

BOARD OF LAND COMMISSIONERS MEETING: AGENDA
September 18, 2023, at 9:00 a.m.
State Capitol, Room 317, Helena, MT

ACTION ITEMS

- 0923-1 Oil & Gas Lease Sale 8/31/23 – 09/06/23**
Benefits: Common Schools
Location: Blaine, Richland, Stillwater, Toole, and Treasure Counties
- 0923-2 Cabin & Home Sites – Set Minimum Bid for Sale**
Benefits: Montana State University
Location: Missoula County
- 0923-3 Land Banking - Preliminary Approval for Sale**
Benefits: Common Schools
Location: Yellowstone County
- 0923-4 Land Use License**
Benefits: Public Land Trust (Navigable River)
Location: Big Horn County
- 0923-5 Easements**
Benefits: Common Schools and Public Land Trust (Navigable River)
Location: Missoula and Flathead Counties

PUBLIC COMMENT

0923-1

OIL & GAS LEASE SALE

**Land Board Agenda Item
September 18, 2023**

0923-1 Oil and Gas Lease Sale 8/31/23 – 9/6/23

Location: Blaine, Richland, Stillwater, Toole, and Treasure Counties

Trust Benefits: Common Schools

Trust Revenue: \$44,440.00

Item Summary

The Department of Natural Resources and Conservation (DNRC) held an online oil and gas lease sale that started on August 31, 2023, and closed on September 6, 2023, through an online auction company, EnergyNet. A total of six tracts were offered for lease. Six tracts were leased for a total of \$44,440.00. The six tracts that were sold covered a total of 3,280.00 acres. The average bid per acre was \$13.55.

The high competitive bid for the September 6, 2023 sale was \$46.00 per acre and the largest total bid was \$29,440.00 for Tract 3 in Richland County.

DNRC Recommendation

The director requests Land Board approval to issue the leases from the September 6, 2023, oil and gas lease sale.

**State of Montana
Oil & Gas Lease Sale - September 6, 2023
Lease Sale Results**

The following described lands were offered for oil and gas leasing through an online bidding service, EnergyNet, beginning August 31, 2023 and closed on September 6, 2023.

Tract	Stipulations	Twp	Rng	Sec	Description	Acres	Bid/Acre	Total Bid	Lessee
Blaine									
1	1, 2, 3, 4, 5, 6, 8	35.N	19.E	36	ALL	640.00	\$4.00	\$2,560.00	CABRIN EXPLORATION, INC.
2	1, 2, 3, 4, 5, 6, 8, 10	35.N	20.E	16	ALL	640.00	\$11.00	\$7,040.00	LAO LAND SERVICES, LLC
Richland									
3	1, 2, 3, 4, 5, 6, 7, 11	24.N	52.E	16	ALL	640.00	\$46.00	\$29,440.00	WHITE ROCK ENERGY LLC
Stillwater									
4	1, 2, 3, 4, 5, 6, 7	5.S	17.E	36	W2, W2NE4	* 400.00	\$1.50	\$600.00	SWITCHBACK RANCH, LLC
Toole									
5	1, 2, 3, 4, 5, 6	35.N	1.E	35	W2E2, E2NW4, SE4SE4, NE4SW4	320.00	\$12.00	\$3,840.00	CABRIN EXPLORATION, INC.
Treasure									
6	1, 2, 3, 4, 5, 6, 7, 9	8.N	36.E	16	ALL	640.00	\$1.50	\$960.00	WINDWALKER LAND SERVICES, INC.

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

Summary by Lessor

	Total Acres	Total Tracts
Dept. of Natural Resources and Conservation	3,280.00	6

Oil and Gas Lease Sale Summary

Total Tracts	6
Total Acres	3,280.00
Total Bid Revenue	\$44,440.00
Average Bid Per Acre	\$13.55

