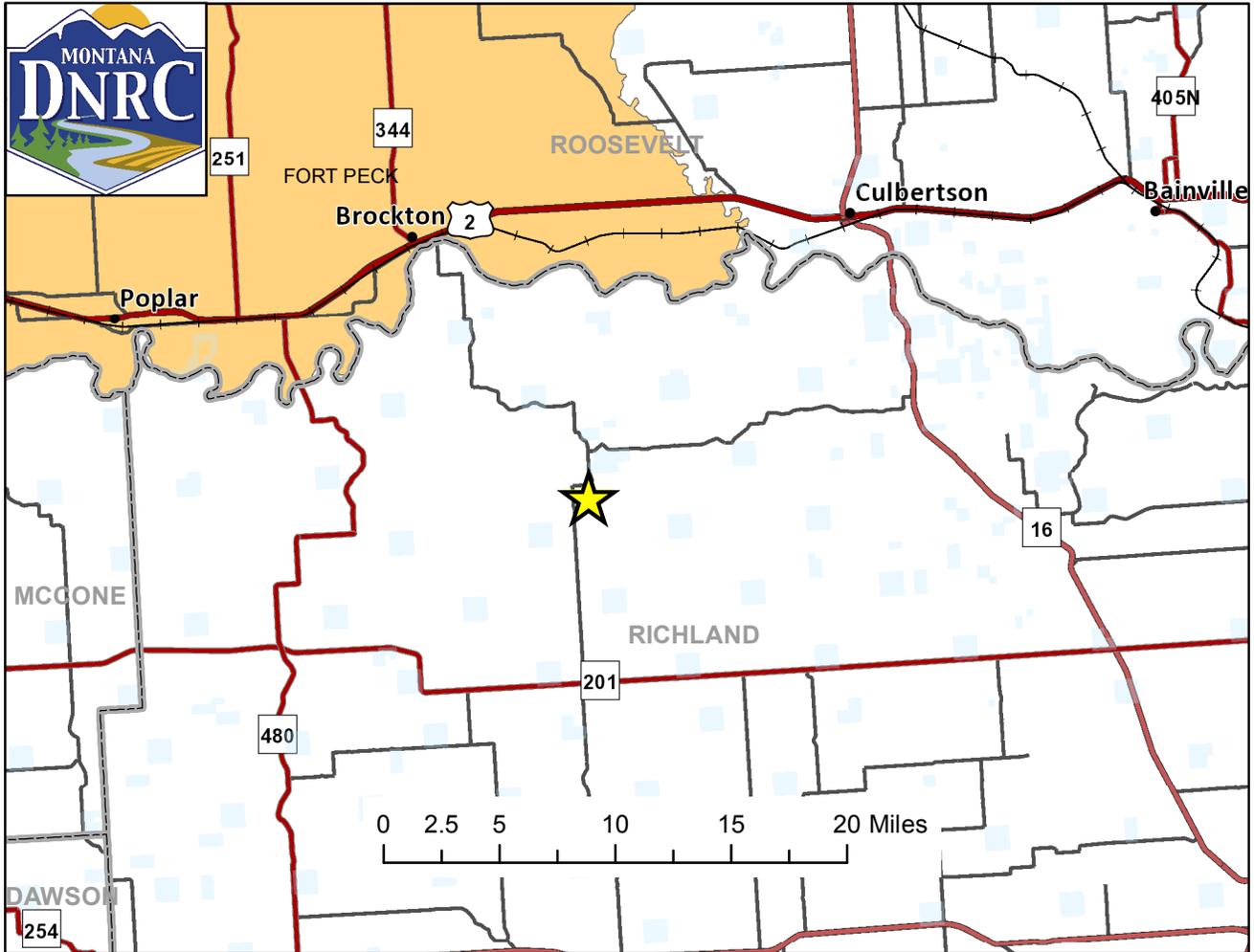
The Davies 1-20HR well is a horizontal Bakken/Three Forks Formation oil well located approximately 14 miles southeast of Brockton and was drilled on private land in the SW4SE4 of Section 20. DNRC owns 80 acres of the 1280 mineral acres in the permanent spacing unit that will be communitized. The agreement encompasses the Bakken/Three Forks Formation in Sections 17 & 20 of T26N R54E.

DNRC's tract comprises 6.25% of the communitized area. DNRC will consequently receive 0.8125% of all oil production (13% royalty rate x 6.25% tract participation).

DNRC Recommendation

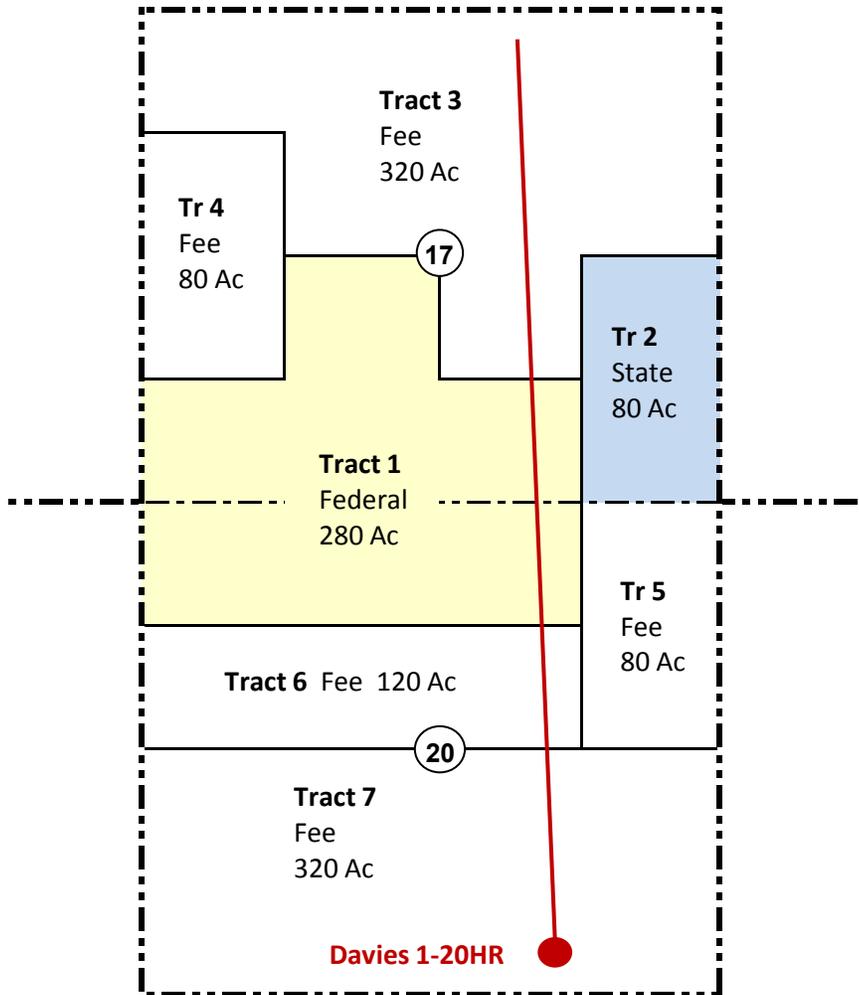
The director recommends the Land Board approve this communitization agreement.

Vicinity Map: Davies 1-20 HR Well



Township 26 North Range 54 East

Sections 17 & 20



Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	Federal	280.00	21.8750%	12.50%	0.027344
2	State of Montana OG-34934-03	80.00	6.2500%	13.00%	0.008125
3	Fee	320.00	25.0000%	20.00%	0.050000
4	Fee	80.00	6.2500%	18.75%	0.011719
5	Fee	80.00	6.2500%	18.75%	0.011719
6	Fee	120.00	9.3750%	18.00%	0.016875
7	Fee	320.00	25.0000%	18.75%	0.046875
Total		1280.00	100%		

514-4

LAND BANKING PARCELS:
FINAL APPROVAL FOR SALE

514-4 Land Banking Parcels: Final Approval for Sale

Location: Stillwater County

Trust Benefits: Common Schools

Trust Revenue: \$860,800

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting final approval on three parcels totaling 1,920 acres which were nominated for sale in Stillwater County. The sales were nominated by the lessee and are located approximately 10 miles east of Columbus.

Sale #	# of Acres	Legal	Nominator	Trust
706	640	ALL, Section 16, T2S-R22E	Energy Equity Company	Common Schools
707	640	ALL, Section 36, T1S-R21E	Energy Equity Company	Common Schools
708	640	ALL, Section 16, T2S-R21E	Energy Equity Company	Common Schools

The parcels are gently rolling to steep topography and used primarily for livestock grazing purposes. The parcels have below average productivity for grazing lands.

The parcels are not legally accessible by the public and are surrounded by private land.

No potentially negative issues were identified through the MEPA process regarding the sale of these parcels.

Economic Analysis:

Short-term – The average rate of return on these sale parcels is 0.38%. The parcels would continue to receive this return if they remain in state ownership.

Long-term – The sale of these parcels would result in acquisition of lands that generate a higher rate of return. To date, the average annual rate of return on acquisitions has been 1.97% on acquisitions with income generated from annual lease payments.

Cultural/Paleontological Resources:

The state parcels were inventoried to Class III standards for cultural and paleontological resources in August 2013. Three cairn sites, the remains of a historic sheep camp, and a small roughly circular arrangement of five sandstone slabs were identified and recorded. No paleontology was identified on any of the tracts. The DNRC has consulted with the State Historic Preservation Office (SHPO) and has concluded that none of these five cultural resource sites is eligible for listing in the National Register of Historic Places.

A formal report of findings has been prepared and has been filed with the Montana State Historic Preservation Office per the requirements of the Montana State Antiquities Act.

Background:

514-4

In October 2013, the Board granted preliminary approval for these parcels to continue through the Land Banking sale evaluation process. In March 2014 the Board set the minimum bid at the appraised values with access as follows:

Sale #	Minimum Bid
706	\$310,400
707	\$240,000
708	\$310,400

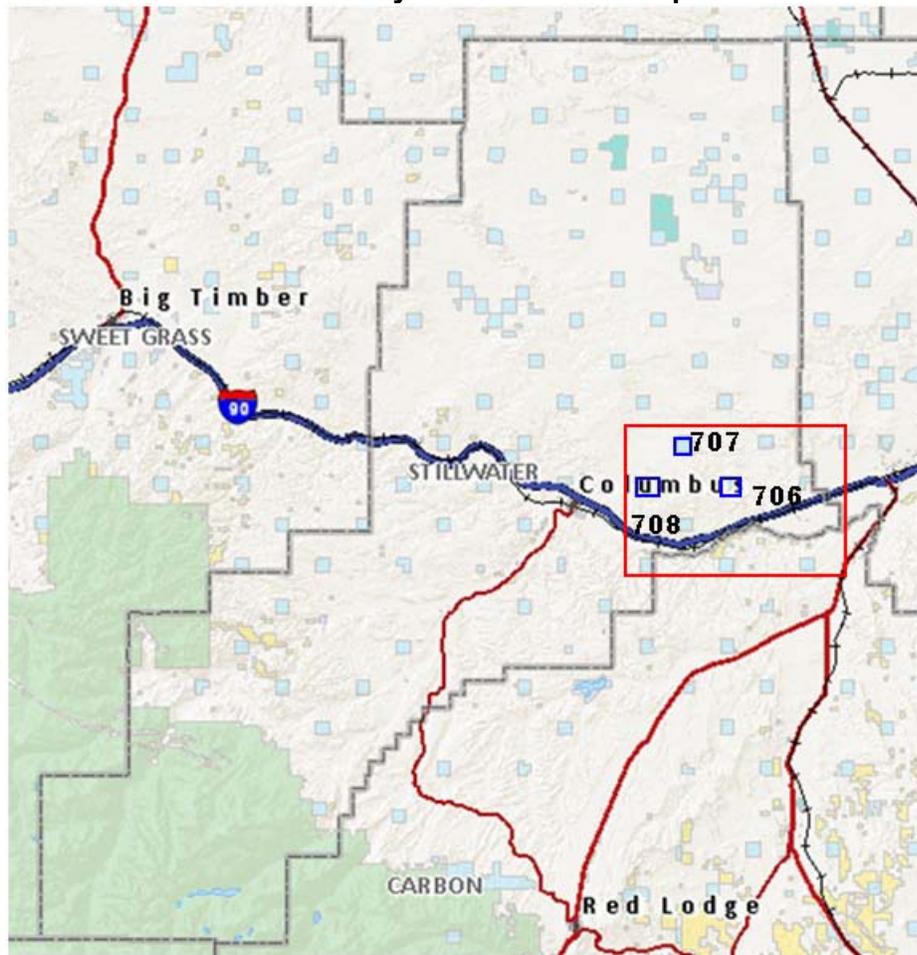
Sale Price

The parcels were sold at a public auction on May 8, 2014. Each parcel had only one bidder and was sold for the minimum bid amount listed above.

DNRC Recommendation

The Director recommends final approval of Land Banking Sales 706, 707, & 708. The sales will be closed within 30 days of final approval by the board.

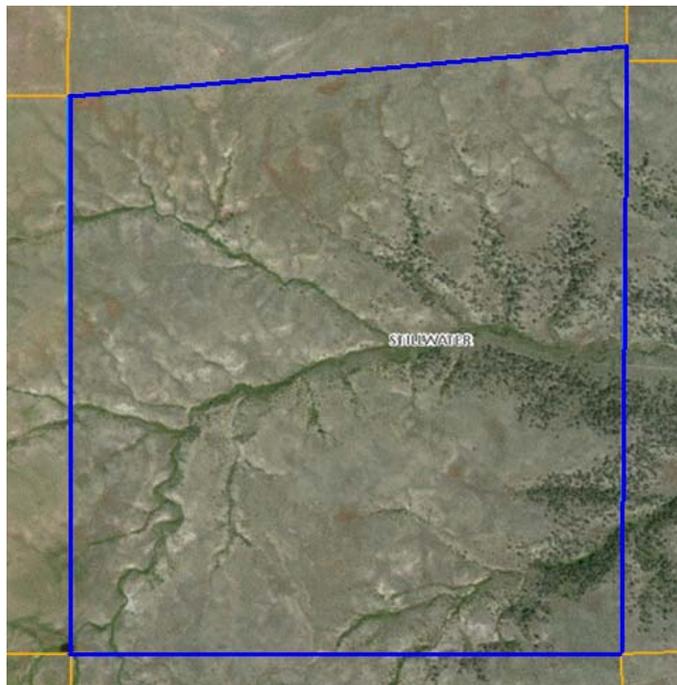
Stillwater County Sales Location Map



Sale #706
ALL, Section 16, T2S-R22E
Energy Equity Co.



Sale #707
ALL, Section 36, T1S-R21E
Energy Equity Co.



Sale #708
ALL, Section 16, T2S-R21E
Energy Equity Co.



514-5

LAND BANKING ACQUISITION:
PRELIMINARY APPROVAL FOR PURCHASE

**Land Board Agenda Item
May 19, 2014**

514-5 Land Banking Acquisition: Preliminary Approval for Purchase

Location: Treasure County

Trust Benefits: Common Schools

Trust Revenue: N/A

Item Summary

The Department of Natural Resources and Conservation (DNRC) has identified a potential land acquisition of 400.91 acres known as the Hougardy Farm available for sale in Treasure County.

