

**REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS
AGENDA
MAY 18, 2026 AT 9:00 A.M.
STATE CAPITOL, ROOM 303
HELENA, MT**

ADMINISTRATIVE ITEMS

Approval of the May Land Board Agenda
Approval of the April Land Board Meeting Minutes

ACTION ITEMS

0526-1 Agriculture and Grazing Leases: Competitive Bid Hearings

A. Lease No. 10791 – Tyler Noll, et al. (Lessee)/Chad Follmer (Bidder)

*Location: Fallon County
Benefits: Common Schools*

B. Lease No. 10590 – Allen Denzer, et al. (Lessee)/Z & Z Farms LLC (Bidder)

*Location: Pondera County
Benefits: Common Schools*

C. Lease No. 5183 – Kenneth Judisch (Lessee)/Anthony Nickol (Bidder)

*Location: Toole County
Benefits: Common Schools*

D. Lease No. 1092 – Madison River Ranch Assoc. Inc (Lessee)/Andrea Hastings (Bidder)

*Location: Madison County
Benefits: Common Schools*

0526-2 Easements

*Location: Custer, Hill, Musselshell, Phillips, Powder River, Sweet Grass, and
Wheatland Counties
Benefits: Common Schools*

0526-3 Request for approval of Land Exchange Policy Update

*Location: State of Montana
Benefits: Common Schools, Capitol Buildings, MSU 2nd, MSU Morrill, MSU Eastern/UM
Western, MT Tech, U of M, Deaf & Blind School, Pine Hills, Veterans Home, Intensive
Behavior Center, MT State Hospital, Public Land Trust, and Lands Acquired-Public School*

PUBLIC COMMENT

**REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS
MINUTES
April 20, 2026 AT 9:00 A.M.
STATE CAPITOL, ROOM 303
HELENA, MT**

Members Present

Kristen Juras, Lieutenant Governor
Susie Hedalen, Superintendent of Public Instruction
Austin Knudsen, Attorney General
James Brown, Commissioner of Securities and Insurance
Christi Jacobsen, Secretary of State
Rebecca Monroe, Land Board Secretary

Members Absent

Greg Gianforte, Governor

Testifying Staff

Amanda Kaster, DNRC Director
Brian Bramblett, DNRC Chief Legal Counsel

Attachments

Related Materials, Attachment 1 – Sign-in-Sheet

Call to Order

00:00:21 Lieutenant Governor Kristen Juras called the meeting to order.

Adopt Proposed Agenda

00:00:57 Christi Jacobsen, Secretary of State moved to approve the April agenda. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

Adopt Prior Months Meeting Minutes

00:1:20 Christi Jacobson, Secretary of State moved to approve the March, minutes. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

Business Considered

0426-1 Timber Sales A, B, C & D

00:01:44 Amanda Kaster, DNRC Director, gave an overview of the item.

Public Comment: N/A

00:04:44 Christi Jacobsen, Secretary of State moved to approve item 0426-1. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

Board Discussion/Comments: N/A

0426-2 Cabin and Homesite: Preliminary Approval for Sale

00:05:05 Amanda Kaster, DNRC Director, gave an overview of the item.

Public Comment: N/A

00:5:50 Christi Jacobsen, Secretary of State moved to approve item 0426-2. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

0426-3 Easements

00:06:12 Amanda Kaster, DNRC Director, gave an overview of the item.

Public Comment: N/A

00:06:58 Christi Jacobsen, Secretary of State moved to approve item 0426-3. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

Board Discussion/Comments: N/A

0426-4 Reciprocal Access Agreement

00:07:23 Amanda Kaster, DNRC Director, gave an overview of the item.

Public Comment: N/A

00:08:00 Christi Jacobsen, Secretary of State moved to approve item 0426-4. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

Board Discussion/Comments: N/A

0426-5 Request for Approval to Initiate Scoping

00:08:55 Amanda Kaster, DNRC Director, gave an overview of the item.

Public Comment:

00:09:45 Raylee Honeycutt, Montana Stock Growers Association

00:10:26 Beckie Williams, American Prairie

00:12:02 Christi Jacobsen, Secretary of State moved to approve item 0426-5. The motion was seconded by James Brown, Commissioner of Securities and Insurance and carried unanimously.

Board Discussion/Comments: N/A

0426-6 Request for Approval to Initiate Rulemaking

00:12:52 Amanda Kaster, DNRC Director, gave an overview of the item.

Public Comment:

00:14:08 Beckie Williams, American Prairie

00:14:50 Raylee Honeycutt, Montana Stock Growers Association

These summary minutes and the audio recording are a draft record and will become official upon Land Board approval at the next meeting.

00:15:13 James Brown, Commissioner of Securities and Insurance moved to approve item 0426-6. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

Board Discussion/Comments: N/A

0426-7 Informational Item: Quarterly Litigation Update

00:16:24 Brian Bramblett, DNRC Chief Legal Counsel

Public Comment: N/A

00:18:47 James Brown, Commissioner of Securities and Insurance, made a motion for the Board to authorize the Attorney General's Office and his designees to participate in the court approved mediation conference of State of Montana versus Talon Northwestern Energy cause number CV-00035-DLC, United State District Court, scheduled in this matter with full settlement authority on behalf of the State Board of Land Commissioners to negotiate the terms of any past due rentals owed, as well as authority to negotiate and settle the rental rates and any future lease terms with the parties. Should settlement in this matter be successful, to come back to the Board to request approval of the same at a future meeting upon due notice to the public for review and comment. The motion was seconded by Susie Hedalen, Superintendent of Public Instruction and carried unanimously.

Board Discussion/Comments: N/A

Adjournment

00:20:50 Adjournment

PRESIDENT

ATTEST

/s/ _____ Date

Greg Gianforte, Governor

/s/ _____ Date

Amanda Kaster, DNRC Director

Please note: *The Land Board has adopted the audio recording of its meetings as the official record, as allowed by [2-3-212, MCA](#). These minutes provide an abbreviated summary of the Land Board discussion, public testimony, action taken, and other activities. The time designations listed are approximate and may be used to locate the referenced discussion on the audio recording of this meeting. You may access the minutes and the audio recording on our website: <https://dnrc.mt.gov/TrustLand/About/LandBoardMeetingArchive>.*

0526-1

AGRICULTURE AND GRAZING LEASES: COMPETITIVE BID HEARINGS

- A. LEASE NO. 10791 – TYLER NOLL, ET AT.
(LESSEE)/CHAD FOLLMER (BIDDER)
- B. LEASE NO. 10590 – ALLEN DENZER, ET
AL. (LESSEE)/Z & Z FARMS LLC
(BIDDER)
- C. LEASE NO. 5183 – KENNETH JUDISCH
(LESSEE)/ANTHONY NICKOL (BIDDER)
- D. LEASE NO. 1092 – MADISON RIVER
RANCH ASSOC. INC (LESSEE)/ANDREA
HASTINGS (BIDDER)

**Land Board Agenda Item
May 18, 2026**

0526-1 Agriculture and Grazing Leases: Competitive Bid Hearings

- A. Lease No. 1092 – Madison River Ranch Assoc. Inc (Lessee)/Andrea Hastings (Bidder)
Location: Madison County
Benefits: Common Schools
Trust Revenue: \$840.00 Annually**
- B. Lease No. 5183 – Kenneth Judisch (Lessee)/Anthony Nickol (Bidder)
Location: Toole County
Benefits: Common Schools
Trust Revenue: \$26,659 Annually**
- C. Lease No. 10590 – Allen Denzer, et al. (Lessee)/Z & Z Farms LLC (Bidder)
Location: Pondera County
Benefits: Common Schools
Trust Revenue: \$6,720.00 Annually**
- D. Lease No. 10791 – Tyler Noll, et at. (Lessee)/Chad Follmer (Bidder)
Location: Fallon County
Benefits: Common Schools
Trust Revenue: \$14,475.95 Annually**

Item Summary:

On April 15 & 16, 2026 the Department of Natural Resources and Conservation held Competitive Bid Hearings for State of Montana Agricultural and Grazing Lease No.'s. 1092, 5183, 10590, and 10791, which are being renewed. If the Lessee wishes to renew the lease for another term he or she 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. When a competitive bid is placed on a lease, the Lessee may exercise their preference right, match the bid, and keep the lease at the bid rate for the next lease term; or, if they believe that the bid amount is excessive, they must first match the bid, and then he or she may request an informal hearing before the Director. The Director will then make a recommendation to the Land Board, which contains the best qualified lessee and the lease rates for the next lease term. 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. The competitive bidding process for renewing leases is defined in MCA 77-6-205 and ARM 36.25.117.

Lease Summary:

A. Lease # 1092 – The existing lessee on this lease is Madison River Ranch Assoc. Inc. During the previous lease term, the rental was the minimum grazing rate. The lease consists of 103.41

total acres, with 94.41 classified as grazing, allowing for 24 AUMs (animal unit months) and 9.0 unsuitable acres.

The bidder on the lease is Andrea Hastings. The bid amount was \$500/AUM. This bid amount would generate \$12,000.00 annually to the Common Schools trust.

Lease	Total Acres	Grazing Acres	AUMs	Previous Rate	Average Annual Revenue	Bid	Bid Annual Revenue	Recommended Rate	Future Annual Revenue
1092	103.41	94.41	24	Minimum	\$329.03	\$500/AUM	\$12,000	\$35/AUM	\$840

The recommendation to issue the lease to the existing lessee and placing a stipulation to add the Three Dollar Ranch to the lease, for a five-year term with stipulations for a weed management plan at a rate of \$35.00/AUM, which would generate \$840 annually, is based on the following overview of the hearing:

- Madison River Ranch does not currently graze the lease. Their proposed grazing plan is to have Three Dollar Ranch graze 10 yearlings on the parcel, which is a nearby ranch. A knapweed issue was identified on the current field evaluation, in which the current lessee has plans to address.
- Ms. Hasting's grazing plan included plans to eliminate the sagebrush on the tract. The lease is in general sage grouse habitat. Her plan is to graze 4 horses, for which an electric fence will be used to contain them.
- DNRC has concerns regarding Ms. Hastings' plan to remove the sagebrush as well as the extremely high bid of \$500/AUM. She has not vetted her grazing plan through the Montana Sage Grouse Habitat Conservation Program, nor has she made a plan to do so. Neither the plan nor the high bid aligns with the best interests of the trust for the long-term sustainability of the land.
- The DNRC average competitive bid rate in Madison County is \$37.81/AUM and the overall private grazing rate for 2025 in the state of Montana was \$29.50/AUM. The bid of \$500/AUM is extreme when compared to the community standards.
- When a substantially high bid is placed on a lease, there are concerns for the long-term sustainability of the land, resulting in it not being in the best interest of the State.

B. Lease # 5183 – The existing lessee on this lease is Kenneth Judisch. During the previous lease term, the rental rate on the agriculture acres was 34% crop share or \$50/acre, whichever was greater, and \$25/AUM on grazing. The lease consists of 640 total acres with 486.28 classified as agriculture and 153.72 classified as grazing, allowing for 67 total AUMs.

The bidder on the lease is Anthony Nickol. The bid amount was \$65/acre on agricultural acres and \$50/AUM on grazing. The bid amount would generate a total of \$32,509.50 annually to the Common Schools trust.

Lease	Total Acres	Ag Acres	Grazing Acres	AUMs	Aftermath AUMs	Total AUMs	Previous Rate	Average Annual Revenue	Bid	Bid Annual Revenue	Recommended Rate	Future Annual Revenue
5183	640	486.28	153.72	18	49	67	34% or \$50/Acre, \$25/AUM	\$25,444.75	\$65/Acre, \$50/AUM	\$32,509.50	\$50/Acre, \$35/AUM	\$26,659

The recommendation to issue the lease to the existing lessee at a rate of \$50/acre and \$35.00/AUM, which would generate \$26,659.00 annually, is based on the following overview of the hearing:

- Kenneth Judisch, the current lessee, has held this lease for over 30 years and DNRC has never had management concerns regarding the lessee.
- The DNRC average competitive bid rate in Toole County is \$35.03/AUM. There are no current agriculture competitive bids in Toole County. The overall private rate for dryland agriculture in Toole County is \$34/acre and the State of Montana is \$39.50/acre. The statewide grazing rate for 2025 was \$29.50/AUM.
- The existing lessee has been paying 34% crop share or \$50/acre, whichever was greater, for the past 10-year lease term, therefore, \$50/acre is within a reasonable rate for the next lease term. The recommended rate of \$35/AUM falls within the community standards.
- When a substantially high bid is placed on a lease, there are concerns for the long-term sustainability of the land, resulting in it not being in the best interest of the State.

C. Lease # 10590 – The existing lessee on this lease is Allen, Terri, Rick & Byron Denzer. During the previous lease term, the rental rate was at the state minimum of 25% crop share. The lease consists of 160 total acres, all of which are farmed.

The bidder on the lease is Z and Z Farm, LLC., represented by Tony Zimbleman. The bid amount was \$80/acre. This bid amount would generate \$12,800.00 annually for the Common Schools trust.

Lease	Total Acres	Ag Acres	Previous rate	Average Annual Revenue	Bid	Bid Annual Revenue	Recommended Rate	Future Annual Revenue
10590	160	160	25%	\$6,100.08	\$80/Acre	\$12,800	\$42/Acre	\$6,720

The recommendation to issue the lease to the existing lessee at a rate of \$42/acre, which would generate \$6,720.00 annually, is based on the following overview of the hearing:

- Allen Denzer and his family, the current lessees, have held this lease for over 20 years, and DNRC has never had management concerns regarding the lessee. Prior to their acquiring the lease, it was held by the Zimbleman family. The Denzers were awarded the lease through competitive bidding after the lease was canceled for management issues. It took over 5 years for the Denzer family to get the lease in a productive state.
- Mr. Denzer and his family have a known history of being good lessees. This lease is a very marketable lease, and Mr. Zimbelman failed to provide his plan for the long-term sustainability of the lease.
- The DNRC average competitive bid rate in Pondera County is \$38.17/acre. The overall private rate for dryland agriculture in Pondera County is \$41.50/acre and the State of Montana is \$39.50/acre.
- The existing lessee has been paying 25% crop share with a 50/50 crop rotation on the lease, for the past 10-year lease term. This has generated, on average, \$6,100.00 annually to the Common Schools Trust. His farming practices align with others in the area. The recommended rate of \$42/acre is within a reasonable rate for the next lease

term, as it is slightly above what the average per-acre rate has been for the previous lease term.

- When a substantially high bid is placed on a lease, there are concerns for the long-term sustainability of the land, resulting in it not being in the best interest of the State.

D. Lease # 10791 – The existing lessee is Tyler & Denise Noll and Peter Schmeling. During the previous lease term, the rental rate on the agriculture acres was 40% crop share or \$28.55/acre, whichever was greater, and \$30.62/AUM. The lease consists of 640 total acres with 278.7 classified as agriculture and 361.3 classified as grazing allowing for 107 total AUMs.

The bidder on this lease was Chad Follmer. The bid amount was \$50/acre on the agriculture acres and \$40/AUM on the grazing. This bid amount would generate \$17,095.00 annually for the Common Schools trust.

Lease	Total Acres	Ag Acres	Grazing Acres	Grazing AUMs	Aftermath AUMs	Total AUMs	Previous Rate	Average Annual Revenue	Bid	Bid Annual Revenue	Recommended Rate	Future Annual Revenue
10791	640	278.7	361.3	79	28	107	40% or \$28.55/Acre, \$30.62/AUM	\$13,371.11	\$50/Acre, \$40/AUM	\$17,095	\$38.50/acre, \$35/AUM	\$14,474.95

The recommendation to issue the lease to the existing lessee at a rate of \$38.50/acre on the agriculture land and \$35/AUM on grazing, which would generate \$14,474.95 annually, is based on the following overview of the hearing:

- Tyler & Denise Noll, the current lessees, have held this lease since 2021 with Peter Schmeling added on to the lease in 2025. DNRC has not had management concerns regarding the lessee.
- The DNRC average competitive bid rate in Fallon County is \$41.50/acre and \$34.01/AUM. The overall private rate for dryland agriculture in Fallon County is \$26/acre and the State of Montana is \$39.50/acre. The lease has generated an average of \$10,156.00/year over the 10 year lease term. The statewide grazing rate for 2025 was \$29.50/AUM.
- The existing lessee has been paying 40% crop share or \$28.55/acre, whichever was greater, for the past 10-year lease term. Based on county, DNRC bid rates, and state averages for dryland acres, \$38.50/acre is within a reasonable agriculture rate for the next lease term. The recommended rate of \$35/AUM falls within the community standards.
- This lease has significant rugged topography in which makes it extremely difficult to fence. The current lessee has adjacent deeded property, in which the location of the existing fence is not an issue. If the lease were to change hands, it would be very difficult to construct the necessary fencing to separate state from private land. In addition, if a fence were built, it would be washed out by rain due to the layout of the land.
- Water is a concern on this tract as well. The current lessee is able to water livestock due to the layout of his deeded parcel being fenced in common with the lease. A new lessee would need to develop a means to get water to the tract. Mr. Follmer has access to water, but would need to pipe it to the lease and acquire the necessary permits to cross the county road.

- When a substantially high bid is placed on a lease that is above community standards, there are concerns for the long-term sustainability of the land, resulting in it not being in the best interest of the State.

DNRC Recommendation:

Based on information and testimony at the hearings, the Director recommends the following:

Lease #1092 – The Director recommends the lease be issued to the existing lessee at \$35.00/AUM. The lease will be issued for a 5-year term with a weed management stipulation. There will also be a stipulation that the Three Dollar Ranch will be added to the lease by an assignment, as their cattle will be grazing the lease.

Lease #5183 – The Director recommends the lease be issued to the existing lessee at a rate of \$50/acre and \$35/AUM.

Lease #10590 – The Director recommends the lease be issued to the existing lessee at \$42/acre.

Lease# 10791 – The Director recommends the lease be issued to the existing lessee at \$38.50/acre and \$35/AUM.

2026 AGRICULTURE AND GRAZING COMPETITIVE BID HEARINGS

Findings and Recommendation to the Montana Board of Land Commissioners For Agricultural and Grazing Lease Nos. 10791, 10590, 5183 and 1092.

Amanda Kaster, Director

Montana Department of Natural Resources and Conservation

May 18, 2026



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I. Introduction: Agriculture and Grazing Competitive Bid Hearings Legal Overview and Background

A. Competitive Bid Hearing Process

Under ARM 36.25.117, if a lessee exercises its preference right but believes that the bid amount is excessive, he or she may request a hearing. ARM 36.25.117(9)(a). The purpose of the hearing is: 1) to determine the best-qualified lessee for the upcoming lease term; and 2) to ascertain the appropriate rental rate for that term. *See* ARM 36.25.117(9)(c). In accordance with the Montana Constitution, its statutes, and regulations, as well as the policy of the Montana Board of Land Commissioners (Land Board), the Montana Department of Natural Resources and Conservation (DNRC) offers informal competitive bid hearings for existing lessees who would like to contest a high bid in renewing a lease of state trust agriculture and grazing land. Mont. Const. Art. X, § 4; MCA § 77-1-209, -6-205, & -212; ARM 36.25.117. The role of the DNRC in conducting these competitive bid hearings is for the Director to make a recommendation to the Land Board as to the most suitable lease rate as well as lessee for the state trust land in question ARM 36.25.117(9)(c). These hearings are conducted outside the requirements of the Montana Administrative Procedures Act (MAPA), in accordance with ARM 36.25.117(9)(c), which states that, “[t]he hearing is not subject to MAPA and the board may accept or reject the Director's recommendation.”

The Land Board must evaluate the Director's recommendation based on its role as a fiduciary for the state school trust lands and seek to find which lessee and what lease rate will be in the state's best interests. § 77-1-202. The duty of the Land Board, in determining a rental rate, is to “achieve fair market value.” ARM 36.25.117(9)(d). The current policy of the Board authorizes the Director to hold the competitive bid hearings; hear the evidence; and make recom-

mendations to the Land Board. ARM 36.25.117. Based on testimony and evidence from the Lessee and High Bidder provided in the hearing, the rental rate and best lessee is recommended by the Director. The Director in making a recommendation, and the Land Board in making its decision, must avoid consideration of information provided outside the hearing.

The following will detail the review criteria established in statute, regulation, and case law to be used when determining: (1) the most appropriate lessee; and (2) the appropriate lease rate for the new term of the lease.

B. Criteria for Selecting the Most Appropriate Lessee

To ensure the lessee selected is the one most advantageous to the trust beneficiary, both the Lessee and High Bidder provide information at the hearing to address the following to nine criteria set out within ARM 36.25.117(9)(b):

- 1) Whether they have an intended grazing or cropland management plan for the new term of the lease;
- 2) What their experience is associated with the classified use of the land;
- 3) Any other non-state lands that are fenced and managed in common with the state land;
- 4) Any intended grazing or cropland improvements that will benefit the health and productivity of the state lands;
- 5) The details of their weed management plan;
- 6) Their management goals and objectives and monitoring procedures to determine if such goals and objectives are being met;
- 7) The method or route used to access the state land;
- 8) Any other information the director deems necessary 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.

In choosing the appropriate lessee, the Land Board is not held hostage by the existing lessee's preference right to meet the high bid and maintain control of the lease. *See* ARM 36.25.117(9)(c) ("the board may accept or reject the director's recommendation"). A mandated statutory preference right to renew state trust land agricultural and grazing leases was declared unconstitutional by Judge Jeffrey Sherlock in *Broadbent v. State of Montana, et al.* because it

impermissibly interfered with the constitutional power of the Land Board, under Art. X, Section 4 of the Montana Constitution, to choose its lessees. First Mont. Judic. Dist. Ct., Cause No. BDV-2003-361; *see* MCA § 77-6-205(2). 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 expressed a general proclivity towards incumbent lessees provided they have not committed illegal subleasing and have no history of lease violations. However, in all instances, the Land Board reserves the right to choose the best-qualified lessee. *See* ARM 36.25.117(1).