State of Montana
Oil & Gas Lease Sale - September 6, 2023
Stipulations

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

Issuance of this lease in no way commits the Land Board to approval of coal bed methane production on this lease. Any coal bed methane extraction wells would require subsequent review and approval by the board.
- 3 The TLMD will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the inventory, the TLMD may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- 4 The lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on State-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the lease premises. The lessee's methods of control shall be reviewed and approved by the Department's Unit Office that has jurisdiction for that locale.
- 5 The definitions of "oil" and "gas" provided in 82-1-111, MCA, do not apply to this lease for royalty calculation purposes.
- 6 If the State does not own the surface, the lessee must contact the owner of the surface in writing at least 30 days prior to any surface activity. A copy of the correspondence shall be sent to TLMD.
- 7 Due to unstable soil conditions on this tract and/or topography that is rough and/or steep, surface use may be restricted or denied. Seismic activity may be restricted to poltershots.
- 8 This lease is located within designated sage grouse general habitat. Proposed activities are subject to, and shall comply with, all provisions, stipulations and mitigation requirements of the Montana Sage Grouse Habitat Conservation Strategy, as implemented by Governor's Executive Orders 10-2014, 12-2015, and amendments thereto. Contact the TLMD prior to preparing a project proposal.
- 9 This lease is located within designated sage grouse core habitat. Proposed activities are subject to, and shall comply with, all provisions, stipulations and mitigation requirements of the Montana Sage Grouse Habitat Conservation Strategy, as implemented by Governor's Executive Orders 10-2014, 12-2015, and amendments thereto. Contact the TLMD prior to preparing a project proposal.
- 10 This tract has (an) existing well(s) and related facilities. The lessee has 45 days from the effective date of this lease to determine whether or not to assume responsibility from the former lessee for the well(s) and any existing facilities. The lessee may not enter the well(s) until a change of operator has been filed with, and approved by, the Board of Oil and Gas Conservation. If a change of operator is accepted, the(se) well(s) must be returned to commercial production or plugged and the well site(s) reclaimed within 18 months from the effective date of this lease.
- 11 If whooping cranes are observed on-site, construction and/or maintenance activities shall be suspended until birds leave the area.

0923-2

CABIN & HOME SITES
Set Minimum Bid for Sale

**Land Board Agenda Item
September 18, 2023**

0923-2 Cabin and Home Sites: Set Minimum Bid for Sale

Location: Missoula County
Trust Benefits: Montana State University
Trust Revenue: \$267,000

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting to set the minimum bid for four (4) cabin sites nominated for sale in Missoula County. These sales were nominated by the lessees in conjunction with the 2022-2023 Cabin and Home Site Sale Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2044	1.396 ₊	LOT 41 SEELEY LAKE DEVELOPMET COS 6161, Section 4, T16N-R15W	Daniel Carnine	Montana State University
2045	1.31 ₊	LOT 34 SEELEY LAKE DEVELOPMET COS 6161, Section 4, T16N-R15W	Joseph & Melissa Flesch	Montana State University
2047	1.387 ₊	LOT 16 SEELEY LAKE DEVELOPMET COS 6161, Section 4, T16N-R15W	Levi & Ashlee Shypkowski	Montana State University
2048	1.704 ₊	LOT 11 SEELEY LAKE DEVELOPMET COS 6161, Section 4, T16N-R15W	George & Glenda Tilden	Montana State University

These parcels are currently leased as cabin sites and produce below average incomes for residential leases statewide.

Background

Preliminary Land Board approval was granted in December of 2022 (Approved 4-1).