Proposed Acquisition

These acres include approximately 200 acres of irrigated agricultural land and 200.91 acres of dryland and irrigated grazing land. The property is for sale for \$1,000,000.

Selection Considerations

DNRC has conducted a review of this tract nominated for acquisition per ARM 36.25.813(3).

Access: The parcel is accessible by both Montana Highway 311 and Mackley Road, a county road. Purchase of this property would also secure perpetual public access to an existing landlocked section of trust land.

Revenue: The predicted annual rate of return, over a 20 year period is estimated at 1.44% to 3.18%. The irrigated agricultural land is rotated between small grains and corn, with the varying rates of return being reflected in the crop.

Multiple Uses: The parcel has a variety of natural resource uses including irrigated agricultural land and irrigated and dryland grazing. The property also offers wildlife habitat, hunting (big game and upland game birds), and other recreational opportunities. The proposed acquisition adjoins an existing parcel of trust land that is presently landlocked, and the purchase of this property would ensure permanent public access to that trust land.

Location: The property is located approximately 6.5 miles east of Hysham, Montana in Treasure County along the south side of Montana Highway 311.

Cooperation: DNRC plans to contact Fish, Wildlife, and Parks, (FWP) Region 7 and the Treasure County Board of County Commissioners to discuss the proposed acquisition prior to the Land Board meeting.

Steps in this process include securing a purchase agreement contingent upon findings of the due diligence as per ARM 36.25.813 through 36.25.815. Due diligence includes a detailed inventory report of the property, appraisal, Phase 1 hazardous materials study, an in-depth financial analysis, and a survey, if needed, followed by final Land Board approval.

DNRC Recommendation

The director recommends preliminary approval of the Hougardy Farm for further consideration for acquisition.

Hougardy Farm

Treasure County, Estimated Price \$1 million

Location: 6.5 miles east of Hysham
MT, Treasure County

Acreage: 400.91 deeded acres
(200± acres Irrigated Crop Land and
200.91± acres irrigated and dryland
Grazing)

Carrying Capacity: 200.91±
acres of grazing lands are estimated to
have an initial carrying capacity of 79
AUMs.

Crop Land: 200± acres of
irrigated crop land with estimated yields
for wheat of 60 bushels per acre and 25
tons per acre for corn silage.

Stockwater: There is not any developed
stockwater on the property, but it is assumed that the
stock drink out of the irrigation ditch. There is also an
undeveloped spring on the property.

Irrigation: 200± acres are
currently irrigated and planted in crop
and the water source for the irrigation is
the Yellowstone Irrigation District canal.

Timber: None

Fencing: There is 4 strand
barbed-wire fence along the perimeter of
the property, with the exception of the
far west boundary which is not presently
fenced. There is also a north-south fence
on the section line between Sections 9 &
10. The fencing appears to be in good
condition.

Improvements: There is a new pivot located on Section 10 which irrigates approximately
60 acres. The remainder of the crop land is irrigated with 12" and 15" irrigation pipe.

County/Taxes: \$1,460.89 annually (*Note: Amount is approximate due to the acquisition
not aligning with existing parcel boundaries*)

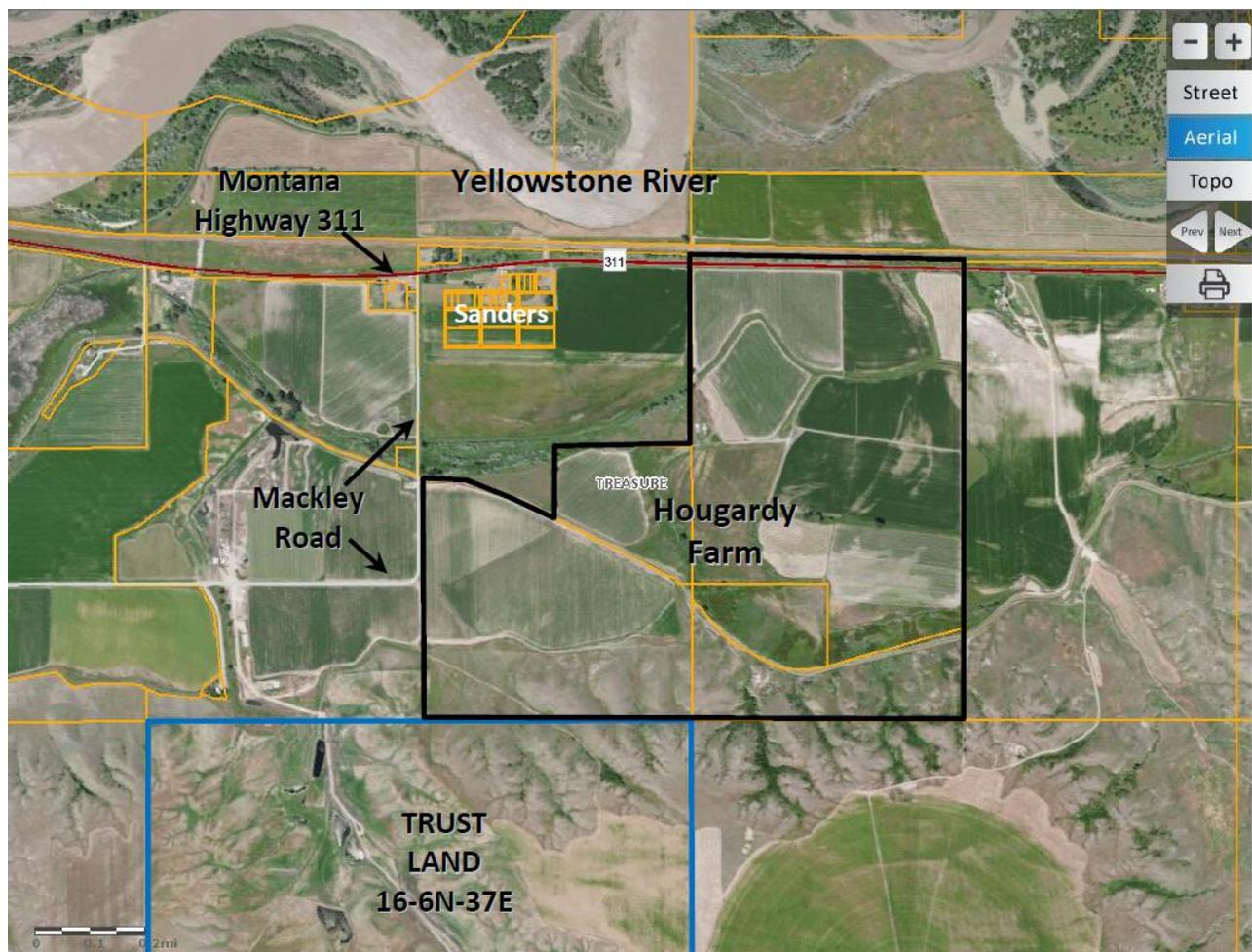
Precipitation: 10 - 14 inch precipitation zone



Hougardy Farm

Comments: The 400.91± acre Hougardy Farm presents an opportunity to purchase productive irrigated agricultural lands in combination with irrigated and dryland grazing lands. Additionally, the proposed purchase adjoins existing State Trust land described as Section 16-T6N-R37E that is presently landlocked. This acquisition would provide permanent access to this tract for administrative and public recreation access from both Montana Highway 311 and Mackley Road. The property supports big game and upland game bird hunting opportunities.

Revenue projections for grazing and agriculture estimate annual revenue to the Trust beneficiary of \$14,500 to \$31,800. The irrigated agricultural land is rotated between small grains and corn, with the varying annual revenue being reflected in the crop planted that season. This would result in a rate of return between 1.45% and 3.18%. The sellers are an existing lessee of a portion of the adjoining Trust land and a condition of the sale would be for them to become the state ag & grazing lessee of the acquired land.



514-6

EASEMENTS

**Land Board Agenda Item
May 19, 2014**

514-6 Easements

**Location: Broadwater, Chouteau, Deer Lodge, Gallatin, Petroleum,
Powell, Richland, Roosevelt, Rosebud, Sheridan, Teton, Toole**

Trust Benefits: Common Schools, MSU Morrill, Montana Tech, Public Buildings

**Trust Revenue: Common Schools = \$98,491.00
MSU Morrill = \$1,544.00
Montana Tech = \$3,880.00
Public Buildings = \$2,442.00**

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Montana Department of Transportation PO Box 201001 Helena MT 59620
Application No.:	16517
R/W Purpose:	highway construction and maintenance including occupancy by public utilities
Lessee Agreement:	needed
Acreage:	1.98
Compensation:	\$3960.00
Legal Description:	tract of land in S2SE4, NE4SE4, Sec. 36, Twp. 3N, Rge. 12W, Deer Lodge County
Trust Beneficiary:	Common Schools

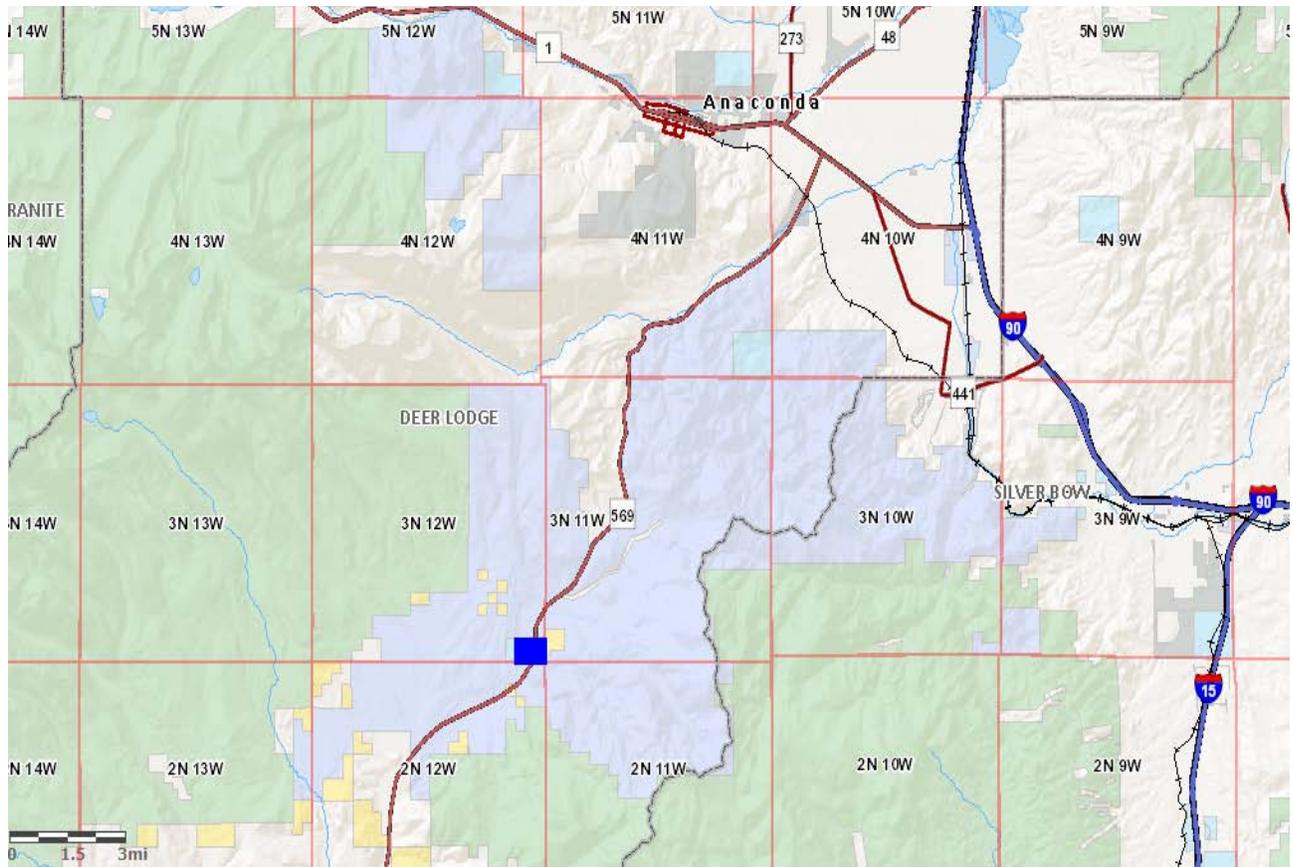
Item Summary

Montana Department of Transportation has made application for highway construction and maintenance including occupancy of public utilities for a project known as "Moose Creek Road N & S". The scope of this project is preservation of the existing pavement by means of an overlay, sealing and covering the existing pavement. Spot reconstruction of the highway will take place along parts of the existing alignment that no longer meet current design standards. The fundamental purpose of this project is to improve safety, drivability, and durability for the traveling public.

Department Recommendation

The director recommends approval of this highway construction project.

Rights of Way Applications May 19, 2014



Rights of Way Applications

May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Hiland Crude, LLC 105 26th St E, Suite 100 Williston ND 58801
Application No.:	16519
R/W Purpose:	a buried 12" crude oil pipeline
Lessee Agreement:	ok
Acreage:	0.56
Compensation:	\$3192.00
Legal Description:	50-foot strip through NE4NE4, Sec. 16, Twp. 20N, Rge. 59E, Richland County
Trust Beneficiary:	Common Schools

Item Summary

Hiland Crude, LLC, is requesting an easement to construct a 12" crude oil pipeline. Highland Crude, LLC, is a midstream energy LLC engaged in purchasing, gathering, compressing, dehydrating, treating, processing and marketing of natural gas, fractionating and marketing of natural gas liquids and the purchasing, gathering, blending, storing and marketing of crude oil. They have successfully secured easements from the land owners of several miles of land on both sides of the state tract. Hiland Crude, LLC, has offered compensation in the amount of \$108/rod. Based on calculations it is in the trusts best interest to accept this offer as a onetime payment.

Department Recommendation

The director recommends approval for a 30-year term easement for this crude oil pipeline.

Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Hiland Crude, LLC
105 26th St E, Suite 100
Williston ND 58801

Application No.: 16520
R/W Purpose: a buried 12" crude oil pipeline
Lessee Agreement: ok
Acreage: 0.24
Compensation: \$1375.00
Legal Description: 50-foot strip through SE4SE4, Sec. 26, Twp. 29N, Rge. 59E,
Richland County
Trust Beneficiary: Common Schools

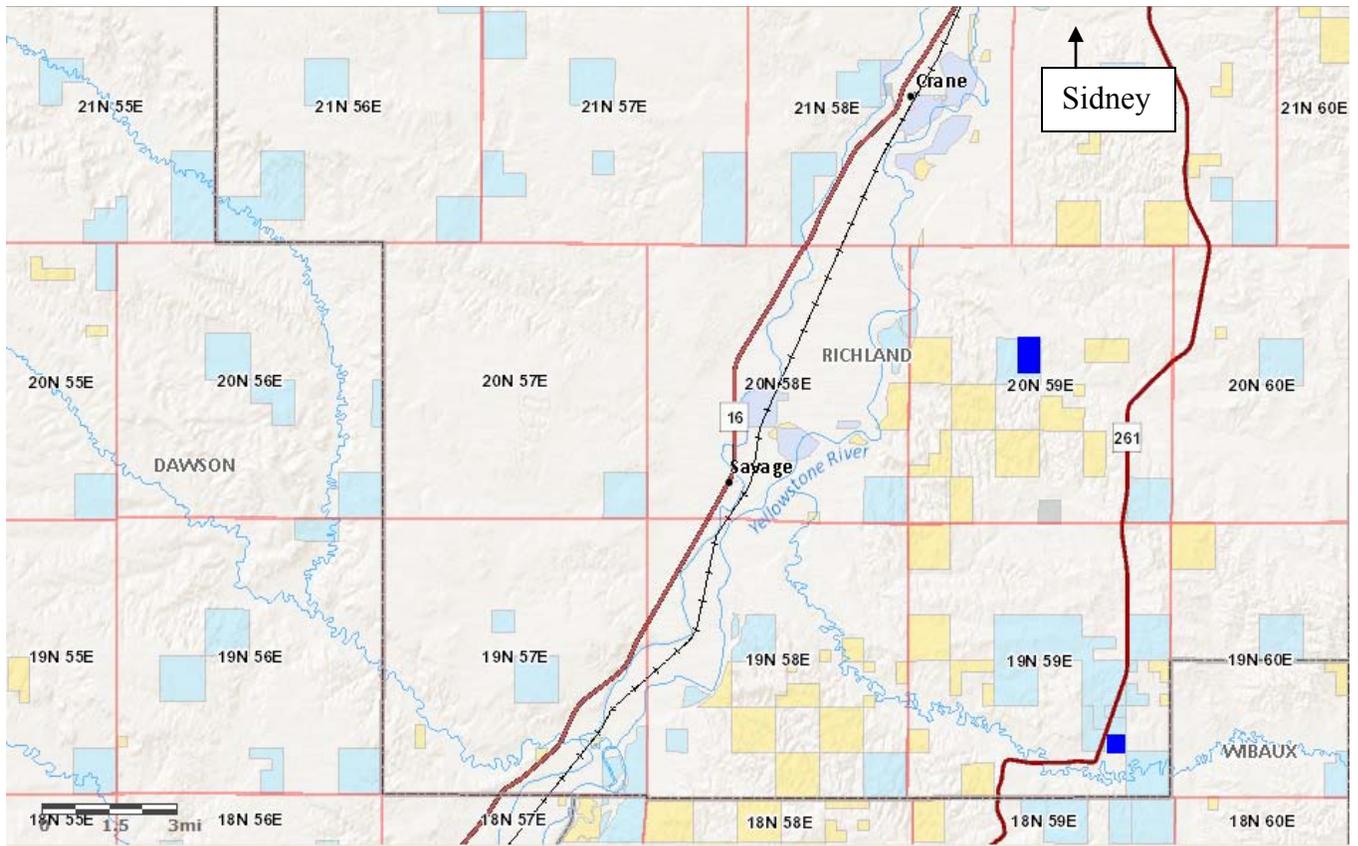
Item Summary

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Rights of Way Applications May 19, 2014



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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Central Montana Communications, Inc. PO Box 751 Havre MT 59501
Application No.:	16521
R/W Purpose:	a buried telecommunications cable
Lessee Agreement:	ok
Acreage:	1.15
Compensation:	\$259.00
Legal Description:	20-foot strip through W2NW4, Sec. 21, Twp. 22N, Rge. 10E, Chouteau County
Trust Beneficiary:	MSU Morrill

Item Summary

Central Montana Communications, Inc., has made application for the purpose of installing new underground telecommunications facilities to upgrade their current services to Geraldine Exchange serving area in and around Geraldine. This will offer state of the art telecommunications toll and distribution facilities, as well as future growth capabilities. The proposed route is the most direct route and has minimal impact on the environment.

Department Recommendation

The director recommends approval of this telecommunications request.

Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Central Montana Communications, Inc.
PO Box 751
Havre MT 59501

Application No.: 16522
R/W Purpose: a buried telecommunications cable
Lessee Agreement: ok
Acreage: 3.29
Compensation: \$1152.00
Legal Description: 20-foot strip through Government Lots 1, 5, 6, & 7, SW4SW4,
Sec. 3, Twp. 22N, Rge. 10E,
Chouteau County

Trust Beneficiary: MSU Morrill

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Department Recommendation

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Central Montana Communications, Inc. PO Box 751 Havre MT 59501
Application No.:	16523
R/W Purpose:	a buried telecommunications cable
Lessee Agreement:	ok
Acreage:	0.38
Compensation:	\$133.00
Legal Description:	20-foot strip through NW4NW4, Sec. 10, Twp. 22N, Rge. 10E, Chouteau County
Trust Beneficiary:	MSU Morrill

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Central Montana Communications, Inc.
PO Box 751
Havre MT 59501

Application No.: 16524
R/W Purpose: a buried telecommunications cable
Lessee Agreement: ok
Acreage: 2.95
Compensation: \$885.00
Legal Description: 20-foot strip through E2NE4, SW4NE4, NW4SE4, E2SW4,
SW4SW4, Sec. 16, Twp. 22N, Rge. 10E,
Chouteau County
Trust Beneficiary: Common Schools

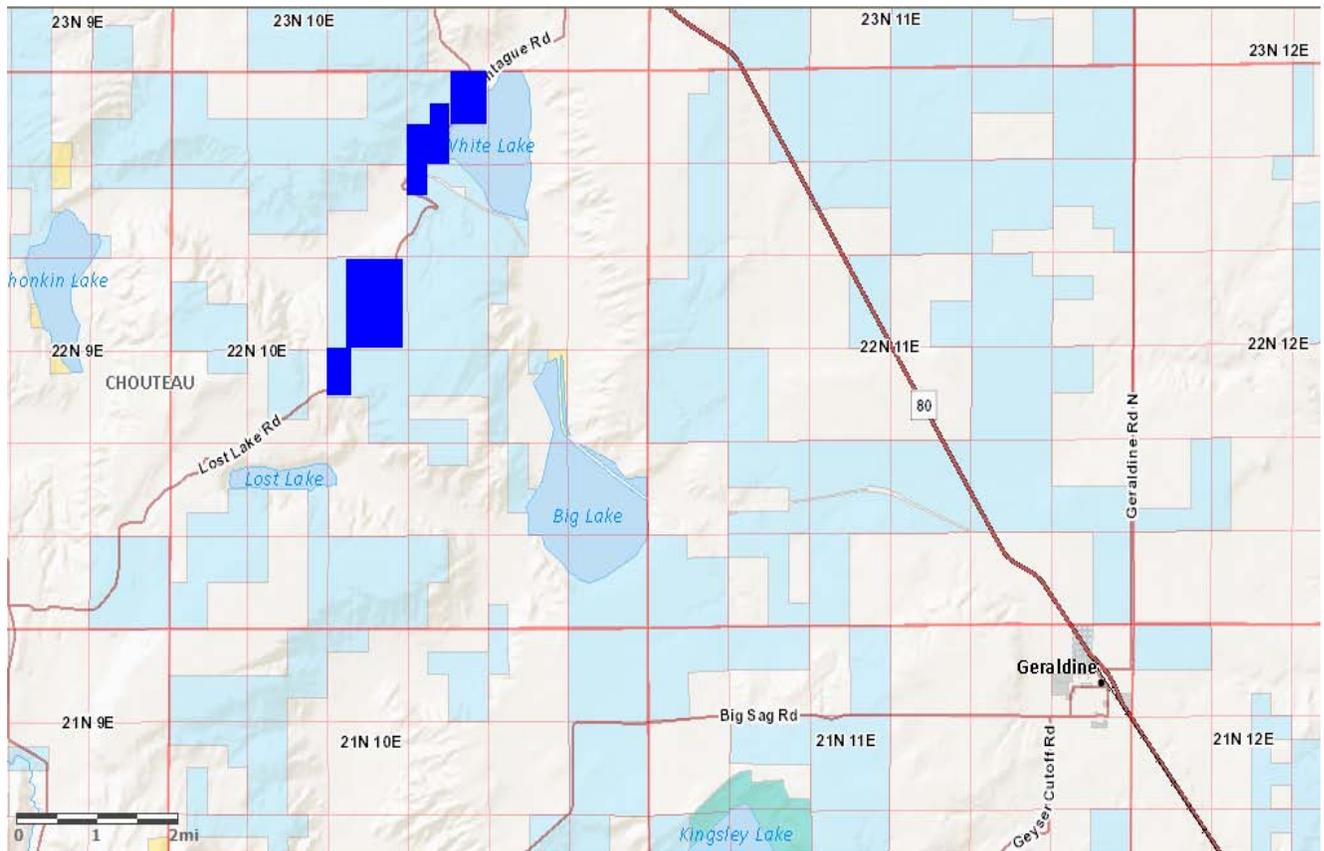
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Rights of Way Applications May 19, 2014



Rights of Way Applications

May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Nemont Telephone Cooperative PO Box 600 Scobey MT 59263
Application No.:	16525
R/W Purpose:	a buried fiber optic cable
Lessee Agreement:	ok
Acreage:	0.6
Compensation:	\$420.00
Legal Description:	20-foot strip through SE4SE4, Sec. 21, Twp. 29N, Rge. 55E, Roosevelt County
Trust Beneficiary:	Common Schools

Item Summary

Nemont Telephone Cooperative has made application for the purpose of a telecommunications upgrade project within the Froid Rural exchange. This will provide approximately 150 drops to subscribers within the Froid rural area. The route applied for is the most direct route and has minimal impact on the environment.

Department Recommendation

The director recommends approval of this telecommunications request.

Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Nemont Telephone Cooperative
PO Box 600
Scobey MT 59263

Application No.: 16526
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 2.4
Compensation: \$1680.00
Legal Description: 20-foot strip through S2S2, Sec. 16, Twp. 30N, Rge. 58E,
Roosevelt County
Trust Beneficiary: Common Schools

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Nemont Telephone Cooperative
PO Box 600
Scobey MT 59263

Application No.: 16527
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 2.4
Compensation: \$1800.00
Legal Description: 20-foot strip through S2S2, Sec. 36, Twp. 31N, Rge. 57E,
Sheridan County
Trust Beneficiary: Common Schools

Item Summary

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Nemont Telephone Cooperative
PO Box 600
Scobey MT 59263

Application No.: 16528
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 3.5
Compensation: \$2625.00
Legal Description: 20-foot strip through S2SE4, E2E2, Sec. 16, Twp. 30N, Rge. 56E,
Roosevelt County
Trust Beneficiary: Common Schools

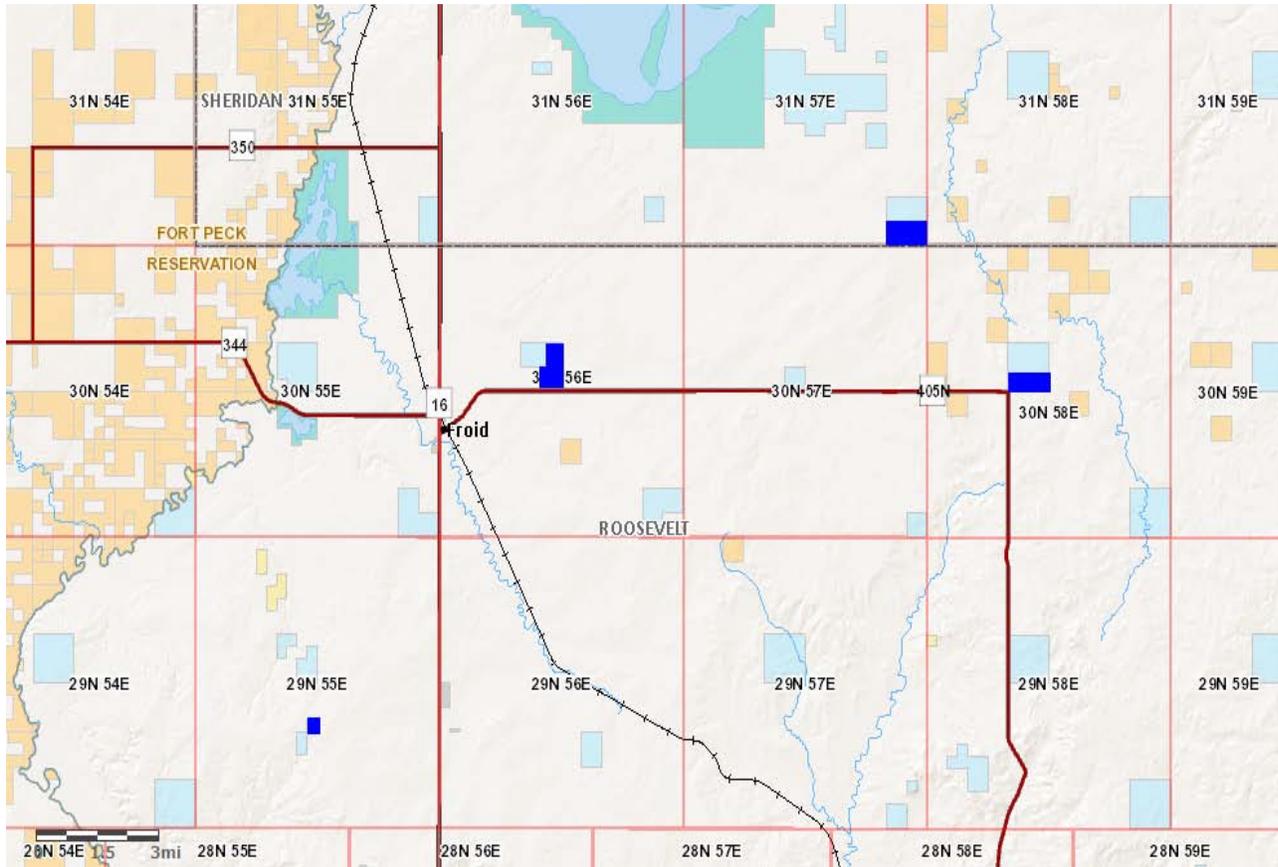
Item Summary

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Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Martin & Margaret Clark, LLC 775 Cottonwood Road Townsend MT 59644
Application No.:	16540
R/W Purpose:	a private access road for the purpose of conducting normal farming and ranching operations
Lessee Agreement:	N/A (Historic)
Acreage:	1.93
Compensation:	\$1930.00
Legal Description:	30-foot strip through N2SE4, SW4SE4, Sec. 24, Twp. 7N, Rge. 2E, Broadwater County
Trust Beneficiary:	Capitol Buildings