C. Criteria for Evaluating the Lease Rate

In exercising its discretion, the Land Board may authorize a lower bid rental rate if it finds the contesting lessee establishes the bid is not in the best interest of the state because:

- 1) it is above community standards for a lease of the land;
- 2) would cause damage to the tract; or
- 3) would impair its long-term productivity.

Mont. Code Ann. § 77-6-205(2). Article X, Section 11 of the Montana Constitution provides:

No such land or any estate or interest therein shall ever be disposed of except in pursuance of general laws providing for such disposition, or until the full market value of the estate or interest disposed of, to be ascertained in such a manner as may be provided by law, has been paid safely secured to the state.

The leasing of state land for a term of years constitutes a “disposal of an interest of estate in the lands within the provisions of our Constitution.” *State ex. Rel. Thompson v. Babcock*, 147 Mont. 46, 51, 409 P.2d 808, 811 (citations omitted). In determining the “full market value” for a lease, the appropriate test is “the value of a similar lease in the particular community.” *Id.* Considered along with the community value of the lease is the applicant’s “ability as a farmer, as well as other necessary variables which would have to be viewed in order for the state to secure as large a return as possible, yet preserving the productive capacity of the land.” *Id.* at 52, 409 P.2d at

812; *Jerke v. State Dept. of Lands*, 182 Mont. 294, 296-297, 597 P.2d 49, 51 (1979) (legislature has provided that full market value encompasses concept of sustained yield, such a policy favors the long term productivity of the land over the short term return of income); ARM 36.25.117(9)(d). If the Land Board chooses to reduce the bid, it “shall set forth its findings and conclusions in writing and inform the lessee and competitive bidder of the reduction.” § 77-6-205(2). It is the duty of the Land Board to secure the best lessees possible, so that the state may receive the maximum return possible with the least injury occurring to the land. *Id.*

Stability of land tenure encourages existing lessees to make greater improvements in the land, knowing they will likely be able to utilize these improvements in the future, and that stability of tenure allows lessees to operate more efficiently and with greater care and stewardship towards the land. *See Jerke*, 182 Mont. at 297, 597 P.2d at 51. The duty to maximize revenue return to the trust estate from the trust property is always subject to the duty to preserve the financial productivity of the trust lands for future continued use and income. MCA § 77-1-202(1)(a)-(b); *Babcock*, 147 Mont. at 51-52, 409 P.2d at 812 (Land Board “may not speculate as to the possibility of receiving a higher return for leased land, but must secure a ‘sustained income’ which will continually benefit the public in general”).

Furthermore, the Montana Supreme Court recognizes an excessive rental rate may economically compel a lessee to mismanage a lease, for example, by grazing all the available forage, reducing applications of costly fertilizer and/or herbicide, or foregoing summer fallow treatments or pasture rest rotations. *Babcock*, 147 Mont. at 49-53, 409 P.2d at 810-811. When state lands are over-grazed or farmed with minimal input costs, they may become degraded with noxious weeds, poor soil conditions, and less forage or crops, all of which decrease future income for trust beneficiaries. In extreme cases, the productivity of the land may be permanently damaged. It is in the best interests of

the State to set a rental rate which balances revenue generation with long term productivity of the land. Thus, in this "balancing act," the Land Board must maximize long-term income by allowing lessees a sufficient monetary incentive to exercise wide range management and agricultural practices. If the rate is too low, the trust beneficiary will not receive full market value for its lands. If the rate is too high, the lessee will be induced to over-graze the tract, or reduce inputs, and long-term trust income will inevitably suffer.

As a result of the competitive bid hearing process, the Director recommends 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 across Montana and for the relevant market. Despite these fluctuations, the grazing rental charged by the Land Board must be paid by a lessee regardless of if 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, 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.

D. 2026 Competitive Bid Hearings Overview

In 2026, the Director granted four requests for competitive bid hearings. The hearings were conducted on April 15 & 16, 2026, at the headquarters of the DNRC, located at 1539 Eleventh Avenue in Helena, Montana. The hearings were electronically recorded and all witnesses testified under oath. The hearings were otherwise conducted in an informal manner, meaning the proceedings were conversational, with set times for the witnesses to present information, ask and answer questions, and offer any closing thoughts. The objective was to give each party the opportunity to be fully heard in a manner that allowed for evaluation of the criteria

necessary for the Director to provide her recommendation to the Land Board to reach a decision. The Montana Rules of Evidence were not strictly applied, but irrelevant, immaterial, or incompetent information was excluded. The lessees and high bidders were both given an opportunity to review the relevant field evaluation form, the renewal application, the competitive bids and applications – including the relevant high bid, the correspondence, the previous lease rental, the DNRC County Competitive Bid Average, the State Competitive Bid Grazing County Average, the State Competitive Bid per Acre Agriculture County Average, and information from the Montana MSU Statistics Statewide 2025 private grazing rate survey and Montana MSU Statistics Statewide 2025 private per acre rates for agriculture lands.

Present at the hearings were: the Lessees; the High Bidders; DNRC Director, Amanda Kaster; Agriculture and Grazing Management Bureau Chief, Kelly Motichka; Agriculture and Grazing Management Lands Section Supervisor, Parker Osterloh; DNRC Attorneys, Luke Casey and Brookelyn Palin; Trust Lands Management Division Deputy Administrator, Ryan Weiss for Lease Nos. 1092 & 5183; Central Land Office Program Manager, Andy Burgoyne for Lease Nos. 1092 & 5183; Bozeman Unit Manager, Kara Huyser for Lease No. 1092; Conrad Unit Manager, Erik Eneboe for Lease No. 10590; and Eastern Land Office Range Management Specialist, Scott Aye for Lease No. 1079. Also present was legal counsel for the High Bidder Andrea Hastings, Nicole Siefert for Lease No.1092, and DNRC Ag & Grazing Bureau employees and staffers for the Land Board who attended the hearings in an observational capacity via Zoom.

In preparation for this hearing, both the lessees and the high bidders were notified of the time and place of the hearing and given copies of ARM 36.25.117. The Director accepted into the record the following information:

1. The State Competitive Bid Grazing Average for Madison County being \$22.25/AUM, for Toole County being \$35.03/AUM, and for Fallon County being \$34.01/AUM.
2. State Competitive Bid Per Acre Average for Pondera County being \$38.17/ac and for Fallon County being \$41.50/ac.
3. Information from Montana MSU Statistics Statewide 2025 private grazing rate survey being \$29.50/AUM
4. Information from Montana MSU Statistics Private Statewide 2025 per acre for agriculture land Statewide being \$39.50/ac, in Toole County being \$34.00/ac, in Pondera County being \$41.50/ac, and in Fallon County being \$26.00/ac.
5. Information and testimony provided by the Lessees and High Bidders.

The following bid hearing summaries provide an overview of the relevant testimony and evidence considered during the hearing to substantiate the findings and conclusions relied on in the Director's recommendation to the Land Board.

AG & GRAZING COMPETITIVE BID HEARING SUMMARY

The Department of Natural Resources and Conservation (DNRC) conducted four informal competitive bid hearings in April 2026 regarding state trust agriculture and grazing leases Nos. 1092 (Madison County), 5183 (Toole County), 10590 (Pondera County), and 10791 (Fallon County). These hearings were held under ARM 36.25.117 to assist the Director in making recommendations to the Montana Board of Land Commissioners (Land Board) on (1) the most appropriate lessee and (2) the appropriate lease rate for the upcoming lease terms. The process is designed to balance the Land Board's fiduciary duty to secure full market value with its obligation to preserve long-term productivity of school trust lands through sustained yield management.

Under ARM 36.25.117, incumbent lessees who exercise their qualified preference right may contest a high bid on the grounds that the bid exceeds community standards, would cause damage to the tract, or would impair long-term productivity. In all four cases, the Director evaluated testimony and evidence against the regulatory criteria: lessee experience, management and grazing/cropland plans, associated deeded acreage, proposed improvements, weed management, access, and the economic feasibility of the offered lease rate. Market information from DNRC's county 10-year bid averages, Montana Agricultural Statistics 2025 private grazing rates, and Montana State University 2025 dryland cash lease data was used to benchmark bids against prevalent community rental standards.

For Lease No. 10791 (Fallon County), the dispute involved a mixed 640-acre tract with 278.7 acres of cropland and 361.3 acres of grazing, with a high bid of \$50 per acre for cropland and \$40 per AUM on grazing versus local averages of roughly \$26–\$41.50 per acre and about \$34 per AUM. The incumbent lessees, Tyler and Denise Noll and Peter Schmeling, argued that the elevated rates are above community standards and would impair long-term productivity, especially given the tract's very rugged terrain, lack of existing border fencing, and absence of water developments on the state parcel. High bidder Chad Follmer proposed seeding cropland back to a hay base, installing water from an existing solar well on adjacent land, constructing new fencing in more manageable locations, and using rotational grazing to better utilize currently underused forage.

The Director recommends the lease be issued to the existing lessee at \$38.50/acre and \$35/AUM.

For Lease No. 10590 (Pondera County), a 160-acre agricultural tract, the Director heard from the long-time lessee, Allen Denzer, and the high bidder, Z and Z Farms LLC (Tony Zimbleman). Denzer described 20 years of intensive weed control, fertilization, and modern precision farming that were necessary to rehabilitate the tract after it had previously been revoked from the Zimbleman family due to poor performance and low revenue. The bidder emphasized his current success on nearby privately leased lands at higher cash rates (around \$80 per acre), argued that such a rate could still support profitable production, and disputed that past management issues on other ground should determine his current qualification.

The Director recommends the lease be issued to the existing lessee at \$42/acre.

For Lease No. 5183 (Toole County), the high bidder offered \$65 per acre on 486.28 acres of dryland crop and \$50 per AUM on 153.72 grazing acres, substantially above DNRC and MSU benchmarks (roughly \$34–\$40 per acre and about \$30 per AUM in the region). The current lessee, Kenneth Judisch, through testimony by his son, presented detailed cost-of-production and breakeven analyses indicating that the bid level would leave minimal or negative margins over time and risk under-investment in inputs, with associated soil and productivity impacts. The bidder, Anthony and Lacey Nickol, asserted that higher rates are economically justified by their integrated farming and grazing operation, proximity, superior equipment, and commitment to increase revenue to the common school trust while maintaining sound agronomic practices.

The Director recommends the lease be issued to the existing lessee at a rate of \$50/acre and \$35/AUM.

For Lease No. 1092 (Madison County), the contested issue centered on a very high grazing bid of \$500 per AUM on a 94.41-acre lease rated at 24 AUMs, compared to DNRC and MSU data showing prevailing rates near \$30–\$38 per AUM. The existing lessee, Madison River Ranch Association, emphasized 30 years of stewardship, extensive weed control, new plans to reintroduce managed cattle grazing through a neighboring ranch, and concerns that the high bid was outside community standards and could encourage unsustainable use. The high bidder, Andrea Hastings, argued that the high bid was economically feasible for her intended horse use, that the lease has not been grazed for many years contrary to its purpose, and that more aggressive weed and fire mitigation is needed on the tract.

The Director recommends the lease be issued to the existing lessee at \$35.00/AUM. The lease will be issued for a 5-year term with a weed management stipulation. There will also be a stipulation that the Three Dollar Ranch will be added to the lease by an assignment, as their cattle will be grazing the lease.

Across all four hearings, the Director framed recommendations around three consistent themes: (1) adherence to the Land Board's duty to secure full market value without inducing overuse or under-investment; (2) preference for lessees with demonstrated stewardship, feasible management and weed plans, and reliable access to implement those plans; and (3) careful reliance on county-level bid averages and MSU and agricultural statistics to determine whether contested bids reflect or exceed community standards. The Director's written findings and recommendations for each lease are now before the Land Board to determine the lessee and rental rate that best serve the long-term interests of the school trust beneficiaries.

II. Contested Bid Hearing for Lease No. 10791

County: Fallon

Lessee: Tyler & Denise Noll and Peter Schmeling

High Bidder: Chad Follmer

Hearing Time: Wednesday, April 15, 2026 @ 2:30 p.m.

Tract: T10N R59E S36: All – 640 acres - Common School Grant

Agriculture Acres: 278.7

Grazing Acres: 361.3 AUM rating: 79 and 28 aftermath

High Bid: \$50/acre on agricultural acres & \$40/AUM on grazing

Other Bids: None

Previous Rental: 40% crop share or \$28.55/ac, whichever is greater on agricultural acres and \$30.62/AUM on grazing

Prevalent Community Rental Information:

State Land Fallon County Bid Averages: 35% Crop Share & \$41.50/ac and \$34.01/AUM.

Montana State University (MSU) 2025 statewide agricultural dryland per acre lease rates of \$39.50/acre and Fallon County \$26.00/acre. Statewide private grazing: \$29.50/AUM for 2025.

A. Findings

Tyler Noll, current lessee, appeared and testified remote via Teams. High Bidder, Chad Follmer appeared in person to provide testimony and submitted a written narrative. Both parties submitted information prior to the hearing that covered the criteria of ARM 36.25.117(9)(b), which the Director made part of the record.

This tract is located approximately 14 miles from Baker. It contains 278.7 acres of agriculture land and 361.3 of grazing. The tract has legal access on the east boundary via Highway 7 and on the southern boundary by Ollie Road.

Tyler Noll began his testimony by referencing the letter that he submitted prior to the hearing in which outlined how the bid was above community standards for such a lease.

He stated that he went off of the MSU's 2025 cropland, which was \$26/acre for Fallon County. People that he talked to in the area are in that vicinity of range. He felt the \$50/acre was a huge jump and wasn't even in the ballpark and would damage the tract.

He testified that there is no border fence on the lease. They border the south side, the west side, and are adjacent to the northwest. There has never been water on it. When they have grazed it, there is a stock pond to the south, and there is a flowing spring directly to the south. Because of this, it has never been fenced.

Mr. Noll referenced the map that he provided to show the existing fence. The southwest corner of the tract is extremely rough. It's difficult to walk up and down it, let alone try to fence it. He explained that if you were to put a fence in, you'd have to do some dirt work. There are steep ravines in which a hard rainstorm in the gumbo buttes, would wash fence out and it will be a lifelong problem.

Mr. Noll testified to the impairment of the long-term productivity of the tract. A bid of \$50/acre, with commodity prices, does not leave a lot of room for marginals of fertilizer and no benefit to the soil health.

Tyler stated that he and his wife took this lease over from her father in 2019. It's been in her family for three generations now. There's never been any issues.

He testified that the benefits of crop rotation are utilized when needed with in-crop spraying and fertilizing for the benefit of overall health and soil. They spray spring burn-down, weed control, and also in-crop spraying throughout the growing season and then also do a fall burn-down just to help prevent any noxious weeds and to help control weeds in the springtime.

His management goals include soil health and to continue soil sampling. He can then see the progressive crop yields that would show him the soil health continues that need improving. He will also continue to monitor noxious weeds.

He stated that he doesn't overgraze his pastures. The paddock that is adjacent to the state lease is 2,200 acres and he only allows 200 AUMs in on it. This depends on the grazing period. Sometimes, it is later in the fall, but usually first of June to the end of September.

Mr. Noll also testified that the route that they take to his own personal property is directly right through this state land. There's a two-track that has been there since Denise's grandpa's been on there. That is how they access their personal property on the west side to go check cattle and mineral tubs. They have a solar well that's down there that was put in two years ago, so they use it for maintenance also.

They'll continue to monitor the land and treat and respect it as if it's their own, continuing to be a great steward of the land. They find that the \$50 was above community average and county average.

He stated that with no water, if somebody else comes in, they'll either have to drill a well or haul water and hauling water does not seem very permissible. He doesn't feel that the corner will hold 79 AUMs. There is a three-wire fence that's between the cropland and the pasture that is located up top where it is flat. But as soon as you get into the pasture side, it gets really rugged and you have to see it in person to understand how rough it really is.

Mr. Noll stated that he felt if you start hauling water, there will be an impact to the trail coming in and the access to it. The main access goes through the state land and then it comes right back

through his private property.

Mr. Noll feels like if somebody else gets the lease on it, that they'll have to be responsible for engineering to find out where the fence line is supposed to go back in. He questioned who would pay for the fence. He also questioned who would pay for the water development. He doesn't feel that a well on a 10-year lease would be in the best interest of the state.

In closing, Mr. Noll, reiterated that he's never had a problem with the lease and it's been in the family for quite a few generations. He will continue to do the best he can.

Mr. Follmer began his testimony by stating that at the end of the day that any rancher or farmer out there, their goal is to leave the property better than they received it. In today's world with crop rotations and grazing-management plans that have been developed and identified over the years to be tried and true, he stated that it gives you opportunities to enhance a given property in several different ways.

Chad started by discussing his grazing plan. He admitted that water and fencing are an issue. In most cases, fencing can be worked around. He stated that he could pick some high spots, you can move here, move there, to put a fence in to create a perimeter if you want. It might not necessarily be on the exact state, county, or section line, but you can put a fence in and work around some of that other stuff.

Mr. Follmer stated he has water available. He has property that is divided from the state property by the highway. He believes that he could acquire some permits to allow him to get a line pushed either through a road bore or through the culvert on the east side of this property. He owns 120 acres in the corner in which he has a 400-foot Fox Hill Sands solar water well. It pumps eight gallons a minute with a 7,000-gallon storage tank. When he built it, he designed it with a pressure system in mind. There is a spare line that leaves that 7,000-gallon storage tank and is dead-ended so that you could hook onto that line and be able to take it anywhere you wanted to go.

He intends to set up a chicken-waterer-style water tank, so he'd have a couple thousand gallons' worth of storage at all times, and the solar system would be able to power a pressure pump and put water on that side.

Mr. Follmer stated that when he drives by on the highway and looks across the fence, it doesn't look like the state parcel gets utilized very well. The east half of the fence looks pretty dilapidated. It has not been used for quite some time. He stated that if you're leasing the property, the fencing is your responsibility, so that the lease can be utilized.

He said that weed management and a grazing-management plan is key when utilizing and developing property.

Mr. Follmer then testified on how he came up with his bid. He started with the \$40/AUM. In their area grazing prices are going up. Calf prices are going up, therefore grazing prices are going up. He's selling \$2,200 to \$2,500 steer calves in the fall. The people that are leasing ground are seeing that and are asking for more money for grazing.

He submitted a grazing bid just recently that equated out to between \$36 to 38/AUM and was not

the successful bidder. When he was putting this bid together, he calculated that he needed it to be higher than \$36/AUM in order to be competitive in that market.

When you pencil it out with the AUMs that you're running on those allotted grass acres; the available forage with \$2,000 steer calves, it pays for itself. The numbers are there, depending on how you want to utilize the grass, whether it's with pairs or whether it's with yearlings. A comparable lease not very far from this same property, they bid on and they weren't the successful bidders. This shows that that's where the market's at in that particular area.

Mr. Follmer then talked about \$50/acre for the farm ground. He stated that everybody has their own way of utilizing farm ground and grazing. His intentions would not be to farm that property. He intends to seed it back to a hay base. This would give him a little more flexibility. If you have a year that doesn't look like it's going to make a good hay crop, you can graze it if you have water. On a hay-based market in their area, it's hard to find any hay that's actually for sale. Not a lot of people sell hay in Fallon County. He pulled some reliable samples of hay prices in the close-proximity area and within 100 miles of Fallon County. It is costing anywhere from \$80 to \$140/ton for hay. In a good year in this area, dryland hay ground should make roughly a ton to the acre. He stated that his dad always said that if it made three-quarters of a ton to the acre, it was worth putting it up.

Chad testified that he did a lot of figuring on equipment costs and calculated that it costs around \$40 to \$50/acre or ton, depending on what you have for equipment. If he seeds the farm ground back down to a hay-base mixture and started haying it rather than farming it, he could put the \$50 lease and three-quarters of a ton to the acre and come out to roughly \$100 to \$110 dollars a ton for hay. The above figure of \$80 to \$140 dollars a ton for hay doesn't include trucking. He would rather put up his own hay and pay himself \$100 dollars/ton for hay, knowing what he's getting for a product. These numbers work for him and he think they're representative.

He stated that he talked to several farmers in the area as far as leasing farm ground. The numbers were anywhere from \$40 to \$55/acre, depending on location and what kind of ground it is.

Chad reiterated that he didn't think that he was out of line on what he felt his expenses were going to be to maintain that property at \$50/acre. It works for him. He's not using fertilizer or sprays.

Mr. Follmer then touched on and closed his testimony with weed management. He is constantly looking for Canada thistle, leafy spurge, and other weeds. He addresses it if it's in the grass part of it. If it's on the hay he will use appropriate chemicals to manage it. He is on-site, looking all the time.

Mr. Noll asked Mr. Follmer about the pipeline plan for water. He was under the impression that that solar well and tank were through a grant that was specifically designed for his private pasture. Tyler then questioned the placement of the pipeline on the state lease. Looking at it from the state's long-term point of view, if in 10 years he doesn't re-lease the tract, the state has a pipeline that runs to his property that nobody else can access or use.

Mr. Noll acknowledged the point of Mr. Follmer's testimony regarding the fence down along the

highway. There is some of it that's down. The elk cross through there like crazy during rutting season. He doesn't put cows on the farm ground. It depends on the crop and the year, also. If it's a later crop, or if corn, you might put cows out later in the fall.

Mr. Noll touched on cattle prices. He questioned how long would it be a guarantee that cattle prices are going to be up this high? There could be a huge drop in price. The crop market is not a guarantee either. Fifty dollars sounds really great right now, but if cattle prices fall, that number changes, and so that's something to really consider for the long term.

Chad brought up the fence issue. He said that he can't bring it up enough that unless you see it in person, you just don't understand. It is rough terrain and you are not going to put a fence in there. You can up where it's a little flatter and there is somewhat of a fence there. He maintains that the three-wire fence that's between the cropland and the pasture, but it's rough. Words can't describe it. You'd have to see it in person to really even believe it. He just doesn't foresee it being in the state's benefit, and who's going to pay for this fence and maintain it? He asked if the state was going to pay to re-engineer that? You could be off by 500, 600 feet in any which direction. It almost has to be GPS-ed out to go find your corner.