Cultural/Paleontological Resources

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

Access/Recreational Use

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

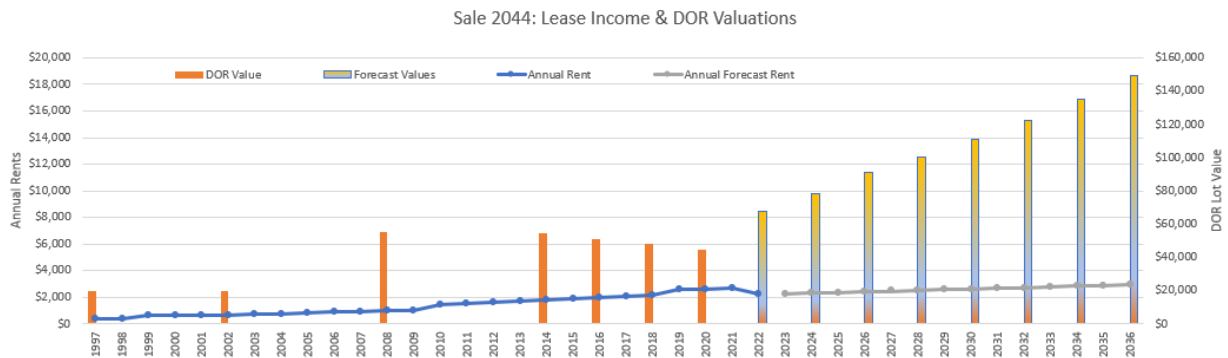
Economic Analysis

Short term – The average rate of return on these sale parcels is shown in Figure 1. The parcels will continue to receive these returns if they remain in state ownership. The income rates of return will likely grow smaller over the next 20 years, as average annual value appreciation is greater than the annual rent increase, as shown in Figures 2 through 5 below.

Figure 1: Rates of Return at Current Appraised Values

Sale No.	Rate of Return
2044	2.37%
2045	2.44%
2047	2.317%
2048	2.865%

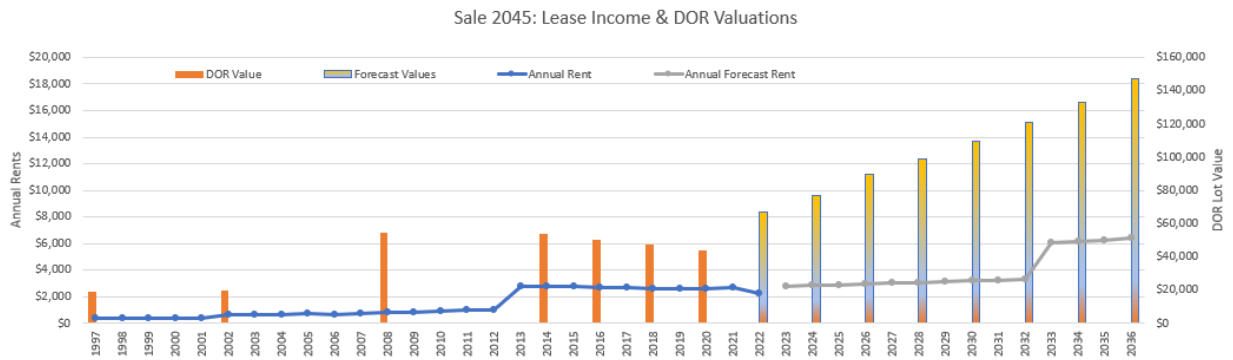
Figure 2: Sale 2044 - Review of Past Income & Values; Forecast Income & Values



Forecast assumptions:

1. the average annual appreciation rate of the future DOR lot value used here is 4.71%, based on the FHFA House Price Index for Montana, 2000 - 2020.
2. lease contract terms provide for a 2% annual rent increase on the current contract template, starting from a base rent of 5% of the most recent DOR valuation.

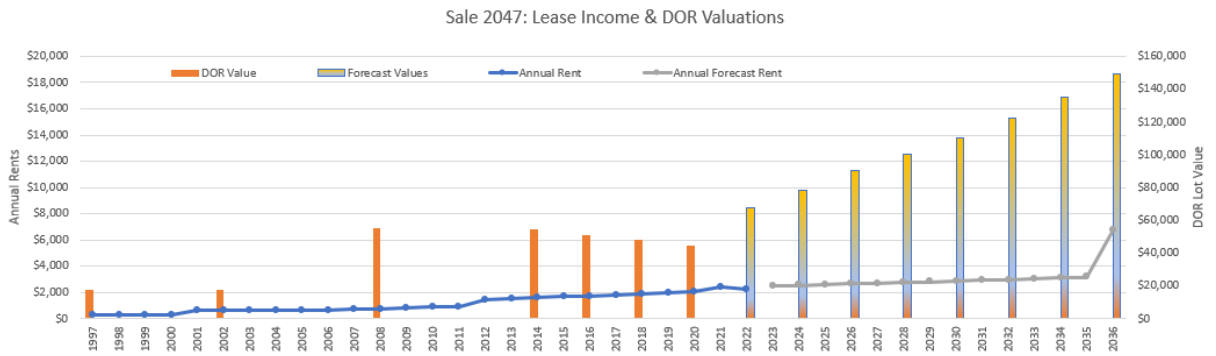
Figure 3: Sale 2045 - Review of Past Income & Values; Forecast Income & Values