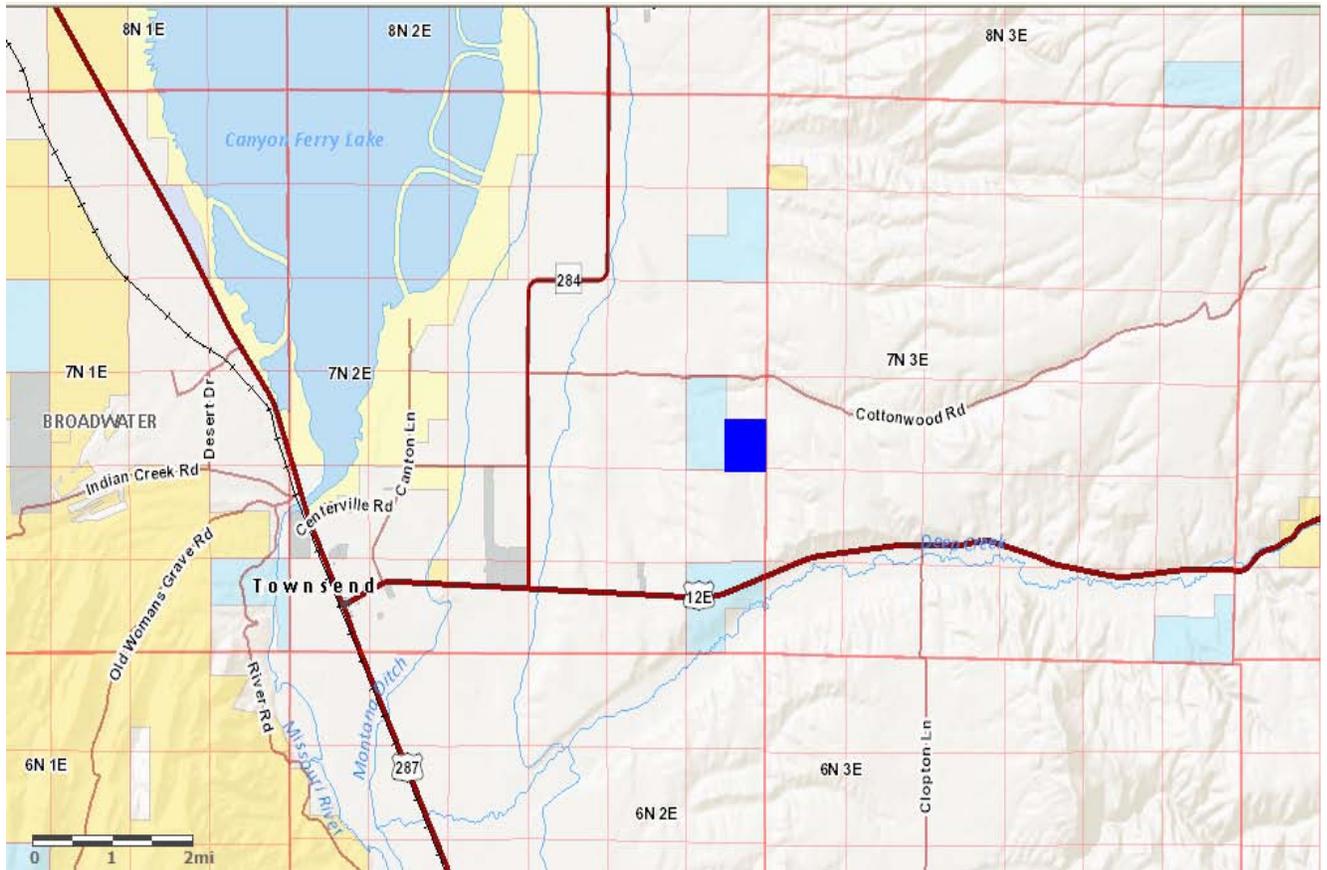
Item Summary

Applicant is requesting approval for the use of an existing road to access their private lands for the purpose of conducting normal farming and ranching operations. The road has been in place for years and authorization for continued use is being requested pursuant to §77-1-130, MCA, which allows for recognition of such historic access.

Department Recommendation

The director recommends approval of this historic right of way application

Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Neely W. & Patricia E. Gray 1602 Gap Road Highwood MT 59450
Application No.:	16541
R/W Purpose:	a private access road to a single family residence and associated outbuildings and to conduct normal farming and ranching operations
Lessee Agreement:	N/A (Historic)
Acreage:	1.06
Compensation:	\$1007.00
Legal Description:	40-foot strip through SW4NW4, Sec. 16, Twp. 21N, Rge. 8E, Chouteau County
Trust Beneficiary:	Common Schools

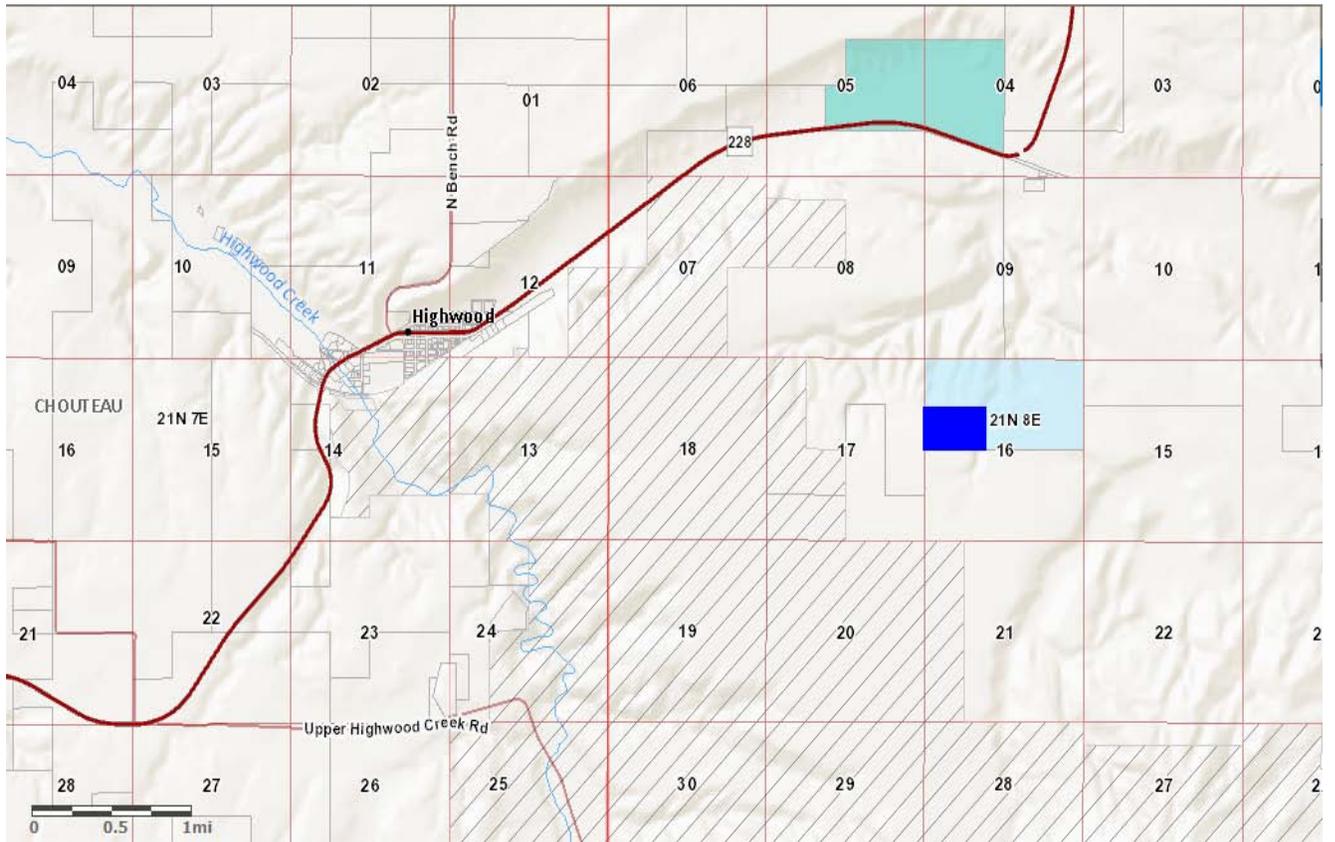
Item Summary

Applicant is requesting approval for the use of an existing road to access their private lands for their residence and associated outbuildings and for farming and ranching purposes. The road has been in place for years and authorization for continued use is being requested pursuant to §77-1-130, MCA, which allows for recognition of such historic access.

Department Recommendation

The director recommends approval of this historic right of way application.

Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Sun River Electric Cooperative PO Box 309 Fairfield MT 59436
Application No.:	16542
R/W Purpose:	a 7200 volt overhead distribution line
Lessee Agreement:	ok
Acreage:	0.44
Compensation:	\$158.00
Legal Description:	20-foot strip through NW4SE4, Sec. 10, Twp. 27N, Rge. 6W, Teton County
Trust Beneficiary:	Common Schools

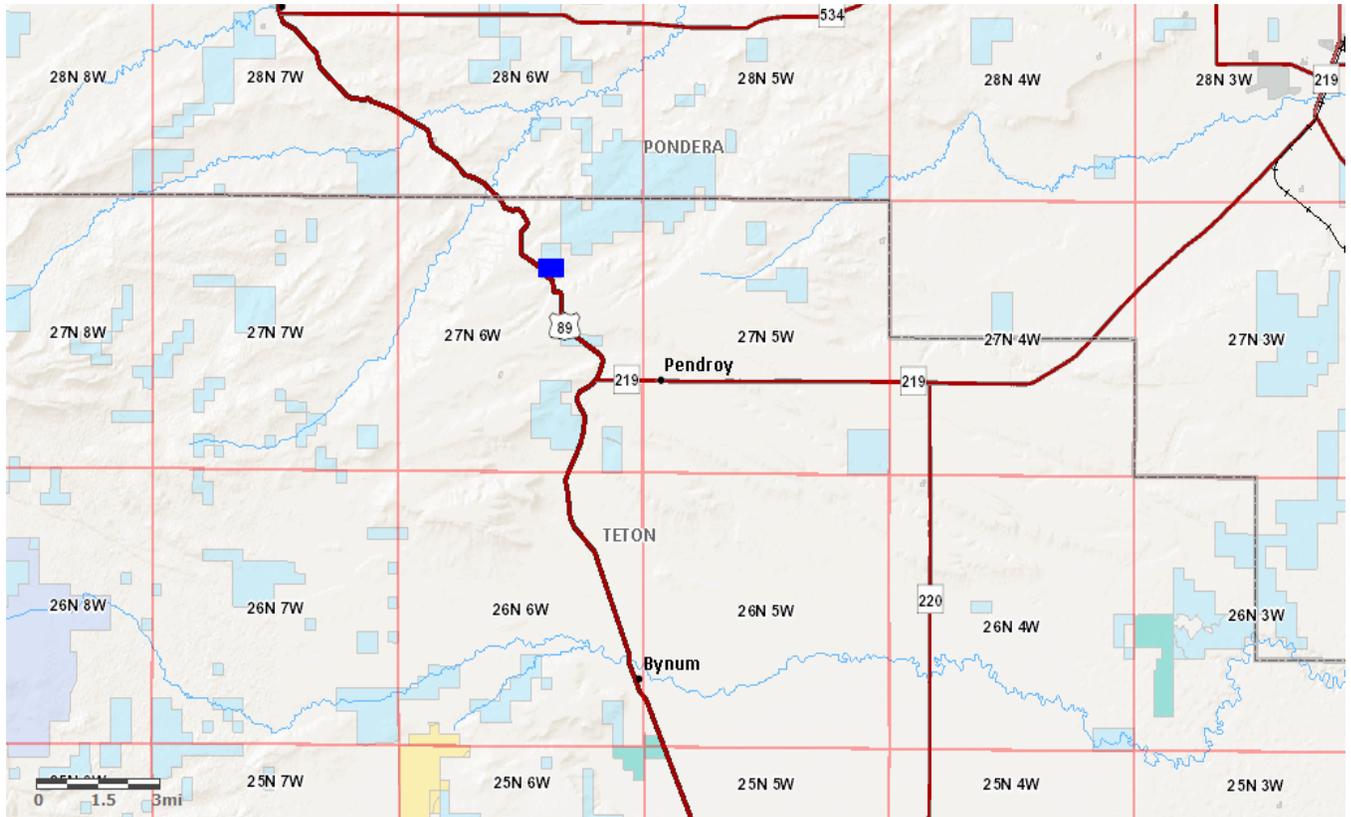
Item Summary

Sun River Electric Cooperative has made application for the purpose of an overhead 7200 volt distribution line. This request is a result of a recent realignment project of the State Highway commonly known as Highway 89. The project was originally authorized under Land Use License # 8642 and is now being converted to an easement.

Department Recommendation

The director recommends approval of this overhead distribution line.

Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Petroleum County PO Box 226 Winnett MT 59087
Application No.:	16543
R/W Purpose:	a public county road known as Kelly Road
Lessee Agreement:	needed
Acreage:	2.04
Compensation:	\$561.00
Legal Description:	60-foot strip through SW4SW4, Sec. 28, Twp. 13N, Rge. 27E, Petroleum County
Trust Beneficiary:	Common Schools

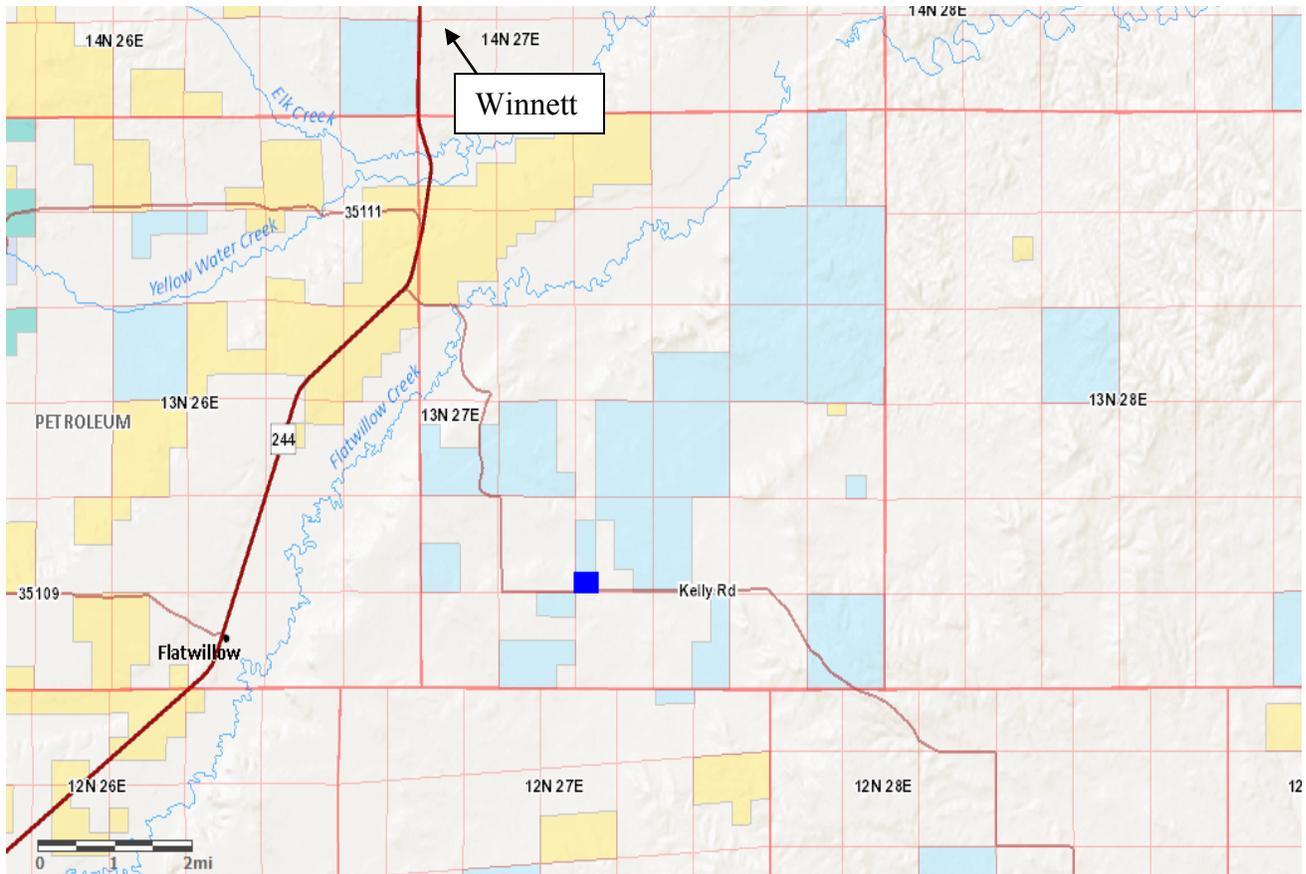
Item Summary

Petroleum County has made application for a new county road known as Kelly Road. This portion of Kelly Road was realigned, therefore does not qualify under historic guidelines.