He stated that Chad was correct, with the way land prices are. Everybody wants every square inch of their own property. Chad stated, "I don't know why we would have to move the fence over farther on ours to make something work for him."

Mr. Noll circled back to the market: \$50 hay ground is pretty expensive. Hay costs money, but he and his wife have been through it before. You have your good years and you can definitely have markets down in which is pretty hard to bounce back from. You can lose it faster than you can make it. There's a lot of things to consider, including drought. At \$50/acre for hay ground with three-year drought, that's expensive. There's not a whole lot of return. Hail is another factor to consider. It is known to hail out that south side of that field.

Mr. Noll questioned, "I guess with that, my question is who's going to pay for what and how is it all going to work if the state decides to go that way. But the state keeps asking what is the best interest for the state long term."

In closing, Mr. Noll testified that he and his wife took over this lease for the last seven years. They've never been delinquent on a payment. We've been good stewards of the land. It's been in the family for years.

Chad asked to clarify a couple things on his water source that's on the east side of the property. It was very well over-designed for the 120 acres that are there. A system was put in that'll provide a lot of water. He restated that he put in a 7,000-gallon storage tank. He doesn't think anyone could run enough animals on both of these properties to run out of water, even in the hot time of the year.

Mr. Follmer stated that his program would not be to have two different separate sets of animals grazing on either one of the properties. The same animals would be on both sides. Water is not a concern. He clarified that there's a lot of surface lines in the country that provide water to cattle. It doesn't have to be dug six feet deep. It could be put in a foot deep or leave it right on the surface. He would remove the pipeline if he did not lease the tract any longer down the road.

Mr. Follmer asked a clarifying question regarding the fencing. He wanted to clarify that the lessee would be responsible for the fencing. Ms. Motichka agreed that the lessee is responsible for the fence.

Chad reiterated that he felt that in order to utilize the land and be flexible with the land, there are options. If you do get hauled out, there's still product there, you can run some cows on it.

Mr. Follmer stated that he's third generation in this program. His daughter was sitting next to him and she's a fourth generation. He said that they have sold a lot of 70-cent calves when I was a kid, and it's kind of fun to see these kinds of markets turn around just a little bit. He stated that you take it each year and absorb the losses when you have them and rewards when you get them. He stated that you build a program and you try to stick with it to the best of your ability.

Chad testified that he felt he had the means to provide a product in which he could utilize the property and not only help the state out by improving their property and placing improvements upon it, but by helping on his side also. He is not subleasing it out or asking somebody else to work that ground. His family is going to work it themselves. He thinks that is important and worth something.

Mr. Follmer thought that Mr. Nolls' intentions were to lease that ground out, both their private and the state ground. He feels that to be an operator of the ground is important, and you have a little bit more stake in the game.

DNRC asked about Mr. Follmer's fencing plans with regard to how rugged portions of this are. What does it look like to fence off the grazing part of it that's not already fenced?

Mr. Follmer responded with a question, "If part of that property is that rugged and that tough, does it get grazed a lot? Is there enough grass there that's going to provide or utilize or warrant putting a fence on there? Or do you just pull that fence back and put it up on the high spots that you can, and put it in a position where you can maintain it?" He stated that may mean that you'd lose some acres on the grazing side of things, but you're gaining back the acres that aren't being grazed right now up on top on the hay fields. If you put a new fence in there to where you could utilize the farm ground that's currently farm ground and utilize grazing on that, what you lose in the rough parts of that section, you more than make back on what's not being utilized now. He said that the Nolls are not grazing on the farm ground. There's a lot of good grass. If you went in there and managed it and got it to where it would rejuvenate itself and produce a little better, there'd be a lot of grass there.

He stated that his plan would be that, if he had to pull that fence back and put it in a spot to where it's easily maintained or able to be maintained, what he would lose in the rough acres, he'd more than gain back with rotational grazing. He would utilize the grass better after you hay by turning cows in there.

Scott Aye asked about the location of the gate and the approach on the south end. He said that Chris Paleski, ELO Area Manager, and himself denoted about where the section line is, and it pretty much is in the middle of the equipment gate on the south side. What would his plan be if he were to get the lease, as far as addressing the gate location? The gate goes between private and state—state on one side, private on the other.

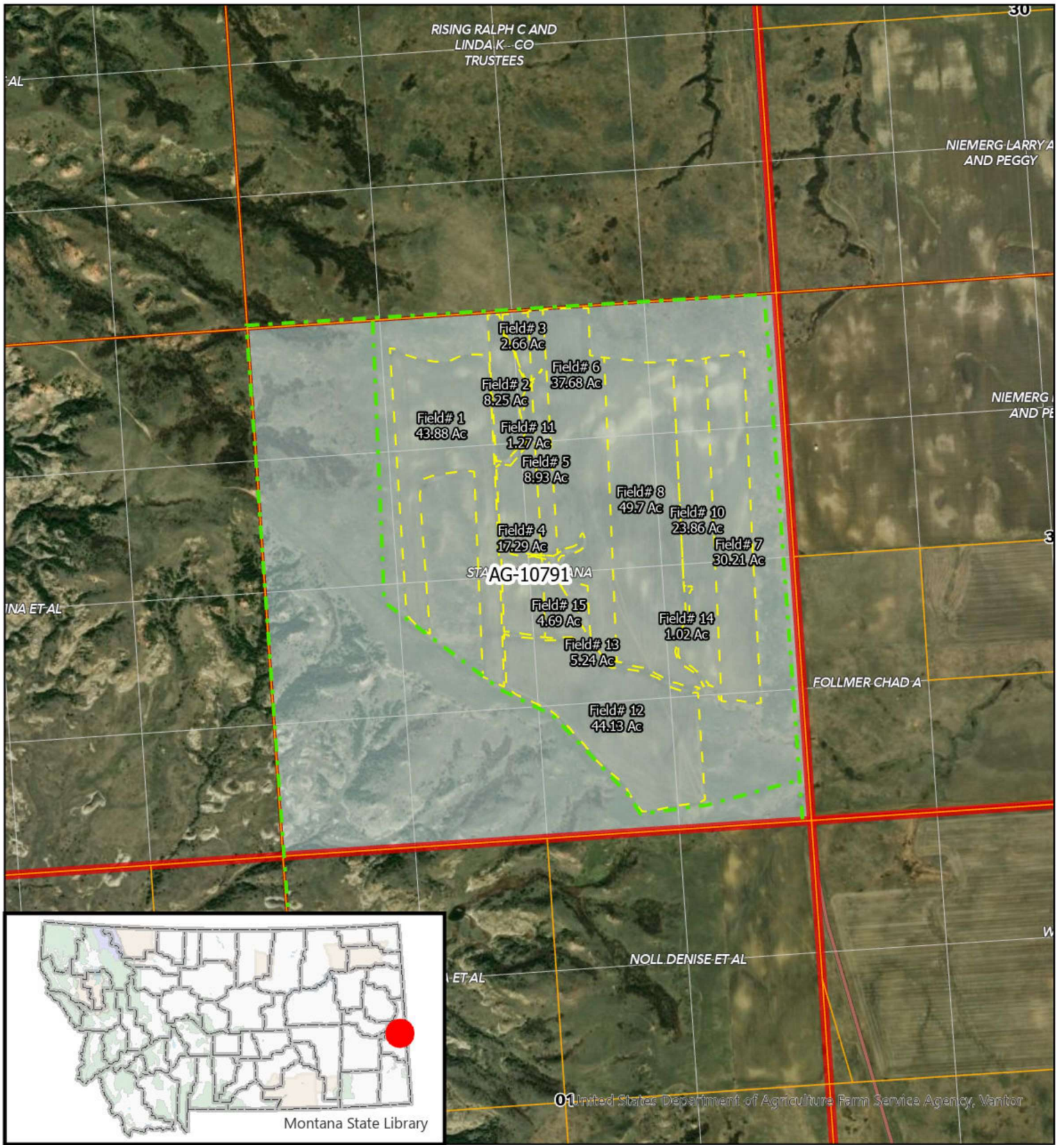
Chad responded that it would have to be fenced in some way to keep animals off of Noll's property. Scott clarified that he was referring to moving equipment through the gate. Chad stated that there's already a trail there now. He wouldn't change that if people needed to access that or be able to have access to go through there. Scott clarified that he was asking about if you take the entire width of the gate, about half of that width is on the state and half is on Noll's. Scott was addressing a possible trespass issue.

Chad asked Scott if he was talking about him on their property? Scott said yes, that was what he was asking. Chad replied that he would look at seeing if he could move that. He stated that he was not going in there with big equipment. He stated that if he would be able to move onto the state property that he could come through that gate on all state. He may need to expand that gate or change that gate to make it wider to where he'd stay on state property.

DNRC discussed the testimony given and have no concerns with the current lessee's management of the lease. Setting the rate within the community standards is what is in the best interest of the State. When a bid is in excess of these standards, there are concerns for the long term sustainability of the land. The fencing that will need to be completed if the high bidder were to get the lease was a concern. The topography of the tract makes it extremely difficult to fence in order to separate the state from private land. There is also the potential for the fence to be washed out due to the layout of the land. The water would also be an issue as the bidder would need to obtain the necessary permits to pipe water from his private parcel to the state tract.

B. Recommendation

The Director recommends that the Board issue the next term of this lease to the existing lessee, Tyler & Denise Noll and Peter Schmeling, as the best qualified lessee, and that the Board set the rental rate for the lease at the rate of \$38.50/acre and \$35.00/AUM.

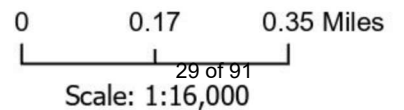


Lease: 10791



- AGMB_AgreementTracts
- Fence
- FSA CLUs 2026

Total Acres: 640.00
 Ag Acres: 278.70
 Grazing Acres: 361.30
 Total AUMs: 107



II. Contested Bid Hearing for Lease No. 10590

County: Pondera

Lessee: Allen, Terri, Rick & Byron Denzer

High Bidder: Z and Z Farms, LLC

Hearing Time: Wednesday, April 15, 2026 @ 1:00 p.m.

Tract: T26N R2W S 16: NW4 160 Ac – Common Schools Grant

Agriculture Acres: 163 (Acreage discrepancy due to FSA acres)

High Bid: \$80/acre

Other Bids: None

Previous Rental: Minimum of 25% crop share

Prevalent Community Rental Information:

State Land Pondera County Bid Averages: 32% crop share and \$38.17/ac

Montana State University (MSU) 2025 Statewide private per acre dryland cropland rate: \$39.50/acre and Pondera County \$41.50/ac for 2025.

A. Findings

Allen Denzer, current lessee, testified and appeared in person. Tony Zimbleman, testified on behalf of the bidder, Z and Z Farms LLC, and appeared remotely via Teams. Both provided a narrative report prior to the hearing.

The state lease is located approximately 2.5 miles southwest of Brady. It contains 160 acres of agricultural land. The state lease has access on the west side via Shining Mountain Road.

Allen Denzer began his testimony by referencing his letter that was submitted prior to the hearing. He stated that he's held this lease for 20 years. It was previously held by the Zimbleman family and was revoked from them because of their farming practices and lack of generating revenue for the DNRC. Once he acquired the lease, it took a minimum of five years to get this land into full production and up to fertility and weed management. This has been done and farmed to the best of their abilities with modern crop farming practices for the last 20 years.

Mr. Denzer testified that the farm is a multi-generation farm. His sons are farming alongside him and his wife, and they're trying their best to just keep doing what they've been doing. They've always been on a crop share with the DNRC, which he recalls at one time was close to a \$50 rate that was being paid, but recent years with drought and poor commodity prices, in addition to hailstorms have dropped the average to \$35 rate.

Allen stated that he uses the most modern farming techniques, soil testing, and precision application of seed and fertilizer. He uses a precision spot-spraying system that only hits the weeds and not the rest of the ground, which greatly reduces overspray and extra use of water. He's been real active in controlling all of the noxious weeds and the common weeds. This lease

has been fertilized and sprayed every year, so it cannot be considered organic.

Allen referred to his documents presented prior to the hearing. It included cost breakdowns of what production of winter wheat and barley has cost. There is no profit in it at this time. He hopes to just continue farming until there is a profit back. He stated that \$80/acre is real unrealistic and that no one in the area pays that kind of price for anything.

He included photographs of the recent crop he had on this lease last year, which yielded 54 bushels/acre, as well as photographs of the Zimbleman's land right across the fence on two sides of this lease. The crop was minimal, barely harvestable and zero weed control. It was later determined that this was farmed by another Zimbleman family member, not the bidder.

Allen also included a letter from Lyla Evans at Browning, Montana. Todd and Tony Zimbleman previously leased her land and she states that they never completed seeding the land. They didn't fertilize. They did no weed control and left the grain go up to volunteer.

Tony Zimbleman introduced himself and referenced the information that he submitted prior to the hearing. He clarified that he is not planning to farm the state land organic. The plan is to farm commercially. Tony stated that he farms leases now, that Denzers used to farm, and he's paying \$80/acre for them. The leases make him a profit and they are weed free.

Mr. Zimbleman corrected the statement from Mr. Denzer regarding the status of the adjacent property. He stated that the farming is not done by him and he has no control of the farming practices. It is farmed by a family member that farms it organically.

Tony stated that he's seventh-generation grain farmer. He expressed how very hard it is to find ground to grow with the existing farms being the size they are. It's hard to get started. He stated that this field is a good opportunity for him since it's right next to his house.

Mr. Zimbleman feels that it is worth paying \$80/acre because of the location. He's paid \$40/acre on a lease in Browning. He clarified that he did spray that ground twice with 35 ounces of Roundup before he seeded. He used minimal fertilizer because he had a soil sample done and it had fertilizer already built into the ground, so he only put 30 pounds down of starter. They averaged 55 to 75 bushels an acre depending on the field at that location. And the person he was leasing the land from was paid in full and made the comment after he got the check that this is the most money he ever had made off the land. He clarified that he's looking for an opportunity, not a handout.

Mr. Denzer asked Mr. Zimbleman who farms the land adjacent to the state lease. Mr. Zimbleman clarified that it is farmed by Rising Z7, who is his father. They have different farming practices.

Mr Denzer then referred to the letter he had submitted prior to the hearing from Lyla Evans, (who is the property owner in Browning) which disputes what he's saying.

Tony Zimbleman asked Alan if he thought all he farmed was organic or just because I'm smaller than you?" Mr. Denzer replied that size has nothing to do with it, it's how he takes care of every acre of land is what's important.

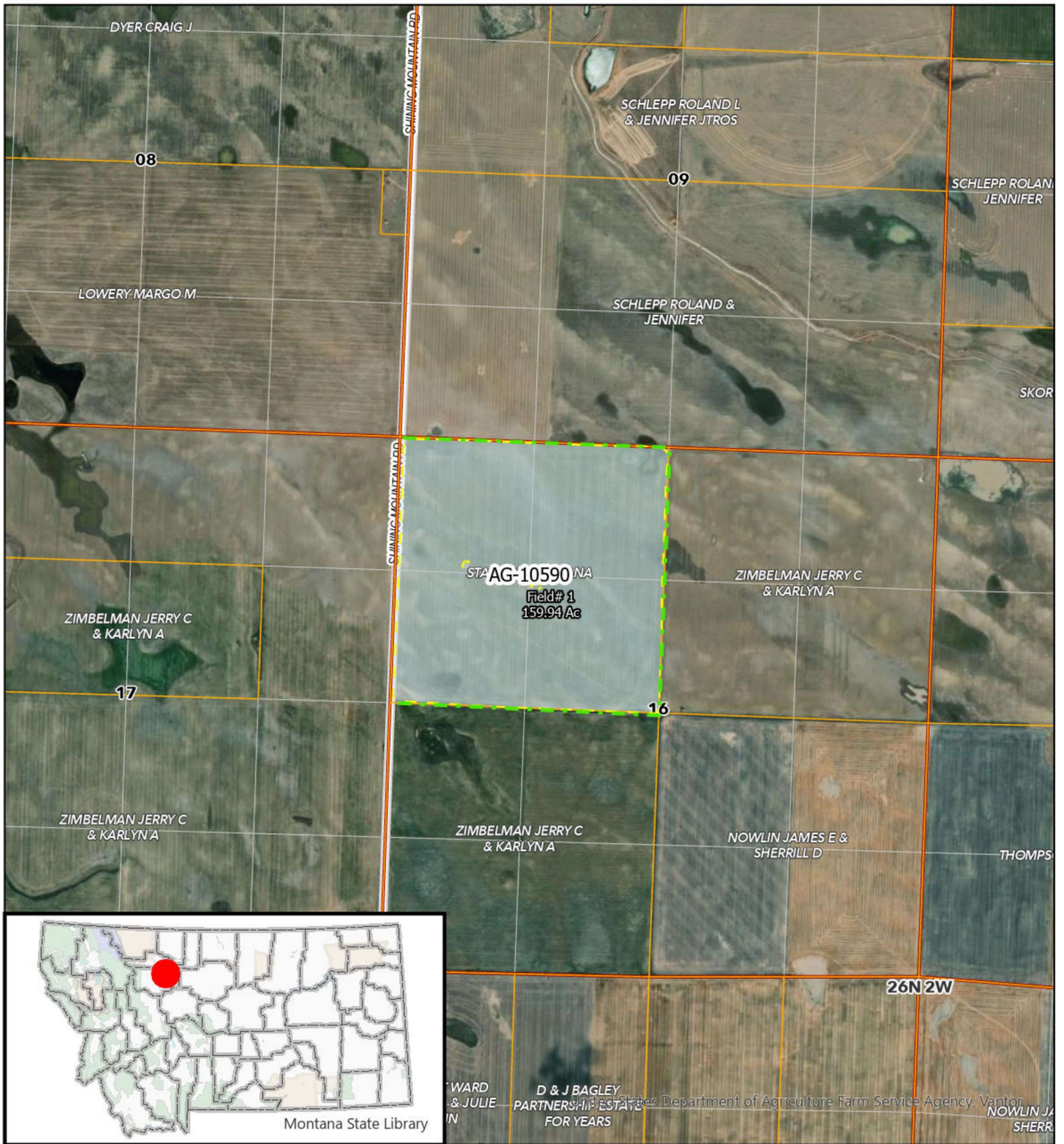
Tony agreed with that comment. Mr. Zimbleman also wanted it put on the record that Denzer's

take very good care of the state land piece. He stated that they have a few fields that sometimes slip away from them, but for the most part all their land is very well taken care of, and they are good farmers. He stated that he (Mr. Zimbleman) is a good farmer also. He is a bit smaller, but he takes care of every acre of ground. He pick rocks for two weeks in the springtime before he seeds and he gives the ground exactly what it needs.

DNRC discussed the testimony given and have no concerns with the current lessee's management of the lease. Setting the rate within the community standards is what is in the best interest of the State. When a bid is in excess of these standards, there are concerns for the long term sustainability of the land.

B. Recommendation

The Director recommends that the Board issue the next term of this lease to the existing lessee, Allen, Teri, Rick & Byron Denzer, as the best qualified Lessee, and that the Board set the rental rate of \$42.00/acre.

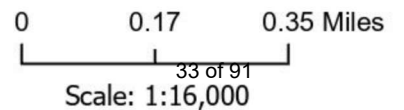


Lease: 10590



- AGMB_AgreementTracts
- - - Fence
- FSA CLUs 2026

Total Acres: 160.00
 Ag Acres: 163.00
 Grazing Acres: 0.00
 Total AUMs: 0



III. Contested Bid Hearing for Lease No. 5183

County: **Toole**

Lessee: **Kenneth Judisch**

High Bidder: **Anthony Nickol**

Hearing Time: Thursday, April 16, 2026 @ 9:00 a.m.

Tract: T30N R1E S36: All – 640 acres – Common Schools Grant

Agriculture Acres: 486.28 Grazing Acres: 153.72 AUM Rating: 18 & 49 aftermath

High Bid: \$65/acre on agricultural acres and \$50/AUM

Other Bids: None

Previous Rental: 34% crop share or \$50/acre whichever is greater on agricultural acres and \$25/AUM on grazing.

Prevalent Community Rental Information:

State Land Toole County Bid Averages: \$35.03/AUM – No active competitive bid agriculture leases in Toole County.

Montana State University (MSU) statewide agricultural dry land per acre lease rates of \$39.50/acre and Toole County \$34.00/acre for 2025. Statewide private grazing: \$29.50/AUM for 2025.

A. Findings

Kenneth Judisch, the lessee and his son, Tyler Judisch appeared and testified in person. Anthony Nickol, the lessee and his wife, Lacey Nickol, the high bidder, appeared and testified in person.

The state lease is approximately 3 miles west of Shelby, MT. It contains 486.28 acres of agriculture land and 153.72 acres of grazing. The parcel is accessible via Union School Road.

Tyler Judisch testified on behalf of his father, Kenneth Judisch. He began by stating that the main source of income on the land is the cropland. Mr. Judisch referred to information submitted showing what the potential APH of the ground is. He noted that the maps show significant grazing ground, but a lot of it is coulee. Only 20% is grazable and there is not a water source available. There's a pit reservoir, but that does run. The main source of grazing if any would be fall grazing to take care of some of the grazing acres and maybe some stubble or some regrowth on winter wheat.

Judisch stated they believed that the bid of \$65/acre for the dry crop is a spite bid. It's not even close to what the average is or anything close by. There is a state section in Pondera County, five miles to the west that is \$39/acre. There is a Liberty County lease that is approximately 10 miles to the east that is \$35/acre. He restated that \$65/acre for dry crop is unreasonable. Tyler questioned if that price was approved, he'd be curious as to where the additional income to make up that would come from.

Mr. Judisch stated that what they've been doing in the past or what the cash lease has been so far

has had significant impact on their own operation and if you convert it to a crop share, there's a significant percentage of the crop that is actually going towards the lease. Additionally, there's been a drought for the last couple years, so that has had significant impact on repayment as well.