Forecast assumptions:

1. the average annual appreciation rate of the future DOR lot value used here is 4.71%, based on the FHFA House Price Index for Montana, 2000 - 2020.
2. lease contract terms provide for a 2% annual rent increase on the current contract template, starting from a base rent of 5% of the most recent DOR valuation.

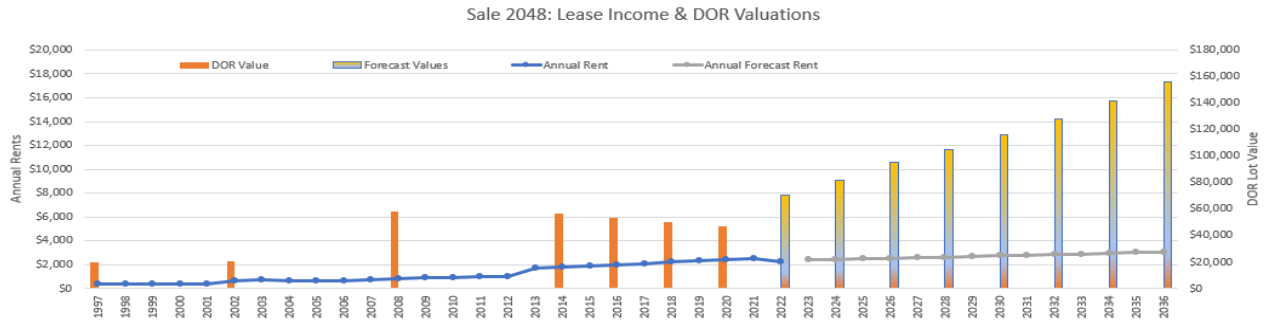
Figure 4: Sale 2047 - Review of Past Income & Values; Forecast Income & Values



Forecast assumptions:

1. the average annual appreciation rate of the future DOR lot value used here is 4.71%, based on the FHFA House Price Index for Montana, 2000 - 2020.
2. lease contract terms provide for a 2% annual rent increase on the current contract template, starting from a base rent of 5% of the most recent DOR valuation.

Figure 5: Sale 2048 - Review of Past Income & Values; Forecast Income & Values



Forecast assumptions:

1. the average annual appreciation rate of the future DOR lot value used here is 4.71%, based on the FHFA House Price Index for Montana, 2000 - 2020.
2. lease contract terms provide for a 2% annual rent increase on the current contract template, starting from a base rent of 5% of the most recent DOR valuation.

Long term – The funds from the sale of these parcels will be combined with other sale funds to purchase replacement lands through DNRC’s Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.33% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.58% on acquisitions purchased within the last five years to 3.89% for lands acquired within the last ten years. Figure 6 shows hypothetical lot values derived from the 3-year average net revenue of the current lease, at a sample range of income rates of return that could be anticipated when the sale proceeds are used for a land banking acquisition.

Figure 6: Lot Values derived from 3-year Average Net Income at Sample Rate of Return

Sale Number		Rate of Return at Current Appraised Value for Land	Average Rate of Return on all Land Banking Acquisitions	Average Rate of Return on Land Banking Acquisitions within the last 5 years	Average Rate of Return on Land Banking Acquisitions within the last 10 years
	Income Rate of Return	Varied	3.33%	3.58%	3.89%
2044	Derived Lot Value	\$73,000	\$51,945	\$48,318	\$44,467
2045	Derived Lot Value	\$76,000	\$55,679	\$51,791	\$47,633
2047	Derived Lot Value	\$59,000	\$41,053	\$38,186	\$35,143
2048	Derived Lot Value	\$59,000	\$50,761	\$47,216	\$43,453