Department Recommendation

The director recommends approval of this public county road application.

Rights of Way Applications May 19, 2014



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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Rosebud County PO Box 47 Forsyth MT 59327
Application No.:	16544
R/W Purpose:	a public county road known as Cartersville Road
Lessee Agreement:	N/A (Historic)
Acreage:	6.23
Compensation:	\$3236.00
Legal Description:	30-foot strip through S2S2, Sec. 36, Twp. 7N, Rge. 41E & 60-foot strip through NW4NE4, Sec. 36, Twp. 7N, Rge. 44E, Rosebud County
Trust Beneficiary:	Common Schools

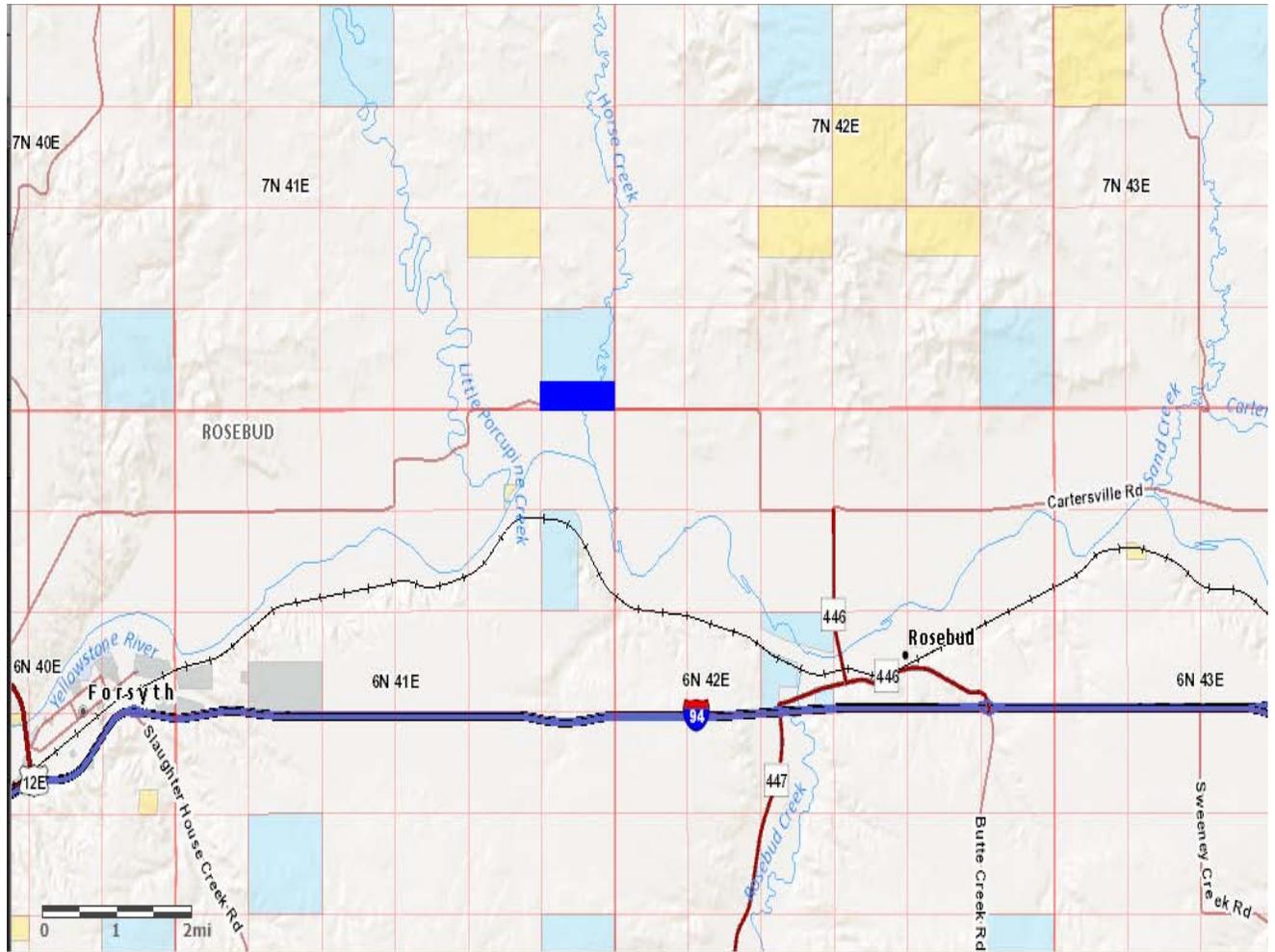
Item Summary

Rosebud County has made application for this county road that was constructed on state lands many years ago without proper authorization from the Land Board. Pursuant to §77-1-130, MCA, the County is requesting recognition of this road as a historic right of way

Department Recommendation

The director recommends approval of this historic right of way for Rosebud County.

Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Rosebud County
PO Box 47
Forsyth MT 59327

Application No.: 16545
R/W Purpose: a public county road known as Graveyard Creek Road
Lessee Agreement: N/A (Historic)
Acreage: 7.36
Compensation: \$2392.00
Legal Description: 60-foot strip through E2NW4, E2SW4,
Sec. 36, Twp. 6N, Rge. 44E,
Rosebud County

Trust Beneficiary: Common Schools

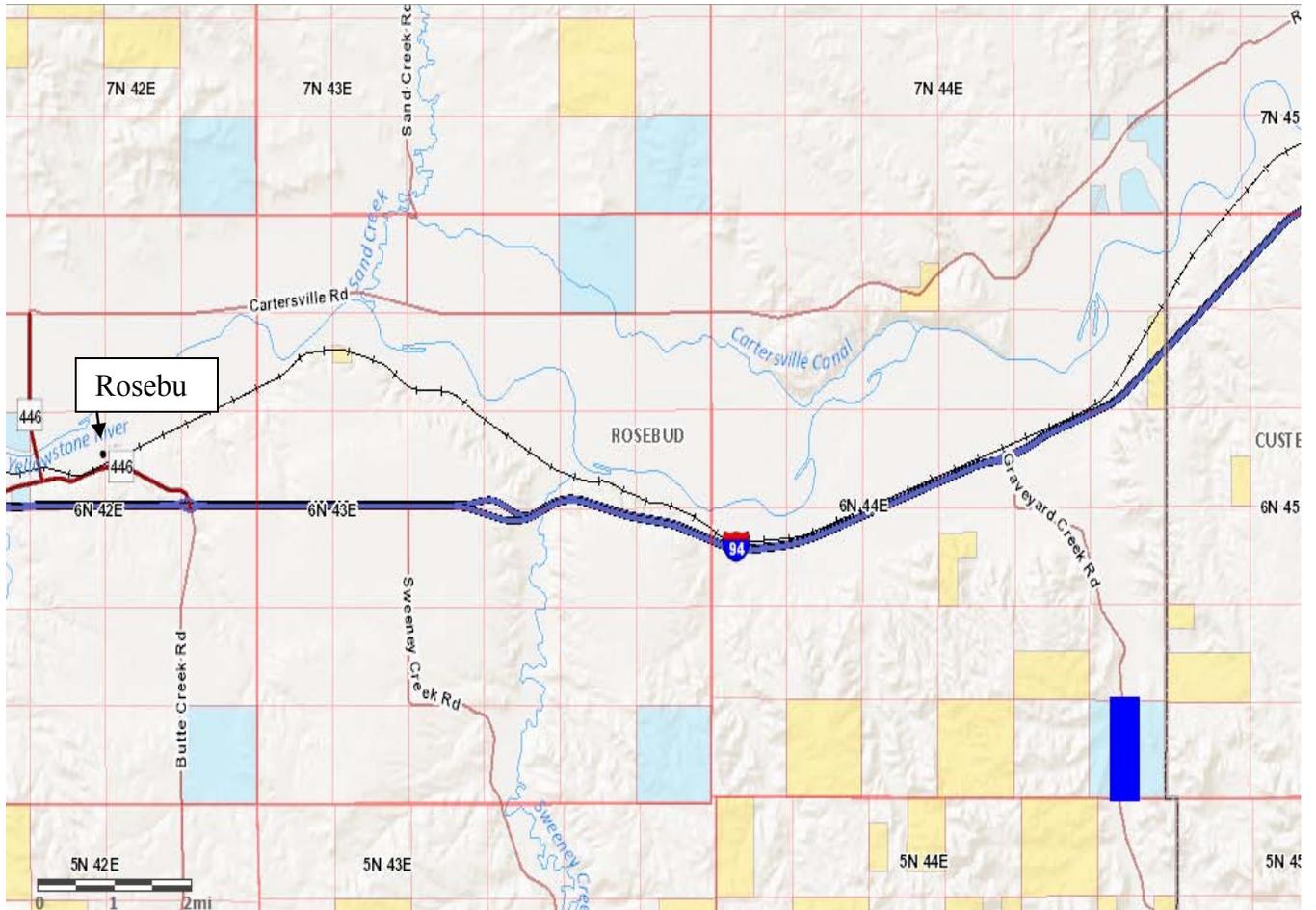
Item Summary

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Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Seeley Lake Sewer District PO Box 403 Seeley Lake MT 59868
Application No.:	16546
R/W Purpose:	a private access road for the purpose of access to Seeley Lake Wastewater Facility
Lessee Agreement:	ok
Acreage:	3.32
Compensation:	\$6308.00
Legal Description:	30-foot strip through W2SW4, S2NW4, Sec. 36, Twp. 17N, Rge. 15W, Powell County
Trust Beneficiary:	Common Schools

Item Summary

Seeley Lake Sewer District has proposed to place a Sequencing Batch Reactor (SBR) facility on state lands located in Powell County to address groundwater degradation issues caused by inadequate and facility septic tank effluent discharge into groundwater in the Seeley Lake area. The Department has worked with the district and Missoula County for the past few years to facilitate the proposal. This project requires three separate easement grants: a 25 acre easement for the SBR facility, a 30-foot wide access road easement and a 10-foot wide pipeline easement which will carry effluent to the treatment facility. This easement is located within a grizzly bear non-recovery occupied area, however specialized stipulations will be added to the easement to mitigate concerns.

Department Recommendation

The director recommends approval of this facility.

Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Seeley Lake Sewer District PO Box 403 Seeley Lake MT 59868
Application No.:	16547
R/W Purpose:	a utility pipeline for the purpose of supplying water to wastewater facility
Lessee Agreement:	ok
Acreage:	1.11
Compensation:	\$2109.00
Legal Description:	10-foot strip through W2SW4, S2NW4, Sec. 36, Twp. 17N, Rge. 15W, Powell County
Trust Beneficiary:	Common Schools

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Seeley Lake Sewer District PO Box 403 Seeley Lake MT 59868
Application No.:	16548
R/W Purpose:	a wastewater treatment facility
Lessee Agreement:	ok
Acreage:	25.0
Compensation:	\$47,500.00
Legal Description:	PT of SENW, SWNE, NESW, NWSE, Sec. 36, Twp. 17N, Rge. 15W, Powell County
Trust Beneficiary:	Common Schools

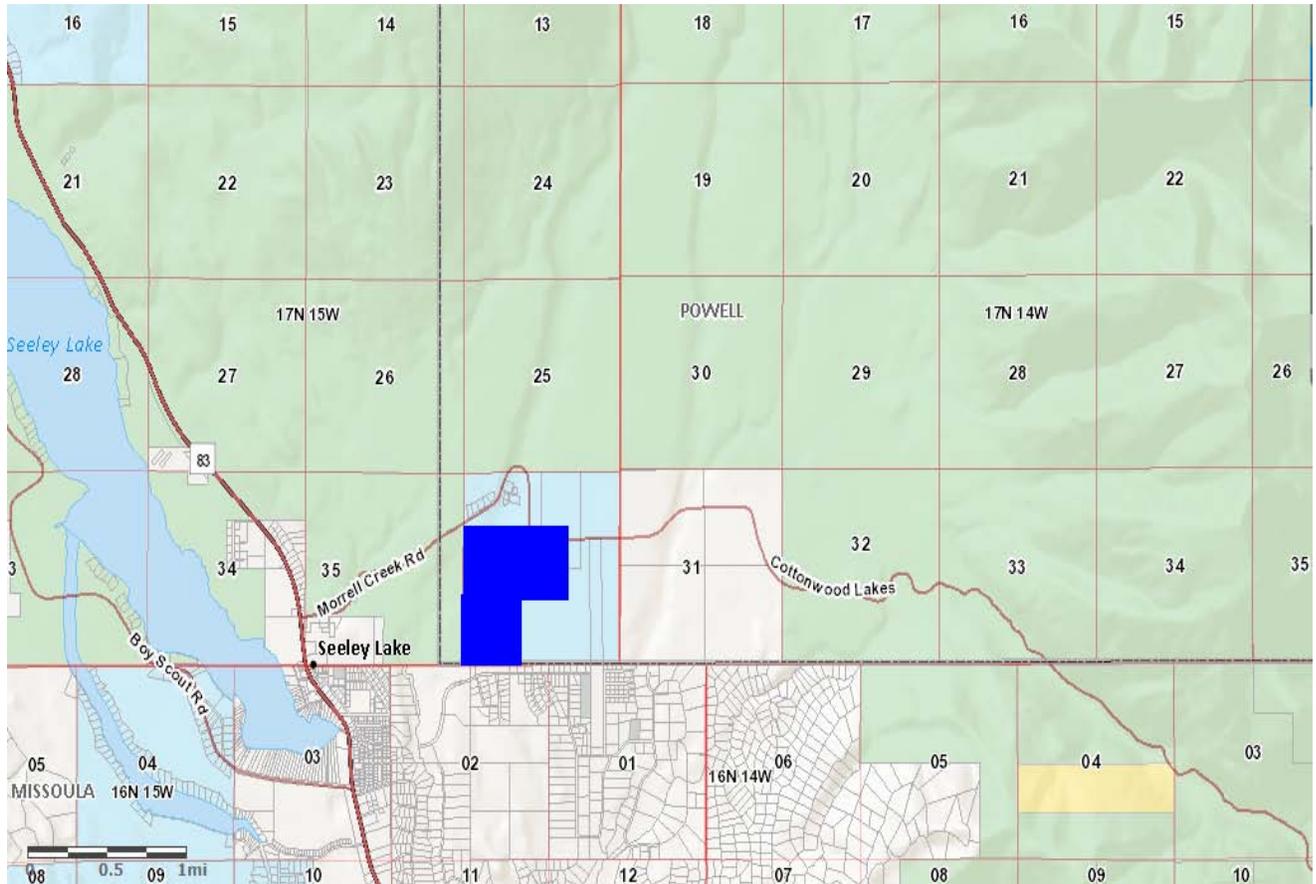
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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Zales Ecton III 6777 Dyk Road Manhattan MT 59741
Application No.:	16549
R/W Purpose:	a private access road for the purpose of conducting normal farming and ranching operations
Lessee Agreement:	N/A (Historic)
Acreage:	1.94
Compensation:	\$3880.00
Legal Description:	30-foot strip through S2SW4, Sec. 20, Twp. 1S, Rge. 3E, Gallatin County
Trust Beneficiary:	Montana Tech