Their intended crop plan, is to continue doing 50/50 fallow crop. There has been drought impacts and not a lot of subsoil moisture. He does not feel that 100% continuous crop is reasonable for the following reasons: One for the impact on the ground, two for the next year crop, and then three for the impact on insurance. They've seen significant impacts on other surrounding areas that have switched to continuous crop.

Kenneth has had this lease since 1990. There has been 35 years of good history there and well maintained over that time period. Tyler stated that they have a BLM lease and a private lease that are on the north side of the state ground that is only accessible from the state. By losing the state lease would severely impact their usability of those leases.

Looking forward or trying to continue with the health of the ground, the lessee is currently enrolled in a CSP program. The state ground is not enrolled right now, but could be if we so deem it. Their practices are essentially to reduce soil compaction and reduce soil erosion. There is a certain percentage of the ground that they farm that is in a pollinator friendly crop rotation. He stated that they use modern technologies to reduce spray drift and nutrient runoff.

Tyler testified as to what the continued plan for weed management would be. They're going to keep the fallow and crop land free of weeds. They continually scout throughout the year. The ground's been well managed for the last 35 years and they will continue to treat the ground just like their deeded ground.

Tyler mentioned that the state ground, is accessed by a maintained county road. He restated that by not holding the lease any longer, that it would severely impact the usefulness of the private and BLM leases that they hold.

Additionally, it was stated that the DNRC statutes require consideration of fair market value. Comparable nearby leases are not even in the realm of what the competitive bid is. It is significantly outside that range and not feasible or sustainable over the long term. He expressed his concerns for the health impacts of the ground if the bid rate was accepted.

Mr. Nickol began his testimony by presenting additional pictures of his operation. He stated that he has water available 100 yards from this lease. He plans to a 50/50 crop fallow, which is currently what the lessee is doing. He stated that he doesn't believe in recrop unless it's in a wet area. He also mentioned that he owns his own cows and plans to graze it. He stated that the current lessee does not own livestock and as a result the fence has fallen to the ground and he has had to rebuild the fences and use a fall grazing plan at this time.

Mr. Nickol testified that his steers sold for \$2,300 each. If he could add 10 more cows to his herd, that's \$23,000 a year. He stated "that's a pretty good return for a \$900 grazing investment." Tony stated that he shares a common one-mile border with this land and stated that "he currently grows over \$300 an acre. Using this number, \$300 minus \$65 times two minus \$100 for growing a crop, I make \$70 an acre. It's not a bad return for 6.81 hours of seeding time."

Mr. Nickol stated that his deeded land is fenced in common with the state land as well as a BLM lease that is out of compliance. He stated that he has superior ag equipment capable of better seeding and fertilizer placement. He grows high-protein spring wheat that brings a premium price. It takes four semi-trucks to supply the product to the air drill. He stated that he grows for success, not survival. He testified that he's ordered two new grain bins just on the chance that he's blessed with this lease.

On the grazing portion, he hopes to fix the fences and implement a rest rotation grazing system. He also wants to get rid of the garbage and correctly reclaim the gravel pit as well as working on wildlife habitat in the wet areas that adds to the enjoyment of recreationists.

Mr. Nickol stated that "I watch as schools are falling apart around the state. Always taking the low bid has caused this. I have tightened my margins and want to pay more than anyone else." "With this lease, I don't pay land taxes and can deduct my rent payment. If every lessee did this, school funding would no longer be a problem."

Mr. Nickol stated that there is one mile of county road and one mile access next to his deeded land, so I have access to two of the four sides.

In closing, Tony stated that "we just celebrated our 30th year in block management. BMA number six is now closed, the first week of deer rifle to youth only. Children are our future. We have an organic greenhouse, pollinator plots, and continually plant new trees." They are working on plans to sell produce to local restaurants as well as donating to meals on wheels and food pantries. He also stated, "I want to tighten my margins and work harder for the common school trust. Success contributes to charity. Charity does not contribute to success."

Tyler continued his testimony by referencing the expense and income statements previously provided. He explained the spreadsheet provided as their bare-bones expense and income statements. He stated that he is an agricultural loan lender in the area and uses this tool to judge break-even costs. For the long term, that's essentially taking a 10-year look at where prices might be by assuming two or three good years, two or three bad years, and three to four averages.

He estimates that there would be a profit of \$8 dollars in the short term and long term, he's looking at \$47 for winter wheat and for spring wheat, short term, a loss of \$40, and long term, a net of \$1. This includes actual expenses, which are crop spray, pre-plant spray, fertilizer, as well as combine price, fuel, and repairs.

Tyler explained that he would love to grow winter wheat all the time, but realizes that we can't do that and do crop rotation to mitigate cheat grass. They have not done barley recently as it's difficult to get rid of.

He continued to explain his financial statements. He took an average production history. There's 486 cropland acres that's available on the state. The acreage is split that in half and 50/50 cropped. He took what his production would be at those prices and then he did it on a crop share at a cash price, but then broke it out like the crop share that would be available. At the current \$50/acre on their short term or long term winter wheat, they're looking at 32% of that goes to the

state. That's almost a one-third, two-thirds lease. These leases can't work. If you're getting a third or more, he would encourage customers or himself to have the land owner help with some inputs just because that is a significant upfront cost.

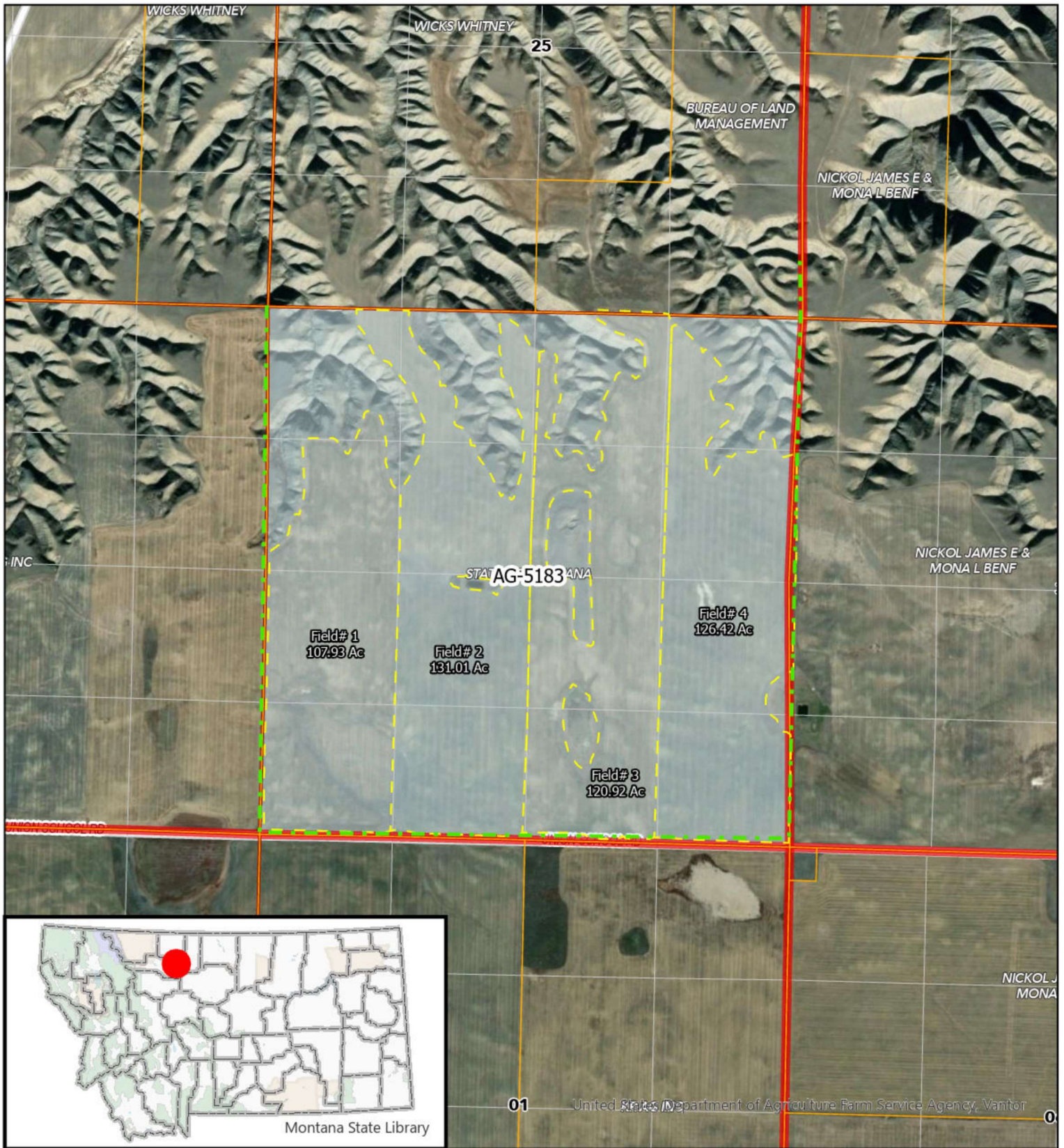
Mr. Nickol presented pictures to discuss. The pictures were of the fencelines on his parcel and the state parcel, his greenhouse, and equipment. He stated that he lives 20 miles away so there is no mobilization costs. He testified that he would put a gate in the existing fence in order to graze. He stated that \$50/AUM is reasonable, as the lease is right there and there'd be no trucking costs. He also pointed out accessibility to the BLM lease through the state parcel.

Mr. Nickol also testified that "the BLM lease is totally out of compliance and that's going to be dealt with one way or another because it's a use it or lose it. And you cannot legally use state land or BLM to access deeded land. I would access the BLM from my adjacent deeded land, so that is legal."

DNRC staff discussed the testimony given by the current lessee and the bidder. The current lessee has held this lease for over 30 years with no management issues. The bid rate was compared to the county averages, and staff were concerned for the long-term sustainability of the land if the bid rate was accepted.

B. Recommendation

The Director recommends that the Board issue the next term of this lease to the existing lessee, Kenneth Judisch, as the best qualified Lessee, and that the Board set the rental rate for this lease at the rate of \$50/acre and \$35/AUM.

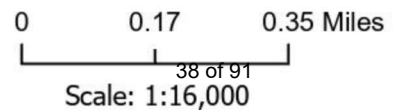


Lease: 5183



- AGMB_AgreementTracts
- - - Fence
- - - FSA CLUs 2026

Total Acres: 640.00
 Ag Acres: 486.28
 Grazing Acres: 153.72
 Total AUMs: 67



V. Contested Bid Hearing for Lease No. 1092

County: Madison

Lessee: Madison River Ranch Assoc. Inc.

High Bidder: Andrea Hastings

Hearing Time: Thursday, April 16, 2026 @ 10:30 a.m.

Tract: T11S R1E S36: Lots 1, 2, 3 – 103.41 Ac. - Common Schools Grant

Grazing Acres: 94.41 AUM rating: 24 Unsuitable Acres: 9.0

High Bid: \$500/AUM

Other Bids: None

Previous Rental: Minimum

Prevalent Community Rental Information:

State Land Madison County Bid Averages: \$37.81/AUM

Montana State University (MSU) statewide grazing rate of \$29.50/AUM.

A. Findings

The Lessee, Madison River Ranch Assoc. Inc., represented by Mark Juranek, appeared and testified in person. The High Bidder, Andrea Hastings, appeared and testified by Teams. Her husband, John Hastings and her attorney, Nicole Siefer, appeared and testified in person. All parties provided testimony under oath.

The state lease is approximately 35 miles from West Yellowstone along the Madison River.

Prior to the hearing, both Madison River Ranch Assoc. Inc., the current lessee, and Andrea Hastings, the bidder, provided a narrative report covering the nine criteria of ARM 36.25.117(9)(b), which the Director made part of the record.

Mark Juranek, began by stating that he is the treasurer for Madison River Ranch Association and is on the board of directors. Madison River Ranches is a seasonal-access HOA with 142 lots representing approximately 130 owners. The subdivision was formed around 1989. The HOA board was formed shortly thereafter. The board members are unpaid volunteers charged with the responsibility of carrying out the bylaws and covenants for the membership. Madison River Ranch is approximately 3,000 acres, which includes 55 acres in common area, which borders the Madison River and the state land.

Mark testified that the Madison River Ranch Association has held this lease for approximately 30 years. They've paid the lease obligations in full, managed the land responsibly, and served as a consistent steward of the state trust land. He addressed the issue of grazing. The association stopped grazing in the mid 90s when they ended grazing operations across their ranch property.

He stated: "This was not an abandonment of our lease obligations. It was a natural transition of our ranch operations." In and around 2015-2016, John Clark, their then president, was contacted by the DNRC to discuss the care of the state land, and evidence of weed management was requested. Documentation was provided; however, the requirements of grazing were not discussed. Mr. Juranek reached out to the DNRC by phone to understand lease requirements in 2015 and in early 2025, with both contacts occurring prior to any competing bid coming to their attention. In both instances, he was advised that grazing was not required and that their obligation was to care appropriately for the land. They relied on this guidance in good faith. He stated that there may have been some confusion over which type of lease they had. He stated "that they are prepared to correct that going forward with the developing crazy plan."

Mr. Juranek testified that the land has not gone unmanaged. They have maintained an active weed management program with documented invoices. The land also benefits from natural grazing by resident elk and deer population, which keep the native vegetation appropriately managed throughout the season. He stated that they now understand the DNRC strongly prefers the land to be grazed, and the board has formally voted to make that happen. They've reached a grazing agreement with the Three Dollar Ranch, a neighboring working cattle operation, and are actively finalizing the details of that plan with the right partners and with expert guidance.

He stated that they are here today to exercise their preference right to renew the lease. They are asking for the board to find that the competing bid is not in the state's best interest on three independent statutory grounds. His presentation will cover 3 areas. First, the competing bid is above the community standard. Second, they are the best lessee. Third, addressing risk factors associated with the competing bid.

Mr. Juranek stated that the state, per the statute permits us to challenge the bid on the ground that it is above community standards. They believe there's strong evidence to support this finding. As of approximately early March, the understanding is of the 900 renewing leases in Madison County the average bid, excluding our bid or our lease # 1092, was approximately \$62 per AUM. They also understand that there are no leases above \$150 per AUM. They don't have access to the underlying records and present them as our best understanding

To illustrate how far outside the framework, the competing bid falls at the current slaughtered beef prices of around \$2.30 a pound and a state minimum lease rate of \$27 per AUM. At \$500 per AUM, this would imply an equivalent beef price of \$42.50, approximately 18 times the actual market price. He offered this as an approximation for illustrative purposes. They also reached out for comparable lease data in our surrounding area, primarily with Three Dollar Ranch and neighboring ranches. They understand that in our area, lease rates below \$30 per AUM is the current expectation for the land of this character.

Mr. Juranek then discussed the statutory basis, which makes Madison River Ranches the best lessee. The statute asks the board to determine the best lessee possible, setting out the eight specific factors. They want to be clear from the onset that the DNRC wants the tract grazed, and they are actively developing a plan to do that in the right way with the right partners. They have a grazing plan in development with the Three Dollar Ranch. The Three Dollar Ranch is a working cattle operation of over 10,000 acres that borders the association land and the state lease

directly.

The developing plan, is that approximately 10 pure bred cows from Three Dollar Ranch would graze the parcel on a rotational basis during the summer season. They are working with the ranch and appropriate experts to finalize the detail of that plan that is responsible and appropriate for the land. The parcel is rated for 24 AUMs. The plan would utilize between 10 and 20 AUMs depending on grazing duration, well within the rated capacity. To support responsible grazing, they will submit a fencing proposal to the DNRC's Bozeman Field Office for review by the appropriate party. Approximately 15% of the existing fencing requires repair and new fencing will also be required in section 3 that currently exist. They have begun discussions with fencing contractors to understand the cost and the type of fence appropriate for the wildlife corridor. They are prepared to complete those improvements on a timeline approved by the DNRC. For livestock watering, they are evaluating two approaches. First, they will keep the livestock out of the river entirely, utilizing existing water rights to supply an off-river water source. The second would be to establish a responsible, expert-guided river access.

They will finalize these appropriate approaches based on expert guidance and DNRC input. Mr. Juranek stated that both bidders would face the same fencing requirements on this parcel. Either party's plan requires fencing that protects sensitive areas. Their plan intends to establish setbacks greater than the recommended minimums for the Madison River Corridor, and they've identified that those requirements will be ready to execute with DNRC approval.

Mr. Juranek addressed their 30 years of experience with the land. They know the seasonal conditions, it's weak, pressure, its wildlife patterns, and its access. The years of management and expertise at Three Dollar Ranch will be applied to this lease. No one better can replicate 30 years of institutional knowledge on this specific parcel, and unlike an individual, our board structure ensures the knowledge is documented and continues regardless of who holds an individual board seat. We do not make decisions in isolation. We engage our membership, and that governance model is how we would be approaching this grazing plan for this parcel.

Mr. Juranek asked DNRC to give the following serious weight. These 104 acres of state land sit adjacent to the association's 55 acres of common area, which in turn borders the Three Dollar Ranch of over 10,000 acres. The three properties are not managed in isolation. They're managed in a connected landscape. The same company sprays for weeds across the entire network of acreage at the same time. He stated that additionally, they have good working relationships with their neighbors, the Three Dollar Ranch, Sundance Bench, HOA, the owners in Cliff and Wade Lake Resort. This community is what allows them to manage together, not in isolation.

Mr. Juranek stated that their planned capital improvements are as follows. Approximately 4,000 linear feet of new and repaired fencing to contain livestock with setbacks exceeding recommended minimums. For livestock watering, they're exploring two options with consulting with our fencing contractor and Three Dollar Ranch. He stated that he brought their weed invoices to show that they have sprayed for weeds annually and historically, by using one application per season being sufficient to maintain this land in good condition. They have a demonstrated willingness to expand them to multiple applications when needed, both on their common area and on this lease parcel.

Mr. Juranek stated that they have a documented track record of consistent active management. Under factor 6, our association board meets regularly and operates with the governance structure accountable to our full members. For significant decisions affecting common land and the community, they form working groups with the membership, gather recommendations, and those recommendations are brought to the board. An example of this would be monitoring with regular inspection the success of the weed program. They stay connected with Three Dollar Ranch to stay aligned if application or spot applications are required. By committing to a management objective, there is a board and a membership to hold us to it.

Mr. Juranek testified regarding access by stating that they have existing access to this land. Access to the state land will be made via Trumpeter Trail. At the termination of Trumpeter Trail, access will be gained by traversing the common area land that borders the state land. Madison Ranch has established and supported legal access to this land for over 30 years. Fishermen, hikers, campers who access the land lawfully below the high water mark or bike the road are welcome.

Mr. Juranek stated that this is exactly what the state would want from a leaseholder of trust land. Per DNRC policy, a leaseholder may require notification before entry, but not permission. They have never abused that distinction and have not even requested notification. They treat public land as public land.

Under the board's required findings on damage and long-term productivity, they raised one specific concern about the competing bid.

They have reviewed Madison County property records, which indicate the competing bidder holds approximately a 26% ownership interest in the property abutting the state land. The remaining 74% is by co-owners. Their understanding, based on DNRC practice, is the minority interest seeking to serve a primary leaseholder would need to demonstrate written consent from majority owners. They do not know whether that consent exists. It is conceivable that the co-owners could object to or restrict activities necessary to operate this lease, which would leave the DNRC with the leaseholder who cannot fulfill obligations of the lease.

In closing, Mr. Juranek stated that they feel an obligation to the board to address certain conduct by the competing bidder because the statute does not just ask which party wants the lease, it asks which party is the best lessee. Character and conduct are part of that answer. He testified that in 2019, the competing bidder mowed a large portion of the state trust land without authorization from the DNRC in a manner that approached the river itself. In addition to mowing, during a recent trial proceeding, the competing bidder and a witness expressly claimed they cut and removed sagebrush to establish a roadway across state land, driving motor vehicles across this land prior to any access lease being granted in 2020. To their knowledge, this was done without DNRC permission and is not consistent with the state's expressive interest in how this land should be managed. They did not hold the lease. They had no legal right to alter state land in any way. This is not a minor oversight. This is a preview of how they believe the competing bidder would manage this land on their terms, not the state's.

The second point Mr. Juranek addressed was that the competing bidder applied for and received an easement across the state land. No notice was provided to Madison River Ranches. In that application, they found it confusing that there was no mention of access to their property through the subdivision and its plotted roads. On the subdivision's certificate of survey. That access exists. It was simply not mentioned. One of the maps included in this application mistakenly shows Trumpeter Trail extending into the state land, which is inaccurate and not consistent with the certificate of survey. There is an active litigation involving the competing bidder related to a prescriptive easement claim. The trial has been concluded.

The judgment is expected in May or June. Beyond the formal litigation, even though she had sufficient ingress and egress through the common area association roads, the competing bidder has cut locks on gates that are not on her property and has used that exit despite her neighbor's explicit demands that she not trespass. Also, a claim was made for an express easement. That express easement claim was denied by a judge in Madison County.

Mr. Juranek, in closing, tied his testimony together. Under the three statutory grants, the competing bidder is a dramatic outlier of Madison County community standards. It would displace a leaseholder with thoughtful developing grazing plan built around expert partners and properly sized to the land's capacity in favor of a minority property owner whose authority to operate the lease remains unverified. Under the best lessee factor, they have 30 years of continuous stewardship, a grazing agreement in principle with Three Dollar Ranch, a connected ecosystem of more than 10,000 acres, a documented weed management program, and a proven track record. They have accountability through their board structure and accountability to their membership, and a 30-year record of welcoming the public onto state land without conflict. On the other side, a competing bidder who has already used the state land without authorization submitted an easement application with questions from his point of view. She has cut locks, trespassed on the neighbor's property, and holds only a 26% interest in the adjacent property without the documented consent of the majority owners. The Madison River Ranch Association is not asking for special treatment. They are asking for this board to apply the laws written, the way the evidence is presented, and reach a conclusion that 30 years of responsible stewardship, a grazing plan and development under the right way with the right partners, and a demonstrated commitment to working transparently with this agency, makes their association the best agency for this land. They ask the board to retain the lease at a fair value and a reasonable AUM rate.

High bidder, Andrea Hastings was represented by Nicole Siefert. She started by addressing some of the claims made by the Madison River Ranch. She stated that the best predictor of the future is the past. She referred to information from February 2026, which included a complaint from Ms. Andrea Hastings to the DNRC. One of the things that needs to be addressed based off what was testified to is that while Madison River Ranch has held the lease for over 30 years, they have not grazed this land since at least 2003, while Mr. Juranek said it was possibly in the 90s. It was a decision by the MRR board not to graze any further. She referred to the minutes of 2009, which were supplied, in which it said, "please don't tell anyone that we are not allowing grazing," meaning don't tell the DNRC, in the materials on Ms. Hastings' complaint. And it is meeting minutes from 2009. Ms. Siefert questioned the reasons why the MRR was hiding the fact that they had decided not to graze. They want to keep the grazing lease, but they didn't want to graze. A meeting was just held where they voted to start grazing again. For at least since 2003 until two

days ago, MRR has made the decision from their board that they are not allowing grazing, even though they've held a grazing lease. That goes against what the purpose of the lease is for. There's a host of other issues in the complaint. Ms. Siefer then called attention to a couple other things that were testified to.

Miss Hastings put together her bid based on what she would pay for her horses to be if she had to have her horses kenneled. This grazing would be for horses, not for cows. The cows have not been allowed to graze on Madison River Ranch since the 90s. And so this new idea that they're going to start grazing cattle again is 2 days old. Ms. Hastings has had horses since the early 90s and she has them on her property in Idaho and she would have them on her property in Montana should she have this lease. She came up with the amount based off what she would pay if she the horses kennel in Bozeman and then have them transported back and forth. The next thing that was addressed was community standards. Miss Hastings has owned her property since 1991. Her family was the very first in the area to purchase this property in 89. She's A 50% owner. That was a misrepresentation. So the misrepresentation about property ownership is incorrect. She is the neighboring owner to the state land. She has used Trumpeter Trail to access her property, which is what the current litigation is about. Her family has used Trumpeter Trail to access her property since 1989.

In 2019, they were fenced off. And so current litigation has ensued. She has other access to the state land. That is not an issue. And she might have secondary access to the state land if she succeeds in the lawsuit. Another thing that needs to be addressed was some insinuation about the conduct of the bidder not representing accurately when she applied to the historical easement. When you apply for historical use easement, there's no notice requirements. She had no duty to notify the MRR board. She filed that paperwork through her prior council. She represented how she accessed the land from 1989 to the current time and the state granted her historical easement. And that requirement for the historical easement did include a requirement to publish notice, and there was no objection. So she did publish notice. At this point, Ms. Siever addressed the eight points by having Miss Hastings testify.

Ms. Hastings testified that she first become an owner at her property in Madison River Ranch in 1991 and that she owns 50% tenants in common with authority to make decisions for her property.

Ms. Hastings agreed that she submitted an intended grazing management plan and it accurately represents what she would do if she were granted the lease. She testified that she and Mr. Derzapf spent some time figuring out how to manage it and fence it, which is in the proposal. She would like the lease because the property on tract 63 has very steep canyon walls, to have horses on it, you have to keep them in a small area. She stated that she keeps them in a small area when they bring them to the front of the house. It would be very advantageous to have the adjoining grazing leaves for a run out and use them as a pasture.

Ms. Hastings testified that she would engage in some fencing, which is outlined in the grazing plan submitted. The fencing that Mr. Derzapf from Sage Management Solutions recommended is electrical fencing, which is the most beneficial for wildlife crossings. It can also be lowered very easily in the winter, so that passage for elk and deer and other animals can be made. She stated

that the grazing plan includes her experience with ranching in her family. Her family started ranching in 1830s when it was still Mexico, where Venice Beach and Los Angeles International Airport are now. They moved to Visalia and Porterville at the turn of the century. I spent all my summers and holidays there on the ranch, upon when she returned home from working overseas and got married in about 2000 when she purchased four horses. My first horse was purchased in 1968. She has a six stall barn on her property Idaho. She uses a United States Forest Service approved fencing because she's surrounded on three sides by Forest Service. She lowers them in the winters so that the elk can pass through and then she picks them back up in the spring. She stated that she is very familiar with all aspects of horse maintenance and pasturing, plants, weeds.

Ms. Hastings stated that she intends to graze three or four horses. She testified that she spends time every year, except for 2000, 2012 and 2018 on her property. She stated that she is very familiar with the weeds in the area. She referred to six photographs of different types of weed problems that are on the state lease presently. She stated that the historical easement weed plan was verbally done in 2022 and then formalized in 2024. It is included in the proposed weed control plan. She stated that she has been paying for weed control for over ten years and submitted receipts in the plan. She estimated spending about \$1200 on weed management on 20 acres.

Ms. Hastings testified that the sagebrush is overgrown. She testified that she thought the MRR spend approximately \$4000 on weed control for 1000 acres plus the 193 acres of state land. She stated that the lease is overrun with knapweed and it blows into her front yard. The grazing plan identifies that there should be a 30 percent coverage of sagebrush to allow for native grasses to grow. It is way over that. The consultant suggested in patches, cutting down making islands or Motts on the state lease so there's cover for animals and water banking and so that they can also mitigate the extreme fire danger that they have shared with Madison River Ranch. She stated that they have tried to mitigate it on her property. She suggested that she didn't think that MRR is aware of the property lines. Her property goes very close to the river, about 250 feet off of the river. As you will see in my complaint, the fire station is an hour and 30 minutes away from any fire company getting to us in this area. So they consider it extreme, level 10 fire danger. She has left islands on her property for shelter, for animals, and for water banking. Her residence is at the mouth of a canyon in a sea of sagebrush that is 20 years old, and the danger is very high, and Madison River Ranch is not mitigating the fire danger.

Ms. Hastings testified about her goals and objectives for monitoring procedures which is addressed in her management plan that was submitted. Monitoring may be completed prior to grazing in year one and post-grazing in the first year to observe changes in vegetation and the landscape due to both environmental factors and grazing induced factors. Monitoring may be conducted every third year after the initial. Planned monitoring methods will include photo monitoring and line point intercept that is recording bare ground, basal hits, litter, and canopy cover.

Ms. Hastings testified that she has access off of Madison Trail to the state land, even if she is unsuccessful in her current litigation, where she is asking the court to grant you a prescriptive easement through Trumpeter Trail that goes through the state land. She also has a historical

easement through the state land.

Ms. Hastings then testified as to her fencing plan. Interior cross-fencing will be constructed by one of two methods. The first being a single strand of high tensile, 12.5 gauge electric fencing. The alternative will be a single strand of temporary polyelectric fencing that can be taken up each fall post-grazing. Either of these options will visually unobstructive and wildlife friendly, not impeding movement and migration of elk mule deer and antelope.

Ms. Hastings also testified that she has the means necessary to support this grazing if she were to get this lease as well as the equipment necessary to manage the horses on the lease. She stated she would monitor the horses daily, if not hourly as she can see them outside the windows of her home. The horses would be watered on her deeded land. She then provided testimony as to how the bid amount is feasible for her. Her calculation is for three horses at six months. She tried to find different places, public boarding facilities in Cameron, West Yellowstone, and Ennis and was unable to do so. The closest was Belgrade and Bozeman. The minimum they charged was \$600 to \$1,000 a month. Three horses at six months came to \$10,000. With 4 horses, it came to \$14,400. She went right between the two for \$12,000. Otherwise, it means that she would have to drive to Belgrade or Bozeman if she wants to have the horses with her, and that would be a 92 mile, one hour and 48 minute driving time at diesel fuel costing \$6 a gallon at the moment. It would be about \$50 per trip one way.

Ms. Hastings then testified that her competitive bid would benefit the state land. She stated that she understand that trust lands belong to the people of Montana, and as part of the Montana statehood requirements on November 8th, 1889, the trust lands were created to benefit Montana schools. Montana school trust lands were set aside for grazing due to Montana's agricultural nature. She stated that the lease hasn't been grazed since 2003.

Ms. Hastings stated that she's had 10 years of frustration with the Madison River Ranch. She was very concerned about the fire danger for fire mitigation. Second concern was the incredible amount of knapweed that has been coming onto her property blown over from the state land. She said that no one has done anything about noxious weeds on that part of the state land lease in 10 years. It is overrun with knapweed. She submitted photo documentation regarding the noxious weeds in the riparian area in 2022 to 2024. She testified that she felt that MRR has not abided by the lease terms.

Ms. Hastings testified that MRR put a riparian road along the river on the state land in the riparian, 25 feet of riparian zone. She stated that they constantly harassed her with over 20 incidents. She stated that they somehow got a blue recreational sign, which does not appear to come from DNRC, but looks like it was made by MRR and they placed it in the middle of the historical easement. There is a picture of the sign in her documentation submitted.

Ms. Hastings also testified that MRR has tried to hide violations that they've had with their current lease. This is mentioned in 30 years of board minutes. She stated that there has been subleasing that has occurred with the grazing lease throughout time. The minutes apparently discuss monies that they've been taking in for the grazing lease.

In closing Ms. Hastings stated that she can afford to take care of the fire mitigation problem which is extreme. She can afford to take care of the weed problem, which she claims, Madison River Ranch, has not done for 10 years. She stated that she can bring it back to a grazing lease.

In closing, Mr. Juranek testified that they are relying on experts, who are our neighbors, that have ranching operations. We wouldn't hide from that. He stated that he also come from a farming and ranching family. His dad taught FFA and taught ag at a high school. He would never claim that he's a rancher, but Three Dollar Ranch is. In terms of when we made this grazing plan, he noted that he had notice of this competing bid in February and had received an email notifying who the competitive bidder was the week that they had our trial in Virginia City. As a volunteer, our hands have been really full in that case. Their plan is not going to look like the plan that was submitted by Ms. Hastings, but it doesn't mean that we can't execute against that.

Mr. Juranek spoke in terms of fire management. He submitted a couple of pictures in which he felt like the fire safety is a critical issue. He referred to a picture of the Hastings home. It shows the trees are on the deck. There's not a way to protect this home better than a 100 foot radius of protected land. That's what the state of Montana recommends. This has trees touching the house. So the fact that this fire safety issue is being made such a paramount issue and yet what is in control of the competitive bidder has not been managed in the same way that is described today.

Mr. Juranek clarified terms of the historical easement. This is definitely a legal issue. The certificate of survey for the subdivision terminates. There is no easement which extends through Lot 73. You have to cross from Trumpeter Trail and you have to go across Lot 73 to get to the state land. That easement, that road terminates there. The Hastings have made a claim for an express easement that this historical easement and these maps from the early 1900s provide them this historical access. That's just not so. And that was brought to the court and a judge has ruled that there is no express easement.

He testified that the notion of this historical easement is nonsense. It's already been ruled on by a judge. And now we await the prescriptive. In terms of the subleasing, to his knowledge, the ranch has never subleased the state land. They have subleased or have leased MRR property. The rental income are financial statements from the 90s and the early 2000s, and he stated that he misspoke about when they stopped grazing. They leased their property, the ranch property, not the state land. In the past, there was not a good plan and the cows were just free grazing through this 3,000 acres. They did not allow them to continue to graze in that state land because of the damage that was being done to the river. They then focused the cow grazing primarily in the upper end of the ranch itself.

Mr. Juranek testified that he felt he should mention that they care a lot about fire. Sally raised \$20,000 from the community to help the local fire department. He disagreed with the reference being used for the 90 minutes to a fire station. He stated that there is a fire station across the river. It's a volunteer fire department that has a truck there that is approximately 5 miles away from the ranch.

Department staff asked Mr. Juranek if there was access to the state property that's north of

Madison River, a little bit East, for either party, such as getting vehicles there or the ability to fence. Mr. Juranek testified that to his knowledge, there was not. That land is surrounded by other owners and a rancher. That land has a steep bank to it and it has a stream that runs through it. So the amount of grazing land would actually be fairly limited, close to the river. Staff asked if any weed management occurred on that side of the river. Mr. Juranek replied that he did not believe so. It would require permission to go through one of those homeowners that are over there. He stated that he has seen some weeds approaching the state land. It's quite marshy in there, so he doesn't recall seeing an excessive weed problem. It has not been sprayed. Ms. Huyser, Bozeman Unit Manager stated that the field evaluation was somewhat inconclusive on the weeds on that north side because DNRC staff couldn't cross the river to get to it. She said it looked like there was a good amount of knapweed, but it could have been thistle. She was unable to confirm.

Mr. Osterloh, Lands Section Supervisor, asked both parties if they were aware that the most recent field evaluation conducted in August identified a stipulation to be placed on the lease that the lessee develop and approve a weed management plan filed with Madison County and DNRC by June 30th, 2026, then asked if they were willing and able to do that if they were the successful lessees? Ms. Hastings acknowledged her weed plan in place with historical easements since 2024. She stated that she has an operator who has wrote on the weed plan what he plans to do with this, and they could have that in place tomorrow if need be. Mr. Juranek asked if the notice has been sent to MRR. It was clarified that it has not because the new lease has not been issued. It would be a condition of the new lease. Mr. Juranek agreed to the stipulation. He stated that he didn't know how they would do the north side. He doesn't know the parties over there, but they have working relationships in that community, that people would be happy for them to use their land to take care of the weeds on that north side.

Ms. Hastings asked DNRC if Madison River Ranch ever had a weed plan that's been authorized by the state or if they've ever done it in the last 30 years. Kara Huyser replied that there is not one in the file. She stated that she has had discussions with both Mark last summer and David Maldonado, about the weed issue and they've both been receptive. There has never been this condition of the lease. There wouldn't be one required unless there was some obvious concerns.

DNRC staff asked a clarifying question to Ms. Hastings. "You mentioned access to the property based on adjoining land ownership. And I see what you're talking about with regard to the southern parcel that's south of the river. Is that also true of the portion that's north of the river?"

Ms. Hastings replied, "No, I've looked at that. There is a new road that just got put in there in the last two years. It is held by a corporation. And I have not, until I find out if we have the lease, I would certainly be approaching those people to see if we could cross over to take care of that. There's also the other property owner is a family named Omando family. They're in the process of selling that property for about 7 million. So I don't think they would probably have any problem at all letting me crossover to take care of their weeds. I think it'd be doing them a favor if they're trying to sell the property. But...We also have access off of Madison Trail, which has not been mentioned, but the Madison River Ranch put in almost 6 feet of fill, which made the entranceway very steep. Where we used to use it, we really can no longer, but that is a whole utility access goes down to the state land."

DNRC asked Mr. Juranek if he disputed the fact that she has legal access to the southern parcel, pending the result of the easement litigation?

Mr. Juranek replied “No, she has her existing roadway easement to her home off Madison Trail. That's 100% correct. That's how she gets to her house.”

DNRC staff asked Ms. Hastings, “Do you have vehicular access to the southern portion, assuming that your easement litigation is not resolved in your favor?”

Ms. Hastings replied, “It is a six-foot drop off that Madison River Ranch has placed on the Madison Trail on the last four years. So you wouldn't take a trailer down there like we used to. You can certainly drive down probably with a four-wheel drive like a Jeep. But at the moment, since their actions have created a problem with ingress and egress, it has not been solved. But you can drive down there, just not with horses and a trailer connected to it.”

DNRC asked Miss Hastings, if she lost this litigation would she fix the road up so that you could get a horse trailer down that road. She replied that it was yet to be determined.

Mr. Juranek testified that a statement had been made twice that 6 feet of fill has been added to the road. He stated that is was nonsense. Gordy Matson does the roads. They add dirt and fill to certain portions of the road and those are on high traffic areas which are above the ranch. Mr. Juranek stated that you could drive a small car up this road that's being talked about. He is not sure if it's safe driving a trailer with horses in it. He stated that Ms. Hastings said during trial that they wouldn't drive a trailer down that road, and yet the excavator that has repaired their roadway has driven a 24-foot truck and trailer with a backhoe down their road to their house. He stated that they would not do something like that to inhibit a person's access to their road. It's nonsensical. Ms. Hastings clarified that was in 1995.

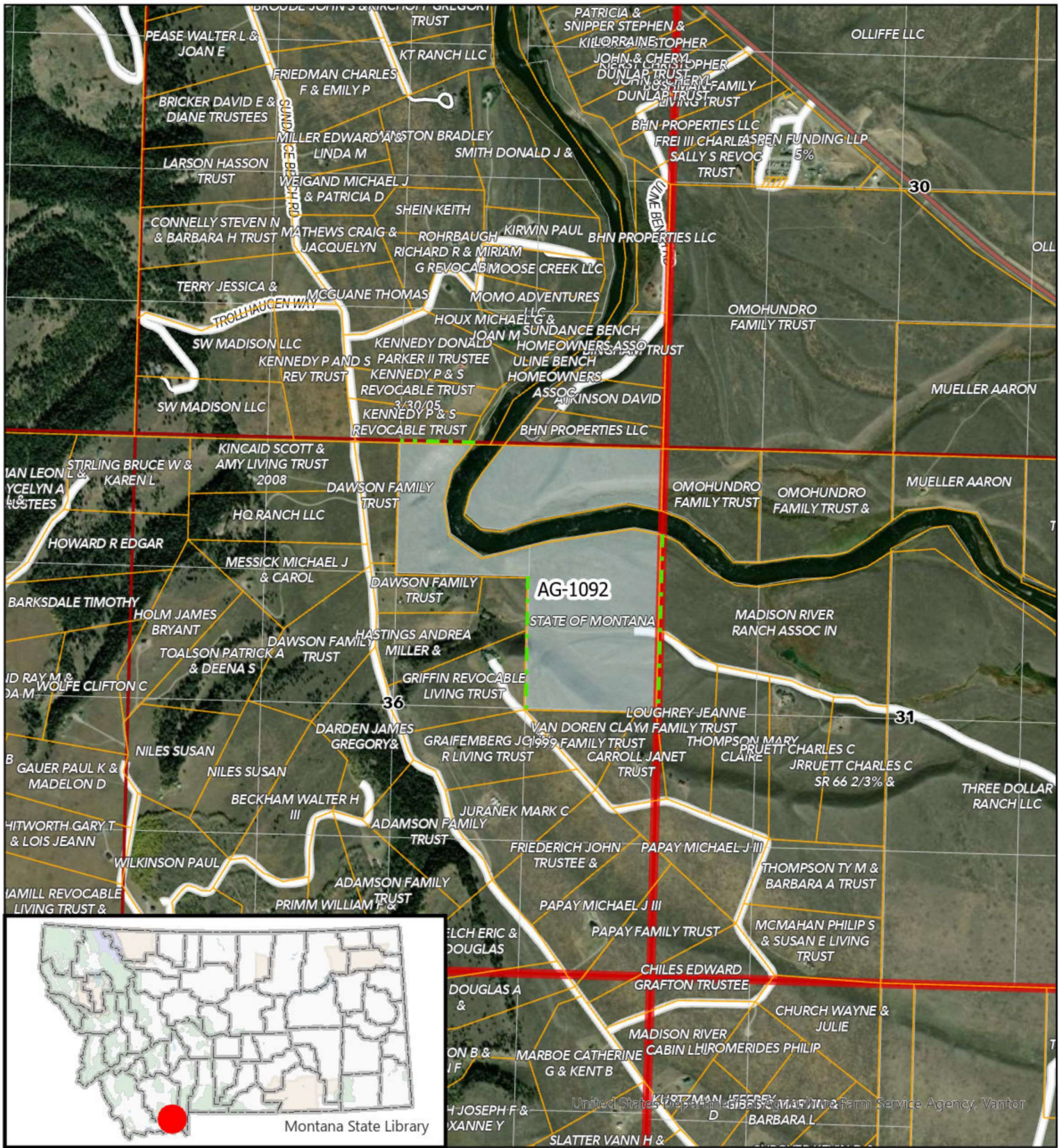
DNRC staff asked Ms. Hastings if she was a member of the Homeowners Association. She replied, “Sadly, yes.” Mr. Osterloh, then pointed to her grazing management plan that contemplated some extensive removal of sagebrush. He asked if she was aware that the property is in general habitat and would require consultation with the Sagebrush program in order to be authorized to do that removal. She replied that “they were talking about 100 feet away from the 1970s cowboy fence that runs parallel to the property line. And anyone who wants to get involved with that plan for the Motts or the islands is more than welcome.”

Ms. Hastings replied that they just want to mitigate the fire concerns.

Upon closing of the hearing, DNRC staff reviewed the testimony given. There are concerns regarding Ms. Hastings's plan for removal of the sagebrush. The grazing plan has not been vetted through the Sage Grouse Habitat Conservation Program, nor has she made a plan to do so. When asked about this, she did not give a clear answer as to her understanding that this must be done. The \$500/AUM bid is extreme when compared to community standards and DNRC does not feel that this is in the best interest of the State. High lease rates potentially could lead to overgrazing, in which would be detrimental to the long-term sustainability of the land.

B. Recommendation

The Director recommends that the Board issue the next term of the lease to the existing lessee, Madison River Ranch Assoc. Inc., and require an assignment to add the Three Dollar Ranch to the lease, for a five-year term with stipulations requiring a weed management plan, and the Board set the rental rate for this lease at \$35.00/AUM.