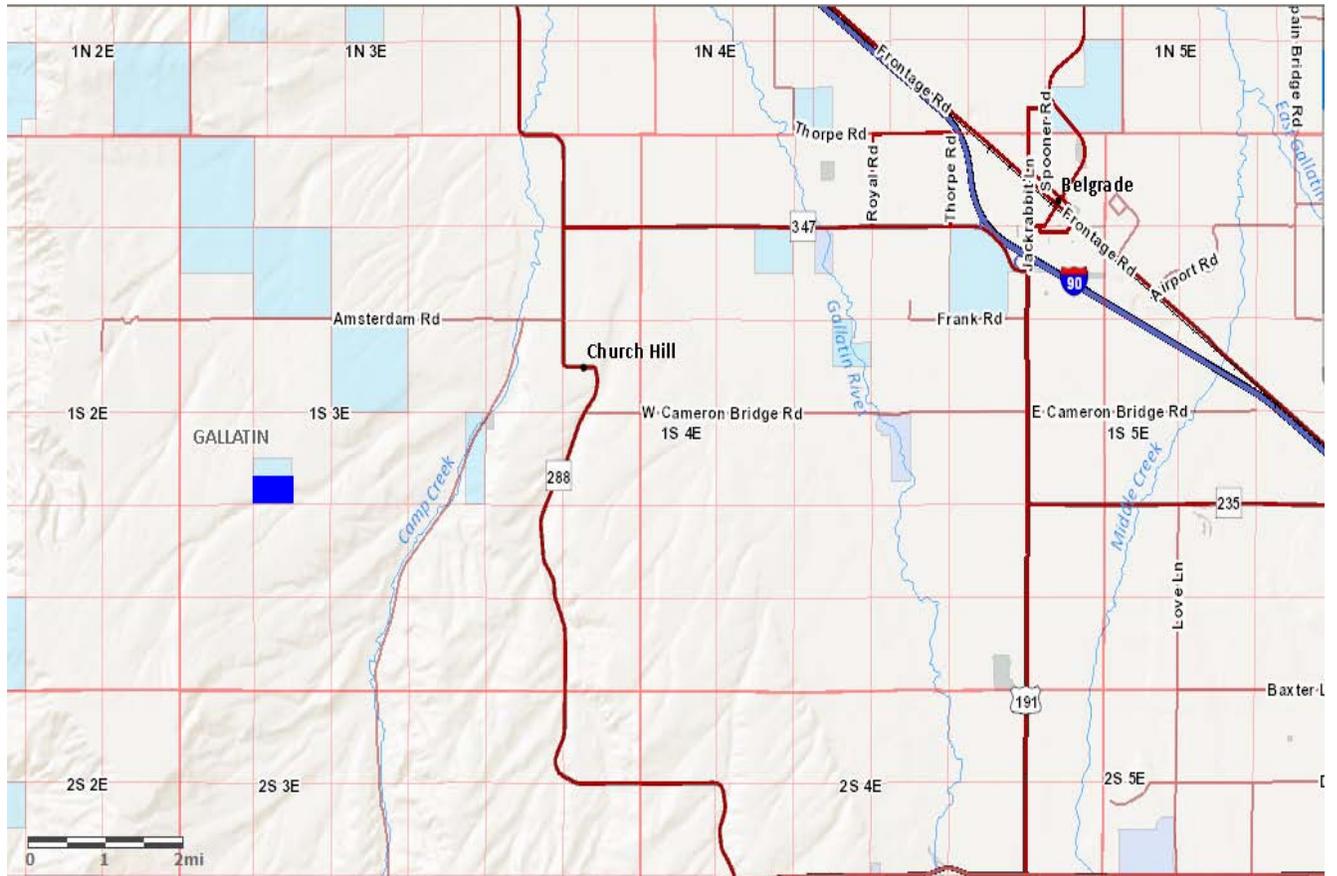
Item Summary

Applicant is requesting approval for the use of an existing road to access their private lands for the purpose of conducting normal farming and ranching operations. The road has been in place for years and authorization for continued use is being requested pursuant to §77-1-130, MCA, which allows for recognition of such historic access.

Department Recommendation

The director recommends approval of this historic right of way application.

Rights of Way Applications May 19, 2014



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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Northwestern Energy 40 E Broadway Butte MT 59701
Application No.:	16550
R/W Purpose:	a buried 7.2 kV distribution line
Lessee Agreement:	ok
Acreage:	0.24
Compensation:	\$100.00
Legal Description:	20-foot strip through SE4SE4, Sec. 16, Twp. 25N, Rge. 5W, Teton County
Trust Beneficiary:	Common Schools

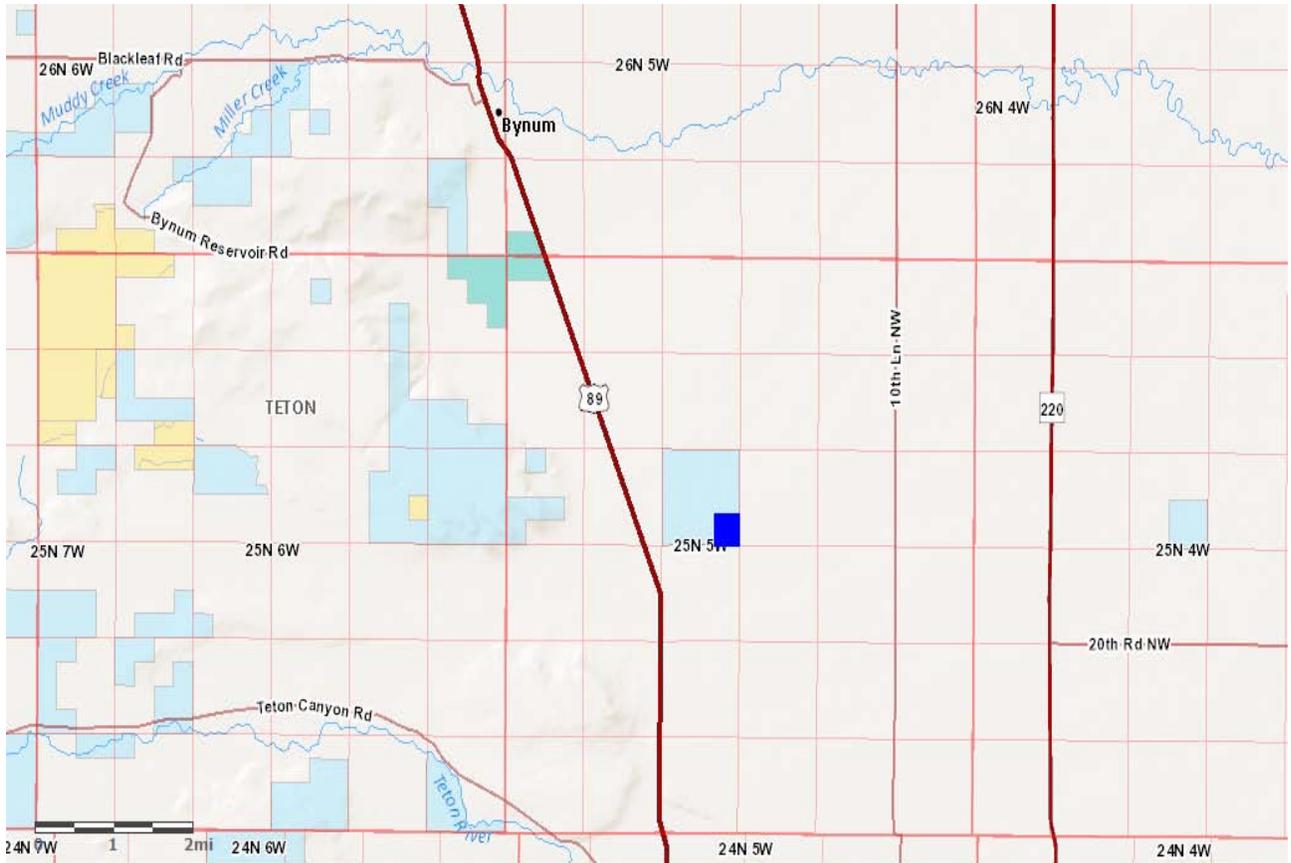
Item Summary

Northwestern Energy has made application for the purpose of a buried 7.2 kV distribution line. This line will provide power to the Bynum/Teton County Water and Sewer facility that was approved at the February 18, 2014 Land Board Meeting.

Department Recommendation

The director recommends approval of this buried distribution line.

Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Rosebud County PO Box 47 Forsyth MT 59327
Application No.:	16554
R/W Purpose:	a public county road known as Butte Creek Road
Lessee Agreement:	N/A (Historic)
Acreage:	7.28
Compensation:	\$3003.00
Legal Description:	30-foot strip through W2W2 Sec. 36, Twp. 6N, Rge. 42E & 30-foot strip through S2S2 Sec. 16, Twp. 4N, Rge. 44E, Rosebud County
Trust Beneficiary:	Common Schools

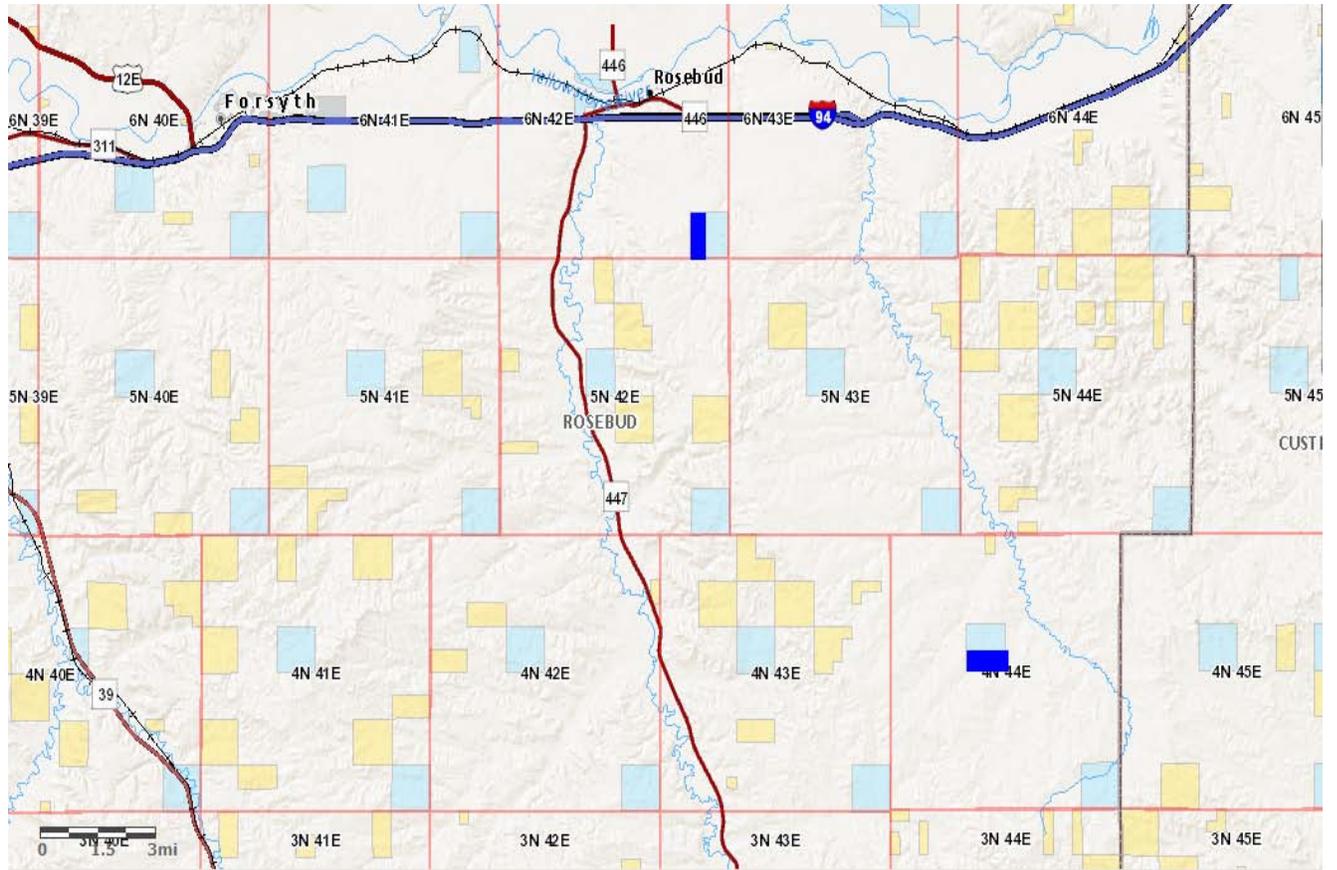
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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Rosebud County
PO Box 47
Forsyth MT 59327

Application No.: 16555
R/W Purpose: a public county road known as Slaughterhouse Road
Lessee Agreement: N/A (Historic)
Acreage: 7.47
Compensation: \$2429.00
Legal Description: 60-foot strip through W2W2, Sec. 16, Twp. 5N, Rge. 41E,
Rosebud County
Trust Beneficiary: Common Schools