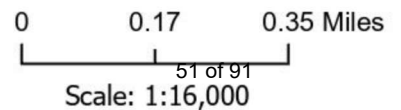


Lease: 1092



- AGMB_AgreementTracts
- - - Fence

Total Acres: 103.41
 Ag Acres: 0.00
 Grazing Acres: 94.41
 Total AUMs: 24



0526-2

EASEMENTS

**Land Board Agenda Item
May 18, 2026**

0526-2 Easements

**Location: Custer, Hill, Musselshell, Phillips, Powder River, Sweet Grass, and
Wheatland counties**

Trust Beneficiaries: Common Schools

Trust Revenue: Common Schools \$10,183

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Buffalo Jump Ranch & Management Co., LLC.
125 A. Wormser Loop Road
Big Timber, MT 59011

Application No.: 10740A
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: 3.287
Compensation: \$1,479.00
Legal Description: 60-foot strip through SE4NE4, NE4SE4, Sec. 36, Twp. 3N, Rge. 13E, Sweet Grass County

Trust Beneficiary: Common Schools

Item Summary:

Buffalo Jump Ranch & Management Co., LLC is requesting an amendment to their existing easement for the purpose of expanding the dominant tenement. This request is due to the acquisition of adjoining lands to the original dominant tenement identified within the existing easement which increased the acreage of private land served from 40 acres to 200 acres. Subsequently, the lands acquired and original parcel accessed were consolidated by survey, creating a tract of land. The amendment will recognize access to the 200 acre tract and replace the dominant tenement description from the original granted easement.

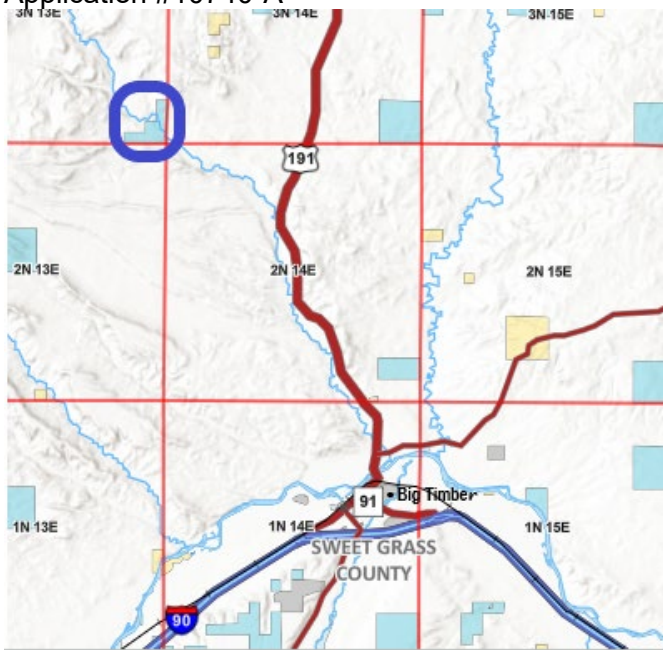
Buffalo Jump Ranch & Management Co., LLC private land to be accessed is described as follows:

- Tract 1 of COS 134058CB of Section 36, Township 3 North, Range 13 East

DNRC Recommendation:

The DNRC recommends approval of the amendment application of Buffalo Jump Ranch & Management Co., LLC.

Application #10740-A



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Terry and Diann Soltis
700 E. South Range Road
North Lima, Ohio 44452

Application No.: 10760-A
R/W Purpose: a private access road to a single-family residence and associated outbuildings

Lessee Agreement: N/A (Historic – Renewal)
Acreage: 0.09
Compensation: \$100.00
Legal Description: 20-foot strip through SE4SE4, Sec. 36, Twp. 2N, Rge. 47E, Custer County

Trust Beneficiary: Common Schools

Item Summary:

Terry and Diann Soltis are requesting a renewal of an existing easement for a private access road for the purpose of accessing a single family residence. The existing easement was approved in 1996 under the original Land Board Private Driveway Policy which limited access easements to 30 year terms. Pursuant to issues with lending institutions and the advent of the original historic right of way legislation passed in 2001 which provided for permanent historic access, the policy was amended in 2004 to remove the limitation of term for private access roads. This renewal application will provide for permanent access to the lands of Terry and Diann Soltis, with the application being made pursuant to amendments of §77-2-101, MCA for recognition of historic uses across State Trust Land.

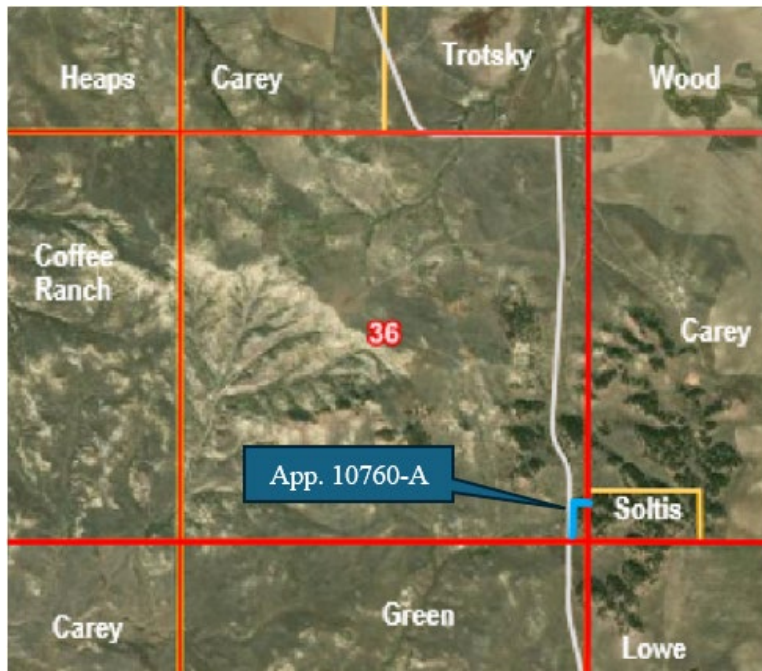
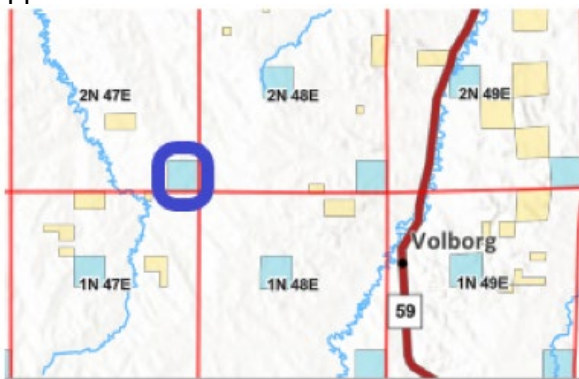
Terry and Diann Soltis private land to be accessed is described as follows:

- S2 of Gov. Lot 4, Section 31, Township 2 North, Range 48 East

DNRC Recommendation:

The DNRC recommends approval of the application of Terry and Diann Soltis.

Application #10760-A



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Christopher Colson
PO Box 1723
West Yellowstone, MT 59758

Application No.: 10824-A
R/W Purpose: a private access road to conduct normal farming and ranching operations

Lessee Agreement: N/A
Acreage: 4.82
Compensation: \$7,230.00
Legal Description: 30-foot strip through E2NW4, S2NE4, NE4SE4, S2SE4, Sec. 16, Twp. 9N, Rge. 12E, Wheatland County

Trust Beneficiary: Common Schools

Item Summary:

Christopher Colson is requesting a renewal of an existing easement for a private access road for the purpose of accessing a single family residence. The existing easement was approved in 1996 under the original Land Board Private Driveway Policy which limited access easements to 30 year terms. Pursuant to issues with lending institutions and the advent of the original historic right of way legislation passed in 2001 which provided for permanent historic access, the policy was amended in 2004 to remove the limitation of term for private access roads. This renewal application will provide for permanent access to the lands of Christopher Colson, with the application being made pursuant to amendments of §77-2-101, MCA for recognition of historic uses across State Trust Land.

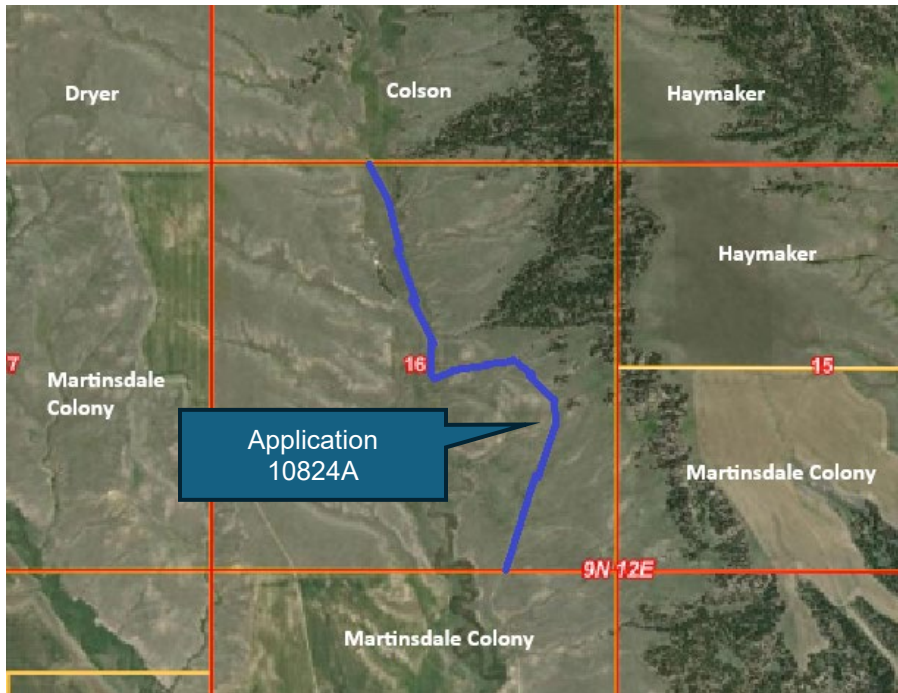
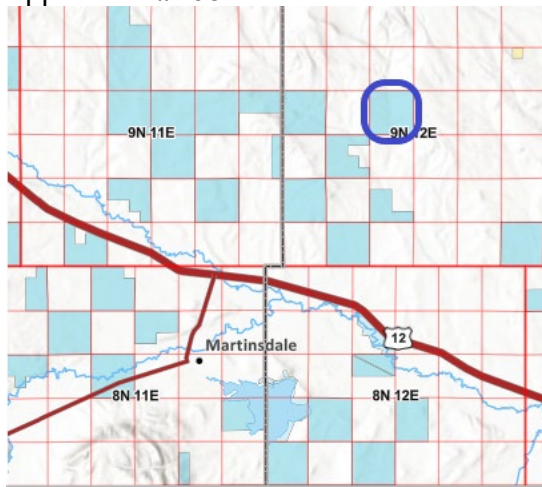
Christopher Colson private land to be accessed is described as follows:

- All, Section 4, Township 9 North, Range 12 East
- All, Section 9, Township 9 North, Range 12 East

DNRC Recommendation:

The DNRC recommends approval of the application of Christopher Colson.

Application #10824-A



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Powder River Energy Corporation
PO Box 930
Sundance, WY 82729

Application No.: 19946
R/W Purpose: a 14.4kV overhead distribution power line
Lessee Agreement: ok
Acreage: 0.24
Compensation: \$168.00
Legal Description: 30-foot strip through NE4SE4, Sec. 32, Twp. 8S, Rge. 48E,
Powder River County

Trust Beneficiary: Common Schools

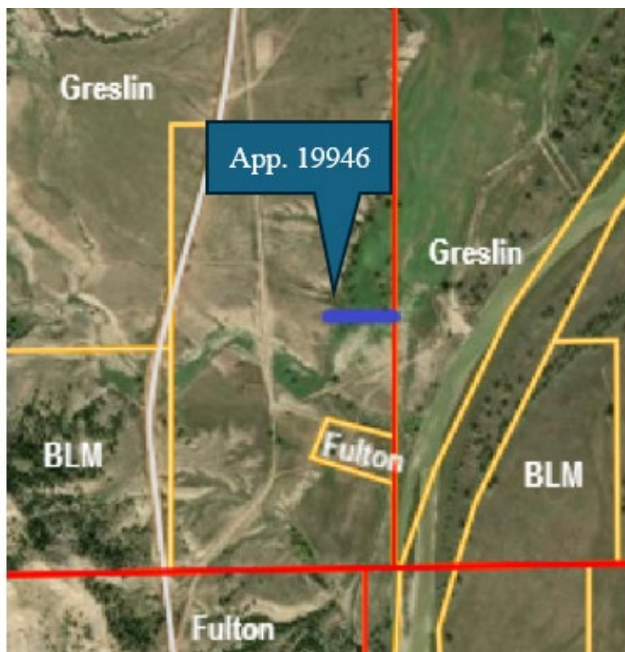
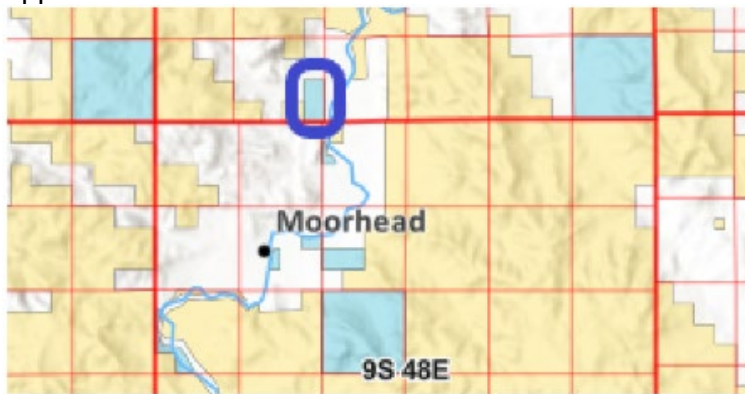
Item Summary:

Powder River Energy Corporation is requesting an easement to install a 14.4kV single-phase overhead distribution power line through state land in response to a request for electrical service to a new irrigation system. Other routes were considered and eliminated for topographical, environmental, and economic reasons.

DNRC Recommendation:

The DNRC recommends approval of the application Powder River Energy Corporation.

Application #19946



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Fergus Electric Cooperative, Inc.
17128 HWY 12 E
Roundup, MT 59072

Application No.: 19947
R/W Purpose: a buried 7200v electric power line
Lessee Agreement: ok
Acreage: 0.05
Compensation: \$100.00
Legal Description: 30-foot strip through NW4NW4, Sec. 16, Twp. 9N, Rge. 25E,
Musselshell County

Trust Beneficiary: Common Schools

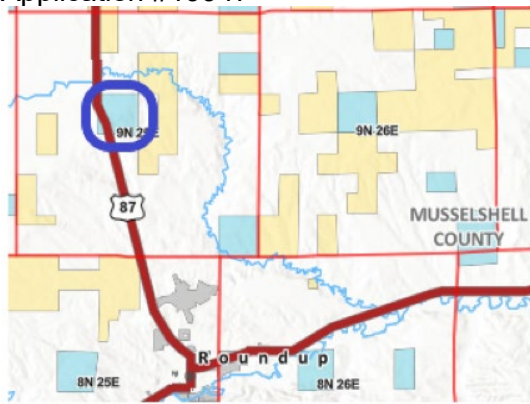
Item Summary:

Fergus Electric Cooperative, Inc. has requested an easement to install a drop-line from an existing overhead powerline to provide service to an adjacent landowner. The drop line will be placed in a conduit that will be bored under the highway and adjacent trust land. Alternatives to extend overhead service were analyzed, however the highway is a high load corridor and safety was a concern.

DNRC Recommendation:

The DNRC recommends approval of the application of Fergus Electric Cooperative, Inc.

Application #19947



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Northwestern Corporation
11 E. Park Street
Butte, MT 59701

Application No.: 19948
R/W Purpose: an overhead 7200v electrical distribution line
Lessee Agreement: ok
Acreage: 0.9
Compensation: \$450.00
Legal Description: 20-foot strip through W2SW4, Sec. 36, Twp. 31N, Rge. 32E,
Phillips County

Trust Beneficiary: Common Schools

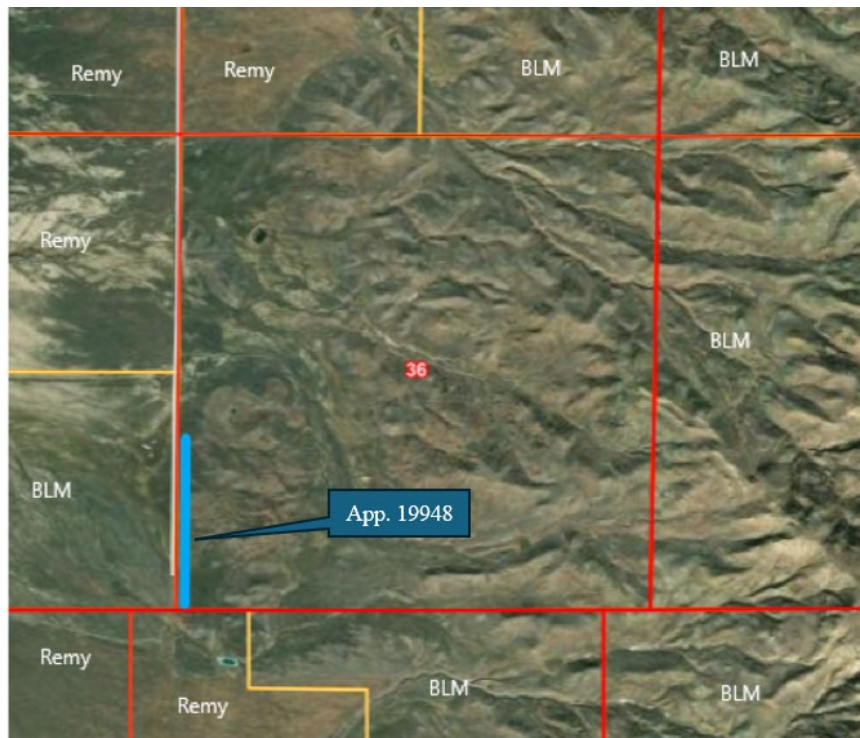
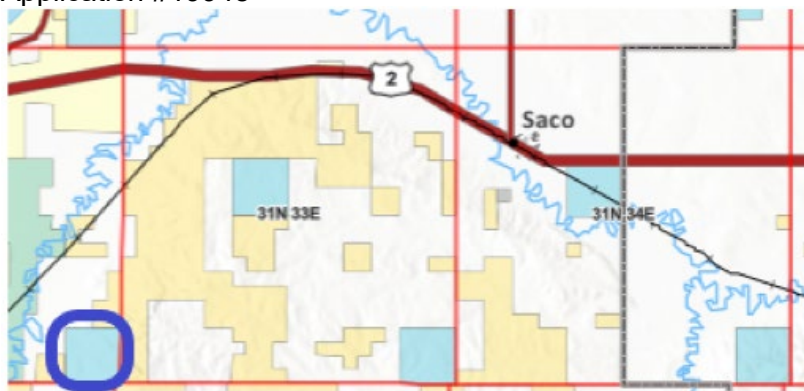
Item Summary:

NorthWestern Corporation has requested an easement for a single-phase overhead 7200v overhead powerline. The easement will provide electricity to a stock pump for cattle and potentially a future homesite. The closest existing primary electric line is located on state property, less than 2,000 feet from the proposed service location. The next nearest power source is over 8,000 feet away and would require securing multiple additional easements.

DNRC Recommendation:

The DNRC recommends approval of the application of Northwestern Corporation.

Application #19948



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Hill County Electric Cooperative, Inc.
2121 HWY 2 NW
Havre, MT 59501

Application No.: 19949
R/W Purpose: an overhead 7200v electrical distribution line
Lessee Agreement: N/A (Historic)
Acreage: 0.82
Compensation: \$656.00
Legal Description: 10-foot strip through S2SW4, SW4SE4, Sec. 36, Twp. 32N,
Rge. 15E, Hill County

Trust Beneficiary: Common Schools

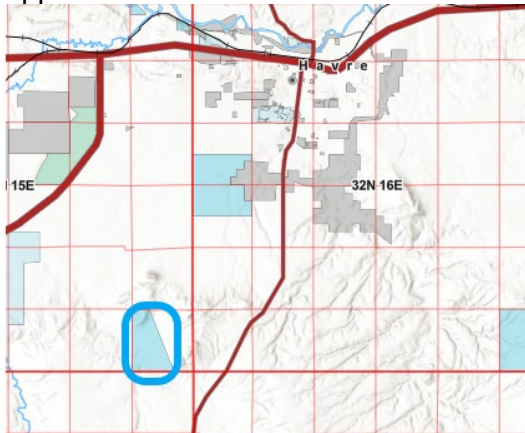
Item Summary:

Hill County Electric Cooperative is requesting a historic easement for an existing 7200 volt overhead electrical distribution line that was installed in 1973 as part of the South Havre exchange project. The application was made pursuant to the amendments of §77-2-101, MCA for recognition of historic uses across State Trust Land.

DNRC Recommendation:

The DNRC recommends approval of the application of Hill County Electric Cooperative, Inc.

Application #19949



0526-3

REQUEST FOR APPROVAL OF LAND
EXCHANGE POLICY UPDATE

**Land Board Agenda Item
May 18, 2026**

0526-3 Request for Approval of Land Exchange Policy Update

Location: State of Montana

Trust Beneficiaries: Common Schools, Capitol Buildings, MSU 2nd, MSU Morrill, MSU Eastern/UM Western, MT Tech, U of M, Deaf & Blind School, Pine Hills, Veterans Home, Intensive Behavior Center, MT State Hospital, Public Land Trust, and Lands Acquired-Public School

Trust Revenue: Unknown

Item Summary:

Commissioner Brown moved to place the following policy changes on the agenda to address increased conflicts associated with the management of state lands including for example water disputes or corner crossing issues. Landlocked or checkerboarded state lands are impractical to manage, and their income potential is significantly reduced.

The commissioner's changes provide Land Board Members better visibility into the application process, allowing them a stronger opportunity to fulfill their fiduciary obligations to the trust. The policy also provides a more straightforward process, including the use of independent, third-party consultants at the expense of the applicant. The use of consultants will speed up the review process and provide objective information to the Board.

Additionally, the plan does the following:

1. Maintains public participation in the application review process in several ways:
 - a. The stakeholder list;
 - b. MEPA review;
 - c. Public hearings and comment periods; and
 - d. Comment opportunities during Land Board meetings;
2. Reduces the number of discretionary decision points for the agency;
3. Requires land appraisal for the highest and best use enabling legacy landowners to participate in the process; and
4. Recognizes the importance of intrinsic values associated with the land, including recreational use values.

Recommendation:

Commissioner Brown recommends approval of the land exchange policy updates contained in this agenda item.

LAND EXCHANGE POLICY

Montana Board of Land Commissioners
March 21, 1994
Revised December 2004

INTRODUCTION

This policy was developed by the Montana Board of Land Commissioners for the purpose of guiding applicants for land exchanges and the Department of State Lands (now Department of Natural Resources and Conservation) in the processing and review of land exchange proposals. The policy may be used by an exchange applicant or Department of Natural Resources and Conservation (department) personnel to roughly evaluate the prospects of obtaining favorable review by the Board of Land Commissioners (board).

The ability of the state to effectively manage the public land trust for the support of education has been limited by the fragmented ownership of the 5.2 million acres of state trust lands. An inclusive and consistent land exchange policy is needed for future consideration of beneficial exchange proposals. The criteria and text contained within this policy document are intended as guidance only. Legal requirements, which shape the board's review of land exchanges, are found within the Montana Constitution, state statutes, and administrative rules. Selected legal provisions are included in the appendix to this policy. Two key-provisions merit emphasis. The Montana Constitution provides:

Any public land may be exchanged for other land, public or private, which is equal in value and, as closely as possible, equal in area.

Mont. Const. art X, § 11 (4) Additionally, Mont. Code Ann. § 77-2-207 provides:

The board has the power and it is its duty to disapprove any exchange which in its opinion would be disadvantageous to the state.

Given the broad discretion granted the board, the following policy will assist applicants and department personnel in evaluating how the land board will review the merits of a particular exchange. The goal is to promote exchanges which produce an advantage to the state and its trust funds and to discourage exchanges which are disadvantageous to Montana. A subjective, but practical, rule of thumb the board will use in approving an exchange is assuring itself the trade is a "good deal" for the state.

The process of submitting a land exchange application is costly and time consuming; numerous laws and trust principles govern the process. Applicants who study this policy and evaluate the merits of a proposal prior to submitting an application should avoid the costs and frustration of unfavorable review by the department or board.

The land exchange process may, at the department's discretion, be facilitated by the proponent of the land exchange. To facilitate the process:

1. The proponent, in consultation with the department, selects a contractor to administer the land exchange process.
2. The entity(ies) contracted to complete the tasks associated with the land exchange will receive written instruction from the department on the scope of work for all tasks, including, but not limited to appraisal, MEPA analysis, survey, timber cruising, etc.
3. The contractor(s) will provide the proponent with an estimate of costs based on the scope of work determined by the department.

4. The proponent must enter into a written and signed agreement with the department to pay for mutually agreed upon costs associated with the land exchange.
5. The department reviews and determines the adequacy of all documents used in the land exchange.
6. All documents produced for the land exchange by the contractor and appraiser are the property of the department.
7. The department is the decision making authority in the Montana Environmental Policy Act (MEPA) analysis, and retains all authority and responsibility to manage the land exchange process and provide recommendations to the board.
8. The contractor bills the proponent of the land exchange directly upon department approval of the deliverables.

PRELIMINARY EVALUATION BY THE DEPARTMENT

To streamline the review process, the department will initially screen exchange proposals. Proposals that satisfy the land exchange criteria described below will be offered for public comment by the department. Following solicitation of public comment, the department will prepare a report and forward the exchange proposal to the board for review authorization. Proposals which do not meet the criteria or fail to comply with Montana law may be rejected by the department Director following preliminary evaluation by the department without review by the board.

The board recognizes that some land exchanges may clearly be in the state's best interests, but may fail to satisfy all seven criteria outlined below. The department and the board are unable to waive the fulfillment of criteria numbered one through three (value, lands bordering water bodies, and income). These criteria are based on legal requirements. However, in exceptional circumstances where the presence of outstanding public benefits clearly outweighs the absence of one of the other exchange criteria (acreage, consolidation, potential for appreciation, access), the department may waive satisfaction of the criterion, solicit public comment during preliminary evaluation, and forward the proposal to the board for its review.

A. Land Exchange Criteria

1. Equal or greater value

Land to be acquired by the state must be at least as valuable as the state land being exchanged. The starting point for this determination is the value, in terms of money, of real estate in a typical market as determined through an appraisal conducted by a real estate appraiser certified in accordance with Mont. Code Ann. § 37-54-101, et seq. The department may use information provided by the applicant or its own knowledge of affected lands and resources to estimate value for purposes of preliminary evaluation. Following review authorization by the board, a certified appraiser must be retained to estimate value as per Uniform Standards of Professional Appraisal Practices. The appraiser must consult with the department regarding the scope of work prior to conducting an appraisal.

The value of exchanged state lands must be determined by the highest and best use of the land, not simply the present use. For example, if the exchange were proposed in which the state lands were currently leased for grazing and the land was in the path of urban or commercial development, the land would be considered for valuation in the appraisal to its highest and best use for residential or commercial development rather than the present use as grazing land.

In general, trust land must be valued in two ways. First, the highest and best use of the land with discounts applied to the land for access or other limiting factors. Second, the highest and best use of the land without any discounts. The department will then arrive at a value for trust land proposed for exchange, and make a recommendation to the board. This valuation process will apply to exchanges with federal or state governmental entities at the discretion of the department.

Mont. Code Ann. 9 77-2-205 prohibits exchanges that encourage "large scale commercial, industrial, or residential development," unless the value of the resulting development is considered in determining the value of the exchanged lands. Consequently, if an exchange is proposed in which state lands classified for the production of crops will be used by an exchange applicant for commercial development, the exchanged state land is appraised considering its developed, commercial value instead of its value as agricultural land.

The department will consider intrinsic values in evaluating the relative value of lands to be exchanged. By definition, these types of values are often not reflected in the market price and are difficult to assign a dollar amount. Regardless, the department will attempt to consider such values as location, proximity to public lands, recreational opportunities, scenery, and other amenities in determining relative value.

2. State land bordering on navigable lakes and streams

According to Mont. Code Ann. § 77-2-203(2), state lands that border navigable lakes, streams, and other bodies of water with significant public use values may only be exchanged for lands that border similar bodies of water.

3. Equal or greater income to the trust

A land exchange must result in the state receiving equal or greater income for the trusts. The projected income for the lands acquired by the state will be estimated at the minimum lease rate, without speculating about possible competitive bidding. This income will be compared to the present income to the trusts of the lands to be exchanged from all leases, licenses and other sources. For purposes of comparison, the department will also consider identifiable future incomes, including income from the extraction of natural resources such as minerals and forest products. Where state lands proposed for exchange generate greater income than lands to be acquired, the applicant may design and propose a method of compensating the trusts to satisfy this criterion.

4. Equal or greater acreage

As set forth above, the Montana Constitution requires that exchanged state lands and acquired lands be, "as closely as possible, equal in area." The board interprets this language to allow the consideration of exchanges that would not result in the exchange of virtually identical acreages. For example, the board might consider receiving less acreage in return for substantially higher value or income, or both. As a general rule the board prefers to receive equal or greater acreage.

5. Consolidation of state lands

A land exchange should be at - least neutral in its net effect on the consolidation of state land: the exchange must not further fractionalize state land holdings by creating isolated parcels of state land. Similarly, an exchange should not sever a mineral estate from a surface estate. The department will place priority on exchanges which result in *consolidation of state lands in accordance with Mont. Code Ann. § 77-2-203. Consolidation of state lands facilitates land administration and aggregated state land often has greater value and revenue potential.

6. Potential for long-term appreciation

The land acquired by the state should be as likely to increase in value or revenue potential as the state land exchanged. It is essential that the department and the board protect the long-term interests of the trusts. Assuming that other criteria are satisfied and no outstanding public benefits accompany the exchange, rapidly appreciating residential or recreational property will not be exchanged for agricultural land although the parcels have equivalent present value.

7. Access

A land exchange should not diminish the amount of access to state lands or other public lands. Accessible state land that is proposed for exchange should be-replaced with acquired lands-that offer similar recreational opportunities. Additionally, state lands with public access often have greater income-generating potential because surface uses are subject to competitive bids.

B. Solicitation of Public Comment

Provided the department determines that a proposed land exchange satisfies all the exchange criteria or has outstanding public benefits, public comment will be solicited. The department will solicit comment through mailings to interested parties, newspaper advertisements or public meetings. Additionally, the department will give notice of the proposed exchange to any person who has leased or who holds a license for any portion of state land involved in the exchange. The department will prepare a written summary of all public comment received on the proposed exchange.

C. Preliminary Report by the Department

Following the department's preliminary evaluation and public comment period, the department will forward the proposed exchange to the board for review authorization. The department will prepare a preliminary report for the board that includes the following:

(1) a summary discussion of how the exchange meets or exceeds each of the seven exchange criteria; (2) a summary of public comment received on the exchange; (3) a description of outstanding public benefits, if any, attendant with the exchange; (4) department concerns or opinions of the merits of the proposed exchange; (5) department recommendations for specific direction from the board for further review, if any, of the proposed exchange; and (6) an indication of the applicant's commitment to fund the costs of the department's detailed review or the department's commitment to assume or share these costs.

The evaluation of land exchange proposals creates a substantial demand upon department personnel and no funding has been allocated for these efforts.

Consequently, the board will not grant the department review authority unless the private applicant agrees to pay for ascertainable review costs the department is unable to assume--staff time, environmental assessment, cultural inventory, natural resource inventories (timber cruise or mineral survey where necessary), public hearing, title reports, and appraisals. The payment of such costs does not assure that the applicant will receive favorable review by the board. The department or other public agency may elect on a case-by-case basis to assume or share review costs of any private exchange determined to warrant the assumption of such obligations. Where an exchange applicant is a governmental agency, the board may direct the department to share the payment of costs.

Although an exchange minimally meets the established exchange criteria, the department may recommend in its report to the board that the exchange be disapproved as disadvantageous to the state. The board recognizes that some land exchanges may minimally meet legal and policy criteria but not create an advantage to the state that would justify further review or approval.

II. REVIEW AUTHORIZATION BY THE BOARD

Upon receipt of the department's report, the board shall consider the specific recommendations of the department and public comment, and evaluate the merits of the land exchange. The board will determine at this stage whether further review and public hearing by the department are justified.

The board may grant the department blanket authority to direct the completion of all documents necessary for final consideration of the exchange, including an environmental assessment, cultural inventory, and land appraisals, and to conduct a public hearing. Alternatively, the board may direct the department to complete specific and narrow tasks relating to the merits of the exchange and report back to the board with findings before proceeding further. For example, the board might direct the department to complete a timber cruise and appraisal of timber value on particular state lands proposed to be exchanged before any further action is taken.

It is the Board's strong preference that a proposed exchange not only meet the identified criteria, but provide a clear public benefit by exceeding one or more criteria. For example, if a trade satisfies all the criteria and results in significantly higher income or land values being added to the trusts, the exchange would be a "good deal" for the state. Another example of a favorable exchange might involve the transfer of an isolated or "landlocked" state parcel (a state section that is surrounded by private land), where the proposed trade satisfies all the criteria, and the lands to be acquired are adjacent to public lands with public access. Where a proposed exchange simply satisfies the exchange criteria, the board may exercise its discretion to suspend further review and disapprove the application as disadvantageous to the state.

Finally, as previously stated, a proposed land exchange may only minimally satisfy the exchange criteria (or fail to meet one of the criteria numbered four through seven), but present outstanding public benefits that clearly make the exchange advantageous to the state. Such public benefits might include the substantial reduction of management costs, increased recreational opportunities, economic growth, enhancement of environmental interests such as wildlife habitat or water quality, preservation of the social structure of a community or other identifiable benefit to the state. While

these exchanges are the exception to the rule, the board in extraordinary circumstances may review the public benefits identified and authorize the department to complete a detailed review.

III. REVIEW BY THE DEPARTMENT

Acting under the direction of the board, the department will direct the preparation of a study reviewing the merits of the proposed exchange, environmental consequences, effects on cultural resources, appraised land values and any other factor deemed to affect the public interest. The department will report back to the board as specific information is generated and further review authorization is required.

Mont. Code Ann. § 77-2-204(2) requires that the department conduct a public hearing on the proposed exchange in the county containing the state land to be exchanged. Written notice of this hearing will be provided to any person who has leased or held a license on any portion of land involved in the proposed exchange. The department should conduct the public hearing at such time as details of the final exchange proposal are established and sufficient information is available to promote meaningful comment.

Upon final completion of its tasks, the department will present a detailed report and its recommendation to the board for final review and approval. The department's report and recommendation will be made available to all interested parties prior to any board action.

IV. FINAL REVIEW AND APPROVAL BY THE BOARD

When the board is satisfied that the department and applicant have generated all information necessary for its decision, the information will be reviewed and a determination made whether the proposed exchange is advantageous to the state. It is the board's duty to disapprove any exchange which in its opinion would be disadvantageous to the state. The board shall state its reasons for approving or disapproving any land exchange and such reasons shall be reflected in the minutes of the board's meeting.

APPENDIX TO LAND EXCHANGE POLICY

Selected Legal Provisions
January 18, 1994

Montana Constitution, Article X, section 11

Public land trust, disposition. (1) All lands of the state that have been or may be granted by congress, or acquired by gift or grant or devise from any person or corporation, shall be public lands of the state. They shall be held in trust for the people, to be disposed of as hereafter provided, for the respective purposes for which they have been or may be granted, donated or devised.

(2) No such land or any estate or interest therein shall ever be disposed of except in pursuance of general laws providing for such disposition, or until the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, has been paid or safely secured to the state.

(3) No land which the state holds by grant from the United States which prescribes the manner of disposal and minimum price shall be disposed of except in the manner and for at least the price prescribed without the consent of the United States.

(4) All public land shall be classified by the board of land commissioners in a manner provided by law. Any public land may be exchanged for other land, public or private, which is equal in value and, as closely as possible, equal in area.

Montana statutes applicable to the exchange of state land generally:

77-2-201. Exchange of land with United States- or tribal governments. (1) (a) The board may enter into contracts or agreements with the United States or any department thereof having jurisdiction for the waiving and relinquishment to the United States of any rights of the state in and to sections 16 and 36 of any township and to any other parcel of state lands, provided that the state shall, in lieu of the rights so waived and relinquished, receive from the United States other lands of equal or greater value.

(b) The current user of the land transferred to the United States may continue to enjoy the use of the land under terms and conditions required by the federal government and in accordance with P.L. 88-607, as amended, (43 U.S.C. 1411 through 1418), and the current user of the land received from the United States may continue to utilize the land on the terms and conditions imposed by law or by the board.

(2) The board may enter into a contract or agreement with a tribal government as defined in 18-11-102 or with the United States for the relinquishment to the tribal government or to the United States in trust for the tribal government of any rights of the state to some or all state lands located wholly within the exterior boundaries of the tribal government's reservation as recognized by the federal government; however, the state, in exchange for these relinquished rights, must receive from the tribal government or the United States lands of equal or greater value. No contract or agreement may be entered into under this section without first consulting with the board of county commissioners of the county or counties in which the lands to be exchanged are located.

77-2-202. Exchange of land with counties. The board may accept on behalf of the state title in fee simple to any land owned by a county in the state and may convey in exchange therefore state land of approximately the same area and of a value not higher than the land received from the county if the exchange will result in consolidating the state lands into more compact bodies.

77-2-203. Exchange for private land. (1) The board is authorized to exchange state land for private land provided that the private land is of equal or greater value, as determined by the board after appraisal by a qualified land appraiser, than the state land and as closely as possible equal in area. The contents of the appraisal must be made available to any person who makes a written request to the board. The board shall place priority on exchanges which result in consolidation of state lands into more compact bodies. This section does not apply to exchanges undertaken under 76-12-107 [natural areas].

(2) If the requirements of subsection (1) and 77-2-204 are met, state lands bordering on navigable lakes and streams or other bodies of water with significant public use value may be exchanged for private land if the private land borders on similar navigable lakes, streams, or other bodies of water.

77-2-204. Notification of proposed exchange - hearing. (1) Upon receipt of a proposal for an exchange of land under this part, the board shall give notice of the proposed exchange by certified mail to each person who has leased, under chapter I of this title, any portion of land involved in the proposed exchange. Any such leaseholder may present written or oral comments on the proposed exchange to the board before or during the hearing required by subsection (2). The notice must contain a statement informing the recipient of this right to comment.

(2) A public hearing on any exchange under this part shall be held in the county containing the state land to be exchanged. When specific objections to the proposed exchange are raised before or during any such hearing pursuant to subsection (1), the board shall make findings of fact responding to such objections and explaining their action.

77-2-205. Restriction on exchange for private land. No exchange under 77-2-203 shall be made which will induce or encourage large-scale commercial, industrial, or residential development unless the value of such development is considered in determining the fair market value and unless the proposed development will not adversely affect the resources of the existing state tracts or those tracts which the state would receive under the proposed exchange.

77-2-206. Settlement for improvements. If any state land is exchanged on which there are improvements belonging to a lessee and some person other than the lessee is the transferee, that person shall settle with the lessee for all improvements on the land belonging to the lessee before the exchange is completed. The provisions of 77-6-301 through 77-6-306 relating to the payment and settlement for improvements on state lands between a former lessee and a new lessee apply to the settlement between a lessee and the transferee in an exchange. If settlement is not reached within 6 months of date of exchange, all improvements become the property of the state unless the department for good cause shown grants both parties additional time in which to exhaust arbitration.

77-2-207. Approval or disapproval of exchanges. All exchanges of state lands are subject to approval and confirmation by the board, and no exchange is considered completed until after such approval and confirmation. The board has the power and it is its duty to disapprove any exchange which in its opinion would be disadvantageous to the state.

Montana statutes applicable to the exchange of timbered, cut-over, or burned-over lands:

77-1-204. Power to sell, lease, or exchange certain state lands.

(2) The board shall have full power and authority to sell, exchange or lease lands under its jurisdiction by virtue of 77-1-214 [lands donated for forestry purposes] when, in its judgment, it is advantageous to the state to do so in the highest orderly development and management of state forests and state parks. Said sale, lease, or exchange shall not be contrary to the terms of any contract which it has entered into.

77-2-211. Exchange of timbered, cut-over, or burned-over lands. The board may accept on behalf of the state title in fee simple to any timbered lands or lands from which the timber has been cut or burned and in exchange therefore may convey not to exceed an equal value, as determined by the board after appraisal by a qualified land appraiser, of similar state land. However, no such exchange may be made except that which in the opinion of the board will benefit the public interest. For the purpose of such an exchange, all state lands, including those referred to in 77-2-303(3), 77-2-311, and 77-5-101, are subject to be offered for such exchange, and any restrictions against their sale or disposal are, for the purpose of such an exchange, released.

77-2-212. Rules. The board shall adopt and promulgate such rules and methods of procedure affecting or touching the exchanges of lands under 77-2-211 through 77-2-217 as in its judgment seems advisable to the end that the public interests may be conserved.

77-2-213. Department to investigate. When a proposal for an exchange pursuant to 77-2-211 is made and the owners of the respective tracts involved seem agreeable to negotiate such exchanges, the proposal shall be referred to the department and the department shall thoroughly investigate all the lands involved in the proposal and estimate the value of all of the lands and consider every factor in connection with the proposal as may affect the public interest.

77-2-214. Investigation and findings concerning exchange of land. (1) The department shall, as soon as it concludes its investigation thereof, report to the board the facts disclosed by its investigation and include in its report a recommendation concerning the proposal, including its reasons therefor in writing.

(2) After considering the report and recommendation and making such further investigation as it considers advisable, the board shall consider the entire matter, make findings and conclusions concerning the proposal, and make an order:

(a) Rejecting and dismissing the proposal if in the judgment of the board the exchange is not in the public interest; or

(b) Accepting the proposal and ordering the exchange to be made if in the judgment of the board the exchange is in the public interest and should be made.

(3) An order accepting the proposal shall contain an accurate description of all lands to be exchanged.

77-2-215. Notice and hearing concerning exchange of timbered lands. If the board approves a proposal for exchange pursuant to 77-2-211, the department shall publish at least once in some newspaper of general circulation in each county in which any of the lands involved are located a notice stating in general terms the proposal and describing the lands involved and ownership thereof. The notice shall fix a day not less than 20 and not more than 60 days from the date of the first publication at which the board will hear objections to the proposed exchange and at which any person, firm, or corporation may appear in person or by representative and be heard.

77-2-216. Final order of board. The board shall make a final order describing the terms of the proposal for the exchange of the land involved and shall either dismiss the proposal as not being in the public interest or direct the proper officers to proceed to complete the exchange, as authorized by 77-2-211.

77-2-217. Status of exchanged lands. All lands taken in exchange under 77-2-211 through 77-2-216 for lands granted by the United States to the state of Montana prior to July 1, 1931, shall be subject to the same restrictions, limitations, and provisions as the lands granted by the United States are now subject to. All lands granted by the state in carrying out such exchanges shall thereafter be free from the restrictions and limitations provided by The Enabling Act of the state of Montana or the other grant from the United States.