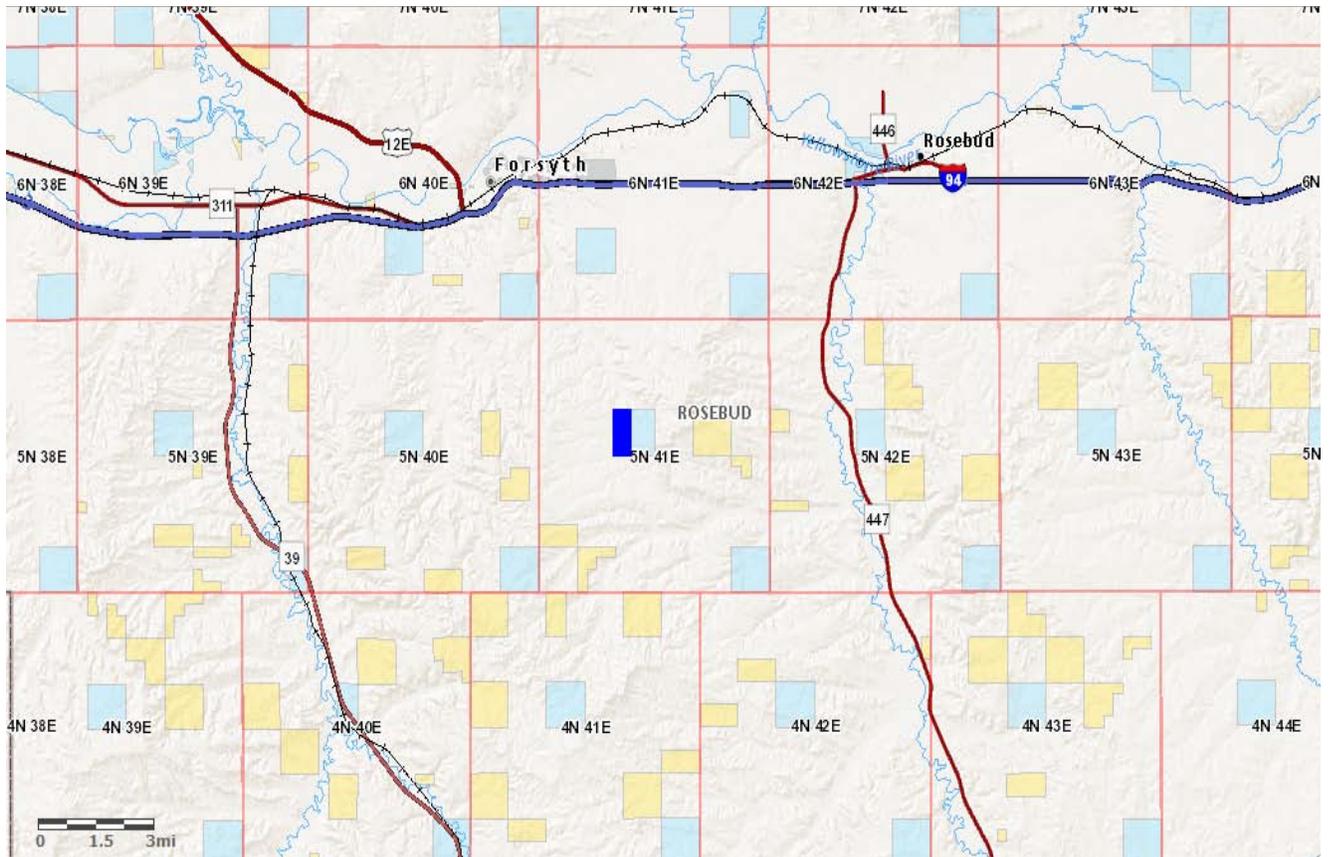
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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Rosebud County PO Box 47 Forsyth MT 59327
Application No.:	16556
R/W Purpose:	a public county road known as Reservation Creek Road
Lessee Agreement:	N/A (Historic)
Acreage:	12.93
Compensation:	\$4202.00
Legal Description:	30-foot strip through NW4NW4 & 60-foot strip through SW4NW4, W2SW4 Sec. 36, Twp. 5N, Rge. 38E; 60-foot strip through NE4SE4, SW4SE4, SE4SE4 Sec. 6, Twp. 3N, Rge. 39E, Rosebud County
Trust Beneficiary:	Common Schools

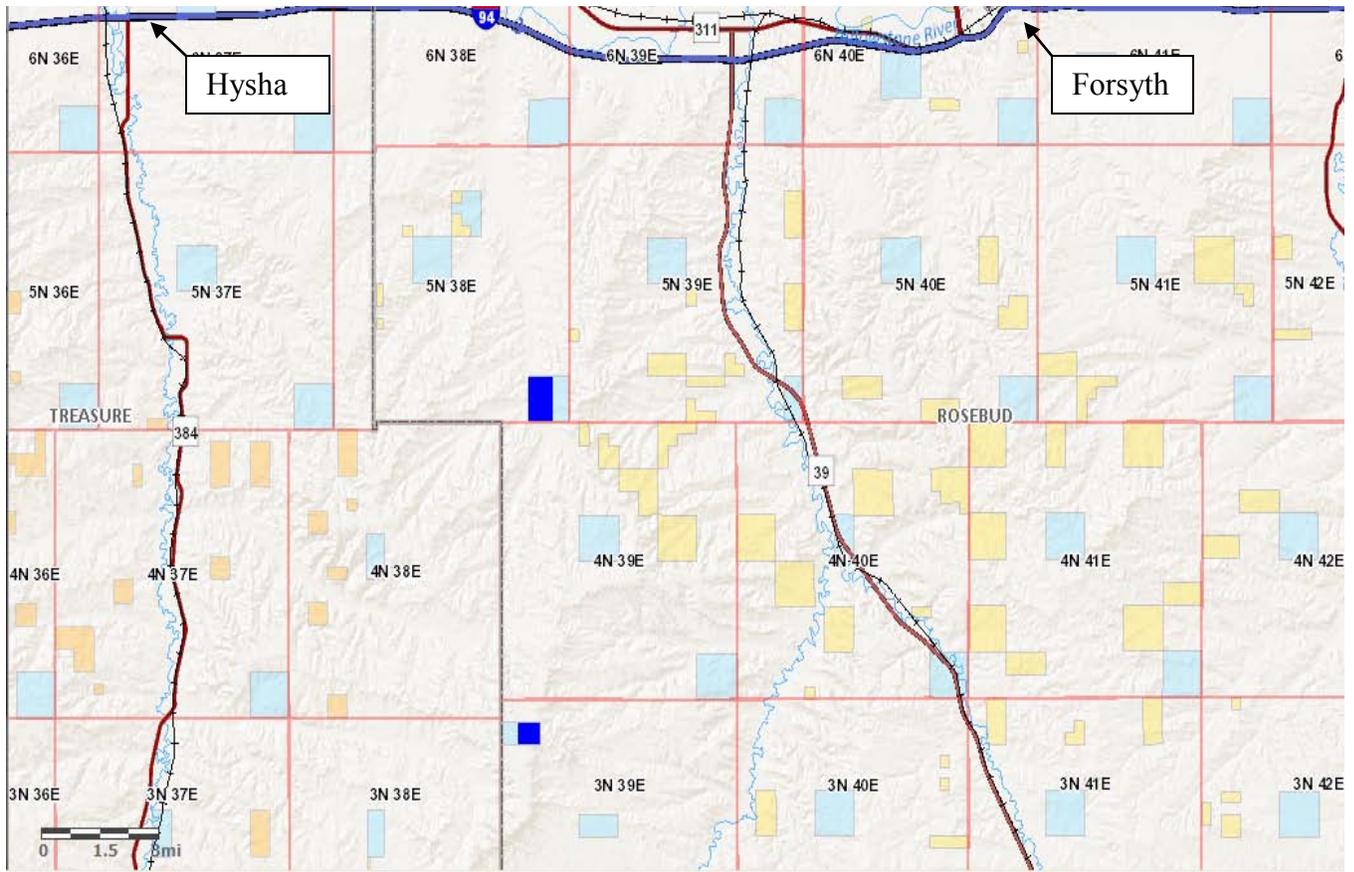
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Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Cenex Pipeline, LLC PO Box 909 Laurel MT 59044
Application No.:	4307A
R/W Purpose:	a 10" crude oil pipeline
Lessee Agreement:	N/A (Historic)
Acreage:	7.67
Compensation:	\$8100.00
Legal Description:	75-foot strip through S2S2, Sec. 29, Twp. 6N, Rge. 41E, Rosebud County
Trust Beneficiary:	Common Schools

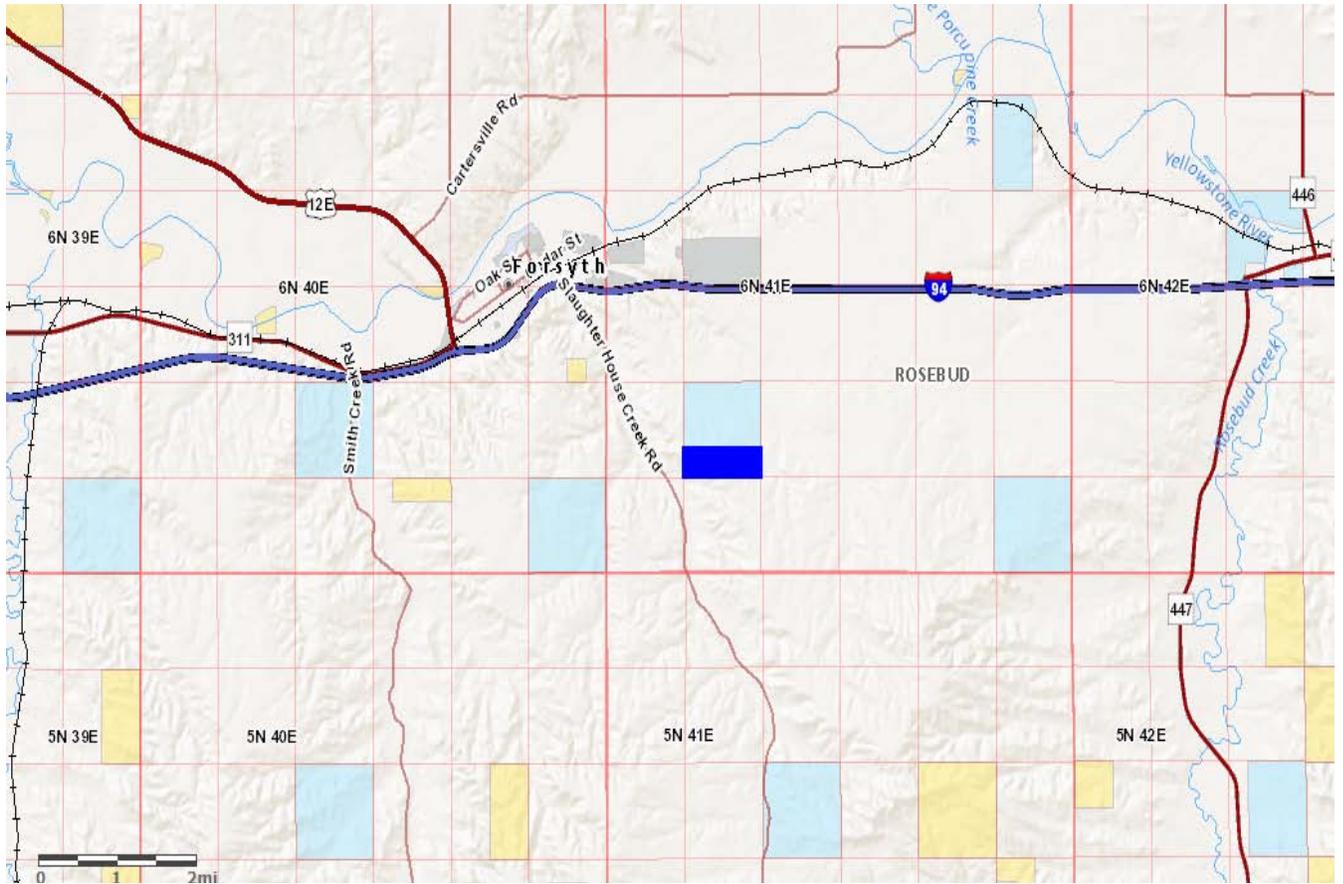
Item Summary

Cenex proposes to replace 24.5 mile section of their existing 8" steel petroleum products pipeline with a new 10" steel pipeline. This pipeline supplies refined petroleum fuels to distribution points in Montana and North Dakota. The existing line will be abandoned in place upon commissioning the new 10" line segment. The decommissioning of the 8' pipe will involve pigging with nitrogen and capping of the pipe at each end and possibly at other chosen locations. Completion of this project will enhance system operation, minimize the potential for spills and leaks, and increase the life of the Billings to Glendive pipeline system.

Department Recommendation

The director recommends approval of this amendment request.

Rights of Way Applications May 19, 2014



Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Somont Oil Company 16126 Chasemore Drive Spring TX 77379
Application No.:	9612 (Amended)
R/W Purpose:	a buried natural gas pipeline
Lessee Agreement:	N/A (Historic)
Acreage:	0.96
Compensation:	\$100.00
Legal Description:	30-foot strip through E2NW4, Sec. 23, Twp. 35N, Rge. 4W, Toole County
Trust Beneficiary:	Common Schools

Item Summary

Pursuant to the Settlement Agreement previously approved by the Land Board, Somont Oil is requesting amendment of their existing historic easements to a 30-foot width. This change will accommodate all future repair and maintenance work that is to be performed. No additional impacts will occur from increasing the width of these historic easements from 10-foot to 30-foot.

Department Recommendation

The director recommends approval of this amendment request.

Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 9613 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 1.05
Compensation: \$100.00
Legal Description: 30-foot strip through S2SE4, Sec. 21, Twp. 35N, Rge. 4W,
Toole County
Trust Beneficiary: Common Schools

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 14465 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 1.06
Compensation: \$112.00
Legal Description: 30-foot strip through SE4NE4, Sec. 25, Twp. 35N, Rge. 4W,
Toole County
Trust Beneficiary: Public Buildings

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Department Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 14466 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 0.62
Compensation: \$100.00
Legal Description: 30-foot strip through SW4NW4, Sec. 30, Twp. 35N, Rge. 3W,
Toole County
Trust Beneficiary: Public Buildings

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 14467 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 2.69
Compensation: \$337.00
Legal Description: 30-foot strip through E2W2, Sec. 16, Twp. 35N, Rge. 3W,
Toole County
Trust Beneficiary: Common Schools

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Somont Oil Company 16126 Chasemore Drive Spring TX 77379
Application No.:	14468 (Amended)
R/W Purpose:	a buried natural gas pipeline
Lessee Agreement:	N/A (Historic)
Acreage:	0.94
Compensation:	\$100.00
Legal Description:	30-foot strip through NE4NE4, Sec. 21, Twp. 35N, Rge. 2W, Toole County
Trust Beneficiary:	Public Buildings

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 14469 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 3.64
Compensation: \$456.00
Legal Description: 30-foot strip through S2S2, Sec. 36, Twp. 36N, Rge. 3W,
Toole County
Trust Beneficiary: Common Schools

Item Summary

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Department Recommendation

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 14470 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 0.91
Compensation: \$100.00
Legal Description: 30-foot strip through SE4SE4, Sec. 29, Twp. 36N, Rge. 2W,
Toole County
Trust Beneficiary: Public Buildings

Item Summary

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 14471 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 3.64
Compensation: \$456.00
Legal Description: 30-foot strip through S2SE4, Sec. 25, Twp. 35N, Rge. 2W and
30-foot strip through S2SW4, Sec. 30, Twp. 35N, Rge. 1W,
Toole County
Trust Beneficiary: Common Schools

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Rights of Way Applications May 19, 2014

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Somont Oil Company
16126 Chasemore Drive
Spring TX 77379

Application No.: 14472 (Amended)
R/W Purpose: a buried natural gas pipeline
Lessee Agreement: N/A (Historic)
Acreage: 0.91
Compensation: \$100.00
Legal Description: 30-foot strip through SW4NW4, Sec. 32, Twp. 35N, Rge. 2W,
Toole County
Trust Beneficiary: Public Buildings