LAND EXCHANGE FLOWCHART



Pre Application Discussions with Proponent and Unit/Bureau

LETTER OF INTENT AND APPLICATION RECEIVED

Certified Letter Sent to Lessees (Ref. 77-2-204, MCA)

Initial Criteria Review (Ref. 7 Criteria in Montana Board of Land Commissioners Land Exchange Policy, Value, Acreage, Income, Consolidation, Access, Long Term Appreciation, Navigable Waterways)

1. Preliminary Parcel Evaluations & Rec Use Matrix
 - a) Area Office Field Investigation on Land and Resources
 - b) Bureau Requests Specialists' Reports for Minerals, Cultural, Water Rights, and Land
2. Briefing Report to Director

DISAPPROVAL CONCURRENCE BY DIRECTOR, LETTER TO APPLICANT

APPROVAL CONCURRENCE BY DIRECTOR, LETTER TO APPLICANT

Solicit Public Comment

1. Publish in Local Newspaper
2. Mailing to Interested Parties
 - a. State Lessees and Licensees
 - b. County Commissioners
 - c. Beneficiaries, State Agencies
 - d. State Legislators
 - e. Adjoining Landowners
 - f. Special Interest Groups
 - g. Federal Agencies
 - h. Others as Appropriate
3. Public Meeting(s) if Deemed Necessary

PREPARE LAND BOARD AGENDA ITEM WITH COMPLETE WRITE-UP AND RECOMMENDATION

LAND BOARD DECISION

DISAPPROVAL LETTER TO APPLICANT

PRELIMINARY APPROVAL LETTER TO APPLICANT

Execute Land Exchange Agreement to Initiate and Payment Agreement

Coordinate Environmental Review

1. Formal Research Investigations
 - a. Land and Mineral Title Investigations (Commitments to Insure)
 - b. Baseline Inventories

- Soils	- Vegetation
- Range Condition	- Water
- Wildlife (inc. T and E)	- Aesthetics
- Recreation	- Access
- Socio-Economic (inc. Labor & tax bases)	
 - c. Cultural/Paleontological Inventory
 - d. Final Mineral Resource Assessment
 - e. Final Water Rights Investigation
 - f. Formal Reports
 - Real Property Appraisal
 - Phase I Environmental Site Assessment
 - Real Property Survey
 - g. Other Issues and Reports as Necessary
2. Prepare EA or EIS
 - a. In-house or Working Draft Document Review
 - b. EA or Draft EIS – Solicit Public Comment (Ref. Previous Public Comment Item)

PUBLIC HEARING

Prepare Final EA or Final EIS

FINAL REPORT TO LAND BOARD PRESENTED BY DIRECTOR

LAND BOARD DECISION

DISAPPROVAL LETTER TO APPLICANT

APPROVAL LETTER TO APPLICANT

FINALIZE EXCHANGE DOCUMENTS

Lessee Improvement Settlement (Ref. 77-2-206, MCA)

Closing Transaction

1. Proposed Exchange Documents Drafted
2. Staff Legal Counsel Reviews Documents
3. Documents Finalized
4. Final Title Reports on Exchange Lands
5. Proration of Taxes Agreement Executed
6. Closing Date Set
7. Closing
 - a. Delivery of Documents
 - b. Record w/County Clerk and Recorder
 - c. Water Rights Transfer Filed w/DNRC

Final Report

1. Assign Trust Designation(s)
2. Notify Trust Beneficiaries
3. Notify Other DNRC Bureaus
4. Notify Local Government
5. Notify Other State Agencies

POSSESSION OF PROPERTY

LAND EXCHANGE POLICY

Montana Board of Land Commissioners

March 21, 1994

(Last Revised May 18, 2026)

INTRODUCTION

This policy was developed by the Montana Board of Land Commissioners ("Board") for the purpose of guiding applicants for land exchanges and providing direction to the Department of Natural Resources and Conservation ("Department") to ensure timely and orderly processing and review of land exchange proposals.

This inclusive and consistent land exchange policy is needed for future consideration of beneficial exchange proposals. The criteria and text contained within this policy document are intended as guidance only. Legal requirements, which shape the Board's review of land exchanges, are found within the Montana Constitution, state statutes, and administrative rules. The Montana Constitution provides that pursuant to Article X, subsection 11(4), any public land may be exchanged for other land, public or private, which is equal in value and, as closely as possible, equal in area. Additionally, Mont. Code Ann. § 77-2-207 states: "[t]he [B]oard has the power and it is its duty to disapprove any exchange which in its opinion would be disadvantageous to the state." Conversely, the Board has a duty to approve any exchange which, in its opinion, would be advantageous to the state.

The Board has an affirmative obligation to administer trust lands so "as to secure the largest measure of legitimate advantage" for the beneficiaries. State v. Stewart, 48 Mont. 347, 349, 137 P. 854, 855 (1913). The ability of the state to effectively manage the public land trust for the support of education, however, has been limited by the fragmented ownership of the 5.2 million acres of state trust lands. The Board is often hindered in securing the largest measure of legitimate advantage because many trust land parcels are landlocked or isolated. Exchanging isolated parcels of trust lands for private land that is contiguous to other public land will allow the Board to fulfill its trust obligations by increasing rental income, expanding public access, and reducing administrative expenses resulting from managing isolated and noncontiguous parcels.

Given the broad discretion granted to the Board, the following policy will assist applicants and Department personnel in evaluating how the Board will review the merits of a particular exchange. The goal is to promote exchanges that produce an advantage to the state and its trust funds and to discourage exchanges that are disadvantageous to Montana. A

subjective, but practical, rule of thumb the Board will use in approving an exchange is to assure itself the trade is a "good deal" for the state.

The process of submitting a land exchange application can be costly and time consuming; numerous laws and trust principles govern the process. Applicants who study this policy and evaluate the merits of a proposal prior to submitting an application should avoid the costs and frustration of unfavorable review by the Department or Board. Significant public participation opportunities remain and are enhanced in this policy change.

Public interest groups may also participate with an applicant as a "co-sponsor." These organizations are encouraged to identify potential lands to be acquired, reach out to landowners which surround state trust land parcels to gauge interest, and support an applicant's initiation of a land exchange consistent with the criteria and trust obligations set forth in this policy.

Public participation is an important component to any proposed land exchange. This policy contemplates at least seven opportunities (highlighted below) for the public to openly review and participate in the land exchange process.

1. The Department shall create and maintain an evolving list of interested parties to any proposed land exchange. Upon receipt of an application for an exchange, the Department shall notify interested parties on this list of the application submittal.
2. The Department will give notice of the proposed exchange to any person who has leased or who holds a license for any portion of state land involved in the exchange.
3. The public can submit public comments at any time during the Department's preliminary review period, the summary of which will be provided to the Board.
4. The public can provide comment during the Board's regularly scheduled meeting which constitutes the preliminary review by the Board.
5. There are public comment opportunities during the Montana Environmental Policy Act (MEPA) review.
6. The public can attend and participate in the public hearing contemplated by this policy and required by Mont. Code Ann. § 77-2-204(2).
7. The final public participation opportunity is before the Board at its final review and approval (or disapproval) of the proposed exchange.

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 7. Access
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LAND EXCHANGE CRITERIA USED DURING THE PRELIMINARY REVIEW BY THE DEPARTMENT

1. Equal or greater value

Land to be acquired by the state must be “equal in value” to land being exchanged. The Board views the constitutional directive to be a minimum and will favorably consider exchanges in which the land received by the state is significantly more valuable. The starting point for this determination is the value, in terms of money, of the real estate in a typical market as determined through an appraisal conducted by a real estate appraiser certified in accordance with Mont. Code Ann. § 37-54-101, *et seq.* The appraiser must coordinate with the Department and the consultant (discussed below) prior to conducting an appraisal. The appraisal will be completed once the Board directs the Department to proceed with a full review of the exchange as set forth herein.

The value of exchanged state lands must be determined by the highest and best use of the land, not simply the present use. This use may be determined based on agricultural opportunities, natural resource development, proximity to urban areas, commercial or industrial developments, need for housing within local communities, recreational use opportunities, or market-based valuations related to wildlife and other conservation attributes.

In general, trust land must be valued for its highest and best use taking into consideration limited access, no access, or other limiting factors (e.g., a commercially

reasonable discount must be applied to the value assigned to state exchanged lands that do not have documented legal access or are otherwise "checkerboarded"). This valuation process will apply to exchanges with federal or state governmental entities at the discretion of the Department, recognizing that the federal government only allows for adjustments if they are supported by market evidence.

Mont. Code Ann. § 77-2-205 prohibits exchanges that encourage "large scale commercial, industrial, or residential development," unless the value of the resulting development is considered in determining the value of the exchanged lands. Consequently, if an exchange is proposed in which state lands classified for the production of crops will be used by an exchange applicant for commercial development, the exchanged state land is appraised based on its potential for commercial development, instead of its value as agricultural land. Likewise, if an exchange is proposed in which state lands hold significant wildlife habitat and provide significant recreational value, the state exchanged land is to be appraised considering these values.

The Department shall instruct an appraiser to consider all market-reflected factors (e.g., legally documented public access) in evaluating the relative value of both the state exchanged lands and the acquired lands in accordance with the Uniform Standards of Professional Appraisal Practice.

The Department shall further instruct the appraiser to consider such values as location, proximity to public lands, recreational opportunities, scenery, and other amenities in determining relative property values. The Department must also identify and consider if there are any other factors associated with the exchange which benefit the people of Montana, such as offers by the applicant to provide for future lessee improvements, assist with site cleanup of the acquired lands (e.g., demolition of dilapidated buildings), support for build-out of infrastructure for items that benefit the public (e.g., roads, trail heads, parking facilities, etc.), proposed enhancements to public health or safety, and whether the acquired lands include a residence or other improvements which could be segregated and sold for the trust's economic benefit.

2. State land bordering on navigable lakes and streams

According to Mont. Code Ann. § 77-2-203(3), state lands that border navigable lakes, streams, and other bodies of water with significant public use values may only be exchanged for lands that border similar bodies of water. The Board interprets this requirement not to mean that lands within the same watershed or even county must be exchanged, but simply that the public use value is maintained or increased within the acquired lands. For purposes of this criterion, "with significant public use values" is a qualitative consideration associated with "navigable lakes, streams, and other bodies of water" and as such is further defined as water resources that have a documented history

of being meaningfully used for crop irrigation, livestock watering, fishing, recreational floating activities or waterfowl hunting.

3. Equal or greater income to the trust

A land exchange must result in the state receiving equal or greater income for the trust. Unless an alternative specific income stream has been identified and confirmed by the Board to be reasonable, the projected income for the lands acquired by the state will be estimated at the current minimum lease rate. This income will be compared to the present income to the trust of the lands to be exchanged from all leases, licenses and other sources such as income activity associated with recreational use (e.g., revenue generated by projected user days under Mont. Code Ann. § 77-1-801). For purposes of comparison, the Department will also consider identifiable future incomes, including income from the extraction of natural resources such as minerals and forest products, telecommunication leases, as well as recreational value. Where state lands proposed for exchange generate greater income than lands to be acquired, the applicant may design and propose a method of compensating the trust to satisfy this criterion.

4. Equal or greater acreage

As set forth above, the Montana Constitution requires that exchanged state lands and acquired lands be, "as closely as possible, equal in area." The Board interprets this language to allow the consideration of exchanges that would not result in the exchange of virtually identical acreages. For example, the Board might consider receiving less acreage in an exchange, in return for property that has substantially higher value or generates more income, or both. Conversely, if the acquired lands provide a significant increase in acreage, the Board can still consider the "good deal" attributes of a proposed exchange.

5. Consolidation of state lands

In general, the Board must "place priority on exchanges that result in consolidation of state lands into more compact bodies." See Mont. Code Ann. § 77-2-2303(2). Thus, a land exchange should be at least neutral in its net effect on the consolidation of state land: the exchange must not further fractionalize state land holdings by creating isolated parcels of state land). Similarly, an exchange should not sever a mineral estate from a surface estate, unless any portion of the mineral estate of the acquired lands is already severed and where the mineral estate ownership is different than the applicant. Consolidation of state lands facilitates land administration, and aggregated state land often has greater value and revenue potential.

6. Potential for long-term appreciation

The land acquired by the state should be as likely to increase in value or revenue potential as the state land exchanged. It is essential that the Board protects the long-term interests of the trust. Assuming that other criteria are satisfied, and no outstanding public benefits accompany the exchange, rapidly appreciating residential or recreational property will not be exchanged for agricultural land although the parcels have equivalent present value.

7. Access

A land exchange should not diminish or eliminate access to other state or other public lands. Accessible state land that is proposed for exchange should be replaced with acquired lands that offer similar recreational opportunities (this does not mean identical). State lands with public access often have greater income-generating potential because surface uses are subject to competitive bids. For example, state lands that currently have a source for public access are also eligible for exchange if the acquired lands offer public access to previously "landlocked" state lands or other public lands. As alluded to in criteria #5 and further described in the below section dealing with Board review, exchanges that eliminate public access conflicts associated with "landlocked" state lands will be favorably considered. Although not technically "accessible state lands," acquired lands in an exchange that provide new or enhanced public access to other public lands (e.g., Bureau of Land Management, Forest Service, etc.) should also be favorably considered when evaluating this criterion. Acquired lands that offer unique public access characteristics will be given additional weight in the criteria analysis (e.g., documented presence of big game species like elk, bighorn sheep, mountain goats, moose, and antelope; the acquired lands offer unique access to important water ways, historical artifacts, or rare geological or terrain features).

Criteria Summary & Statement of Intent:

The Department and the Board are statutorily obligated to ensure fulfillment of criteria numbered one through three (value, lands bordering water bodies, and income). If a trade satisfies all the criteria and results in significantly higher income or land values being added to the trust, the exchange would be a "good deal" for the state. Another example of a favorable exchange might involve the transfer of an isolated or "landlocked" state parcel (a state section that is surrounded by private land), where the proposed trade satisfies all the criteria, and the lands to be acquired are adjacent to public lands with public access.

The Board recognizes that some land exchanges may clearly be in the state's best interests, but such exchanges may fail to satisfy criteria four through seven (acreage,

consolidation, potential for appreciation, access). In instances where the presence of outstanding public benefits clearly makes the exchange advantageous to the state, the Board may still consider and approve a proposed land exchange based on the outstanding merits of the proposal. Such public benefits might include the substantial reduction of management costs, increased recreational opportunities, economic growth, enhancement of environmental interests such as wildlife habitat or water quality, public safety, preservation of the social structure of a community or other identifiable benefits to the state.

Where a proposed exchange simply satisfies the exchange criteria, the Board may still exercise its discretion to suspend further review and disapprove the application as disadvantageous to the state so long as that decision is based upon sound fiduciary and administrative principles associated with trust oversight and management.

USE OF CONSULTANT TO FACILITATE ADMINISTRATION OF PROPOSED LAND EXCHANGES

The Board recognizes that reviewing proposed land exchanges requires a considerable amount of time and expertise, and the Department may not have the resources to review each application in a timely fashion. Therefore, the applicant may nominate and pay for an independent consultant to assist the Department. In general the use of a consultant is strongly encouraged unless: (1) the applicant's retention of a consultant would create a significant financial hardship for the applicant; or conversely (2) the applicant possesses sufficient resources, expertise and experience to accomplish the tasks contemplated by the consultant in this policy (in which case, the scope of work must be agreed upon in writing and executed by the Department and applicant). The purpose of the consultant is to help ensure that the applicant's efforts are complete, while also reducing the workload for state agency personnel.

1. The applicant, in consultation with the Department, selects a consultant to assist the Department in reviewing the land exchange proposal and to facilitate the state's administration of the land exchange process. The selected consultant should demonstrate previous experience with facilitation of government land transactions by providing the Department with a statement of qualifications, including references. The consultant must secure written authorization from the applicant to facilitate the exchange and submit a copy of that written authorization to the Department.
2. The Department, applicant, and consultant shall discuss the proposal and then agree upon a scope of work to be completed by the consultant. The scope of work may include, but is not limited to, -preparation of legal notices for the Department, contracting for approved appraisal services, contracting with approved experts to prepare information to support the MEPA analysis, securing title commitments, obtaining surveys, timber cruising, planning and facilitating the public hearing called for in Mont. Code Ann. § 77-2-204, reviewing and summarizing public comments, etc. The scope of work may include

consultant-retained qualified professionals, such as certified appraisers and surveyors. The agreement shall include estimated deadlines for completing each task and an estimate of the costs.

3. The contract for consultant services will be considered as a three-party agreement between the Department, consultant and applicant. The consultant's activities will be directed by the Department. The applicant must pay for all fees and costs incurred by the consultant, regardless of whether the land exchange is approved. The Board and the Department shall have no responsibility for paying the consultant or any qualified professionals retained by the consultant.

PRELIMINARY REVIEW PROCESS

1. Preliminary review by the Department

Within ninety (90) days after a correct and complete application is submitted to the Board (or a longer period if agreed upon by the applicant), the Department shall prepare a preliminary report for the Board that includes the following:

- (a) A summary of the application, including how the applicant intends to satisfy the seven exchange criteria;
- (b) The Department's technical review of the proposed land exchange, including a description of the outstanding public benefits, if any, attendant with the exchange;
- (c) An applicant's rebuttal, if any, to the Department's technical review;
- (d) A summary of the qualifications of the proposed consultant, if any, and the scope of work to be completed by the consultant;
- (e) Whether the applicant has committed to fund the costs of the consultant, if any, and the scope of work to be completed by the consultant; and
- (f) Attach any letters of endorsement from supporters or co-applicants as well as provide a summary of public comment submitted by the public, or through the consultant/applicant.

DNRC may request that the Board approve an extension of not more than 90 additional days to complete the preliminary review.

2. Preliminary review by the Board

Upon receipt of the Department's preliminary report, the Board shall consider the applicant's proposal and the Department's report at a regularly scheduled meeting. The Board may make one or more of the following decisions:

- (a) Direct the Department to proceed with a full review of the exchange and to complete the other legal requirements necessary for the Board to consider and potentially approve the proposed land exchange;
- (b) If the applicant has nominated a consultant to assist the Department, the Board may approve or reject the use of the consultant;
- (c) Reject the proposed land exchange outright;
- (d) Deny the proposed land exchange but request that the applicant submit a modified application to address specific issues identified in the initial review; or
- (e) Direct the Department to complete specific and narrow tasks relative to the merits of the proposed land exchange and report back to Board with findings before proceeding further.

REVIEW BY THE DEPARTMENT

If approved by the Board, the Department will proceed with its review of the proposed exchange and other legal requirements. If the Board also approves using the consultant, the Department, applicant, and consultant shall execute a written contract obligating the consultant to complete the agreed-upon scope of work by the established deadlines. The deadlines may be extended based upon mutual agreement of the applicant, Department, and consultant. The Department will monitor the progress of the consultant and report monthly to the staff for each member of the Board as specific information is generated and further review authorization is required.

Mont. Code Ann. § 77-2-204(2) requires a public hearing to be held in the county containing the state land to be exchanged. This hearing may be facilitated and otherwise conducted by the consultant or the Department. The public shall be given advance notice of the hearing as required by statute. To be considered in the Department's final report to the Board, public comment concerning the proposed land exchange may be provided either before or during the hearing.

The Department shall solicit and consider any comments and feedback provided by the staff of each member of the Board.

Upon completion of its review, the Department (with the assistance of the consultant) shall prepare a final report concerning the proposed land exchange and submit it for the Board's consideration. This report will be made available to the public prior to any Board action.

FINAL REVIEW AND APPROVAL BY THE BOARD

When the Board is satisfied that the Department and applicant have generated all information necessary for its decision, the proposed land exchange will be placed on the agenda for the next meeting of the Board. It is the Board's duty to approve any exchange which in its opinion would be advantageous to the state, or conversely, disapprove of any exchange which would be disadvantageous to the state. The Board shall state its reasons for approving or disapproving any land exchange and such reasons shall be reflected in the minutes of the Board's meeting.

LAND EXCHANGE PROCESS

THREE PARALLEL TRACKS BEGIN

1
Application Submitted

PUBLIC ENGAGEMENT

- Co-applicants, public, interest groups submit support/opposition
- DNRC notifies interested parties (email & publication)
- Initial public comments collected & summarized

CONSULTANT TRACK

- Review nominated consultant
- Discuss & finalize scope of work (roles, timeline, duties)
- Applicant commits to fund consultant

TECHNICAL REVIEW (60-DAY CLOCK STARTS)

- Initial criteria review
- DNRC technical review & flag deficiencies
- Applicant may submit rebuttal or revise application

2
Preliminary Report

PRELIMINARY REPORT

Combines: public comments summary + consultant scope & funding + technical review findings + applicant responses (if any)

KEY TO THE PROCESS

- Public involvement occurs throughout the process.
- Applicants fund consultant and related costs.
- DNRC manages technical review and process.
- Land Board makes final decision based on what is advantageous to the State.

3
Preliminary Board Review

REJECT

Project rejected. End of process.

REQUEST MODIFICATIONS

Application returned to applicant to revise. Process restarts.

REQUEST TARGETED WORK

DNRC conducts specific tasks/analysis and reports back to applicant.

APPROVE TO PROCEED

Approval letter sent to applicant. Move forward to full review.

4
Preliminary Phase

Execute Land Exchange Agreement between DNRC & Applicant → Coordinate Environmental Review (MEPA): Investigations, EA/EIS → Continue analysis, appraisals, title & other due diligence → Prepare final report & compile public comment

CORE CRITERIA

- ✓ Equal or greater value
- ✓ Equal or greater income
- ✓ Water access (if applicable)
- ✓ Consolidation of state lands
- ✓ Access improvements
- ✓ Long-term appreciation

Outstanding public benefits may justify waiver of certain criteria.

5
Public Hearing

PUBLIC HEARING

Held in the county where the land is located to further solicit public comment.

6
Final Report to Land Board

DNRC & CONSULTANT PREPARE FINAL REPORT

Includes synthesis of public comment and the proposal. Application is placed on the next available Land Board meeting agenda.

7
Land Board Decision

DISAPPROVE

Exchange disapproved. Process ends.

APPROVE

Exchange approved. Proceed to closing.

8
Closing & Execution

CLOSING TRANSACTION

Draft exchange documents → Staff legal counsel review → Finalize documents & title report → Proration of taxes agreement executed → Closing date set

ADDITIONAL FINAL STEPS

- Record documents with county clerk & recorder
- Water rights transfer filed with DNRC

9
Possession

POSSESSION OF PROPERTY

Exchange completed. Applicant & State take possession of their respective properties.

- Use the preliminary report gate to stop weak or risky proposals early.
- Ensure the record is thorough, transparent & defensible.
- Watch public input trends early and throughout.
- Confirm the deal is truly advantageous to the state trust.
- Clearly state reasons for approval or disapproval on record.