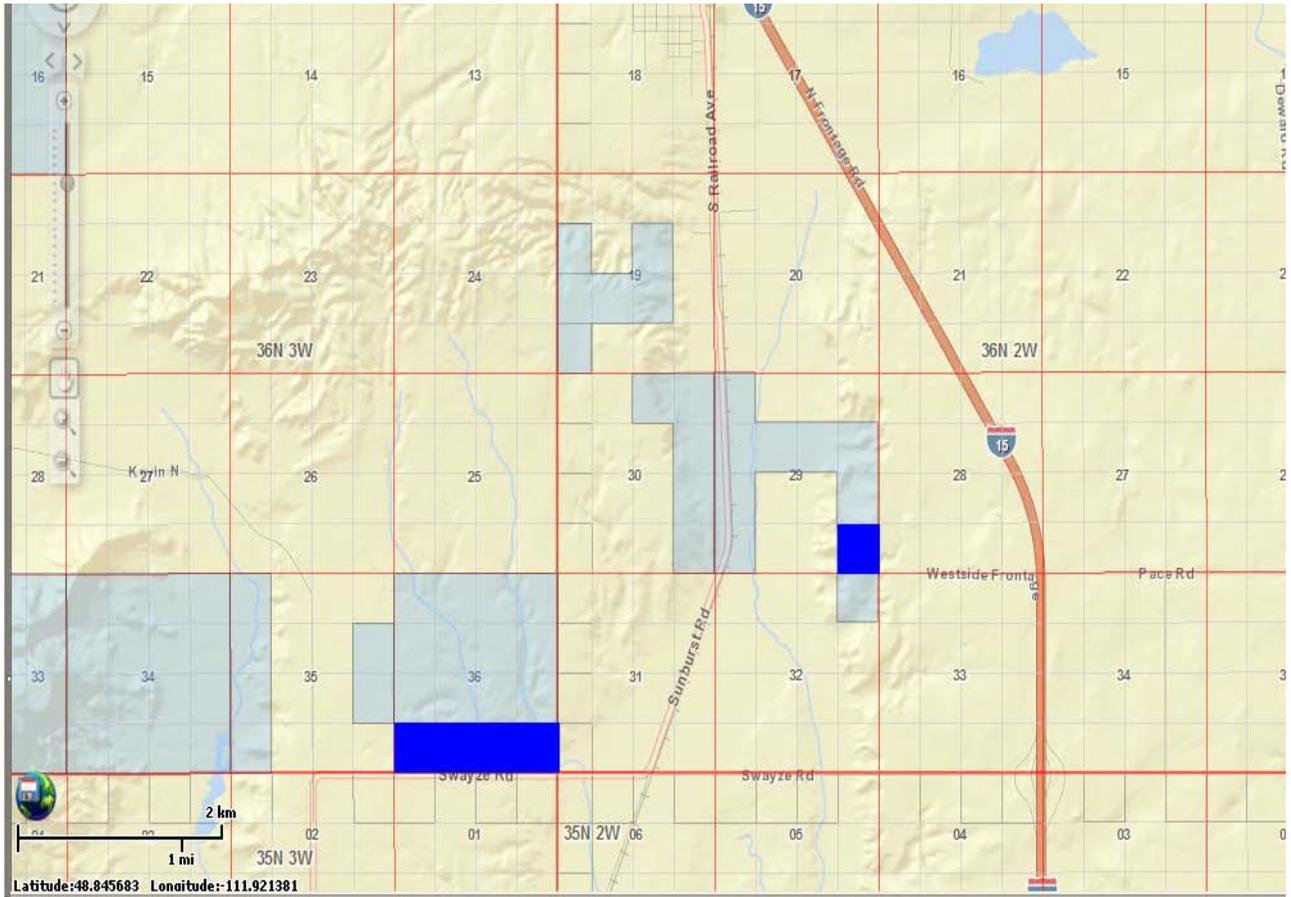
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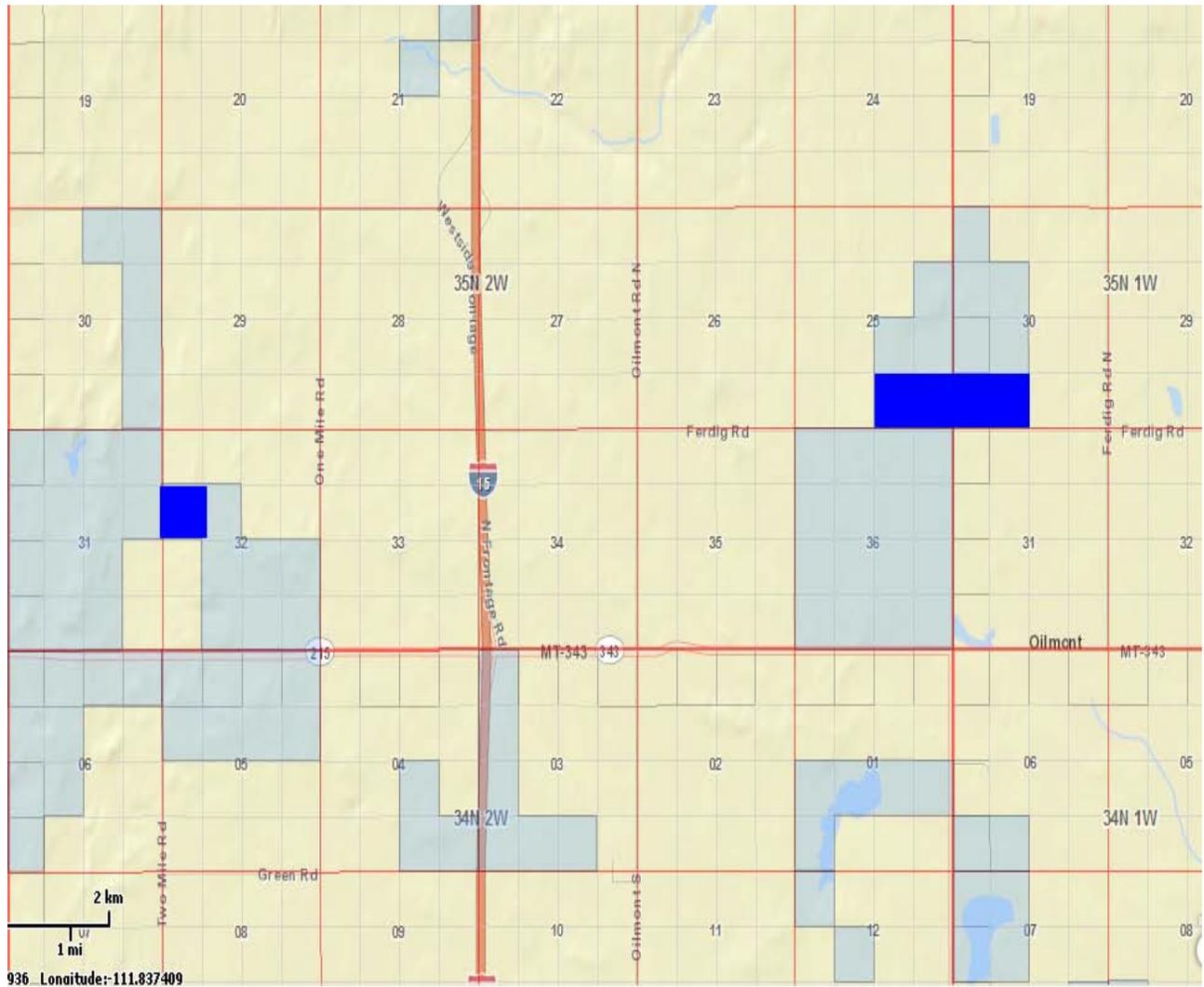
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514-7

REAL ESTATE MANAGEMENT BUREAU:
2014 PROJECT MANAGEMENT LIST –
ANNUAL UPDATE

**Land Board Agenda Item
May 19, 2014**

514-7 Real Estate Management Bureau: 2014 Project Management List – Annual Update

Location: Gallatin, Custer, Flathead, Lincoln, Sanders, Yellowstone, Missoula

**Trust Benefits: Common Schools, Pine Hills School, Eastern College – MSU/
Western College - UM, Public Buildings**

Trust Revenue: N/A

Item Summary

The Department of Natural Resources and Conservation (DNRC) Trust Lands Management Division (TLMD) is required to identify real estate development projects annually through a Project Identification Team (PIT) consisting of Real Estate Management Bureau and land office staff. The PIT must report their identified projects to the Land Board per ARM 36.25.909(3)(A). The PIT met last month in Helena; the team reviewed the existing project list and no new projects were added for 2014.

Background

The *Real Estate Management Plan Record of Decision* (ROD) was approved in July 2005. The ROD provides the TLMD with consistent policy and direction in the selection and implementation of management activities (residential, commercial, industrial, and conservation) on state trust lands.

The PIT selected the following projects in adherence with the ROD. The ROD defines a comprehensive process that includes both extensive site investigation and participation of the public and local units of government. These projects successfully completed the required analysis, ensuring development is physically possible and legally permissible. Further, the projects meet the three goals of the Real Estate Management Plan:

Goal A: Share in Expected Community Growth – These projects capture on state trust lands a share of development taking place in Montana’s communities.

Goal B: Plan Proactively – Land office staff members have participated in numerous neighborhood/community meetings and worked closely with local officials during design and ongoing development of these projects. DNRC works cooperatively with local communities to locate projects in designated growth areas and strategic rural areas.

Goal C: Increase Revenue for Trust Beneficiaries – The selected projects increase revenue from the lands proposed for development and generate the greatest amount of revenue per acre.

The project list will be made available to the public through the Real Estate Management Bureau office, DNRC land offices, and on the DNRC website.

2014 REAL ESTATE PROJECT LIST

DNRC is currently developing the following Real Estate Projects in compliance with the agency's Real Estate Management Plan.

Real Estate Project	Description	Grant	Office	County	Acres	Urban/Rural	Goal A: Share in Expected Community Growth	Goal B: Plan Proactively	Goal C: Increase Revenue for Trust Beneficiaries
Alaska Road	Commercial/industrial development - marketing and development of parcel.	Common Schools	CLO	Gallatin	3.3	Urban	Adjacent to existing development and Interstate 90. In growth area.	Annexed and rezoned parcel without negative comments.	Property currently being marketed for commercial lease.
Amsterdam Road	Mixed use development -annexation and rezoning of parcel.	Common Schools	CLO	Gallatin	450	Urban	Has development on four sides. In growth area.	Dept. will work with public and local planning agency.	Current revenue from agricultural lease.
Lewis & Clark Subdivision	Commercial/industrial development - market and lease of lots.	Common Schools	CLO	Gallatin	28	Urban	Will add additional possible uses on property.	Successful initial conferences with Bozeman staff.	Increase of uses will increase demand for property.
North Park	Commercial/industrial development - design and engineering of subdivision.	Common Schools	CLO	Gallatin	43	Urban	Has development on four sides. In growth area.	Annexed and rezoned parcel without negative comments.	Increase from \$4,000/yr. to \$100,000 for two lots in first year.
Bull Pasture Subdivision	Commercial/industrial development - marketing of parcel.	Pine Hills School	ELO	Custer	60	Urban	Less than one mile from Miles City. Supported by local planning office.	Multiple public meetings were held.	1 of 5 lots currently under lease and generating Revenue. The remaining are being marketed for commercial lease.
Spring Prairie Commercial Infill	Commercial/professional development - design, marketing and lease of lots.	Common Schools	NWLO	Flathead	100	Urban	PUD was approved by Kalispell and is in a growth corridor.	An extensive PUD was created and approved by Kalispell.	Yearly revenues will drastically increase with development proceeds.
Stillwater Industrial	Industrial development - marketing of parcel and RFP process.	Eastern College–MSU/ Western College–UM	NWLO	Flathead	40	Rural	Allowed industrial use in Whitefish Neighborhood Plan	Property is located in approved Whitefish Neighborhood Plan.	Currently used as managed forest land.
Indian Springs Ranch	Residential development - easement exchange to allow expansion of golf course. Future sale of residential lots on remainder of tract.	Common Schools	NWLO	Lincoln	40	Urban	Adjacent to proposed residential development on two sides.	Dept. will work with public and local planning agency.	Current revenue from grazing lease.
Cripple Horse Creek	Site is adjacent to an existing commercial resort on Lake Kookanusa. Department will be conducting	Public Buildings	NWLO	Lincoln	162.5	Rural	Adjacent resort is at capacity; demand for	Dept. will work with public and local	Currently used as managed forest land.



Real Estate Project	Description	Grant	Office	County	Acres	Urban/Rural	Goal A: Share in Expected Community Growth	Goal B: Plan Proactively	Goal C: Increase Revenue for Trust Beneficiaries
	survey and conceptual planning and investigation to determine feasibility of developed commercial recreation at this site.						recreation continues to grow.	planning agency.	
Libby Creek/Ponderosa Plantation	Site has several existing residential lease areas. Department will engage in planning activities and securing entitlements for marketing the parcel for future residential development.	Common Schools	NWLO	Lincoln	120	Rural	Adjacent development. Several entities interested in parcel.	Dept. will work with public and local planning agency.	Will add value to land, improve potential for sale to developer.
Libby Golf Club area lands	Site is adjacent to the Libby Golf Club. Department will be investigating potential for making some of this section available for future residential development.	Common Schools	NWLO	Lincoln	640	Rural	Adjacent development. Potential for residential and commercial development.	Dept. will work with public and local planning agency.	Adding entitlements will increase development value.
Libby area lands	Department will be investigating potential for development of future low density residential development in these two sections.	Common Schools	NWLO	Lincoln	800	Rural	Adjacent development. Potential for residential development.	Dept. will work with public and local planning agency.	Adding entitlements will increase development value.
Libby area lands	Department will be investigating potential for development of future low density residential development in this section.	Common Schools	NWLO	Lincoln	45.9	Rural	Adjacent development. Potential for residential development.	Dept. will work with public and local planning agency.	Adding entitlements will increase development value.
Thompson Falls area lands	Site is adjacent to existing Thompson Falls Golf Course. Department will review the site for potential commercial, developed recreation, and/or commercial development.	Common Schools	NWLO	Sanders	46	Rural	Adjacent development. Potential for residential and commercial development.	Dept. will work with public and local planning agency.	Adding entitlements will increase development value.
Skyview Ridge Subdivision	Mixed use development - Sell residential and lease commercial development.	Common Schools	SLO	Yellowstone	285	Urban	Infill location with development on three sides.	Parcel has been in stages of master planning since mid 1980's.	Yearly revenue will increase by over \$130,000.
Reserve Street	Commercial/professional development - Marketing and maintenance.	Common Schools	SWLO	Missoula	2.8	Urban	Infill location on a primary commercial corridor.	All entitlements exist and marketing plan was initiated	Property currently being marketed for commercial lease.

Questions? Contact the DNRC at 406-444-1363.



514-8

DNRC: TRIBAL RELATIONS UPDATE

Land Board Agenda Item
May 19, 2014

514-8 **DNRC: Tribal Relations Update**

**Location: State of Montana, including Blackfeet, Crow, Flathead, Fort Belknap,
Fort Peck, Northern Cheyenne, and Rocky Boy's Reservations**

Trust Benefits: N/A

Trust Revenue: N/A

Item Summary

Overview of practices the Department of Natural Resources and Conservation Trust Land Management Division has put into place since the October 30, 2013, meeting – *Montana DNRC and Tribal Governments: Understanding Tribal Cultural Resources*.