Appraised Values of Land and Improvements

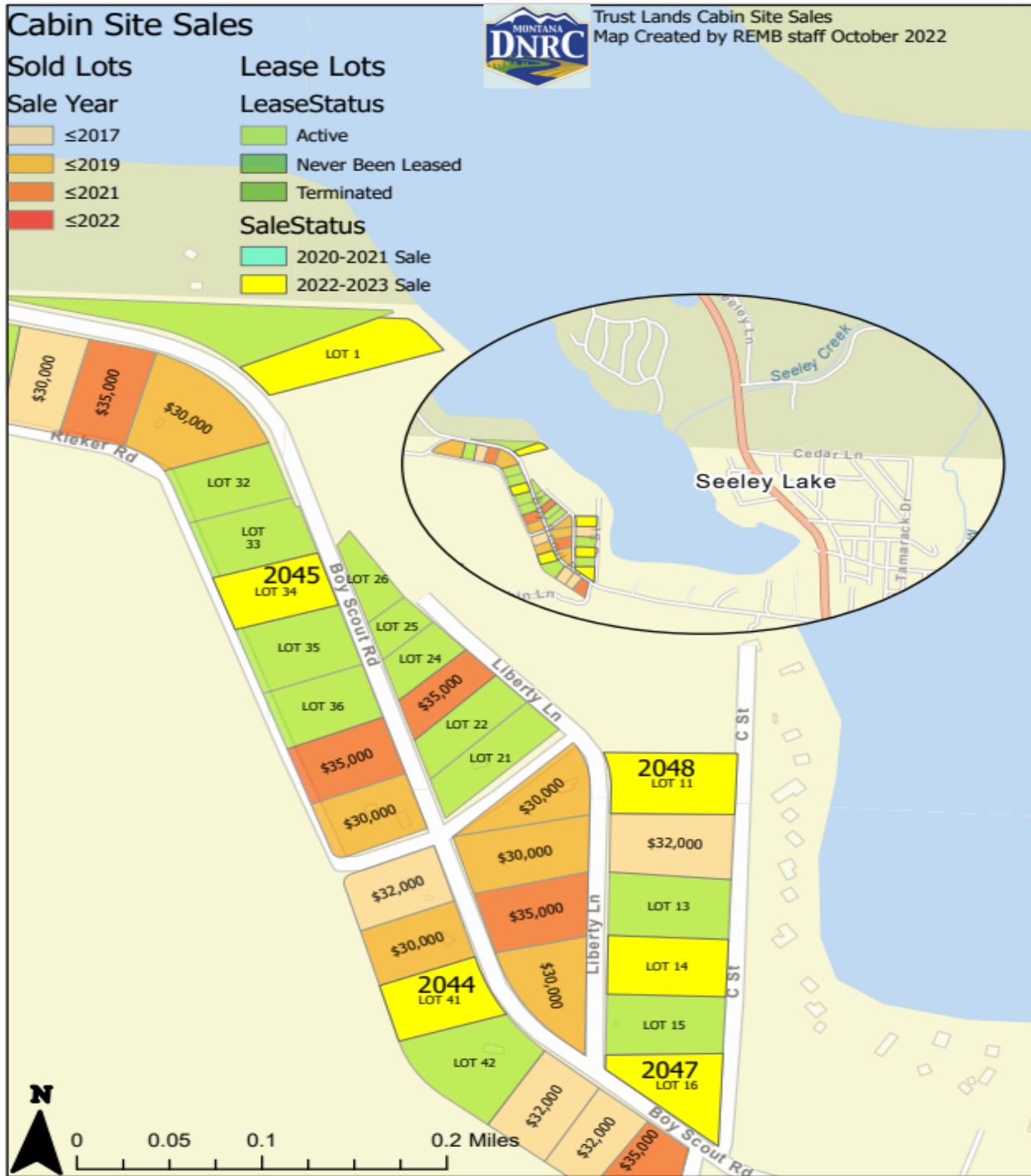
The appraisal of this cabin site was prepared by Montana General Certified Appraiser Elliott M. Clark, MAI of Clark Real Estate Appraisal of Seeley Lake, Montana.

Sale No.	Appraised Land Value	Appraised Improvements Value
2044	\$73,000	\$166,000
2045	\$76,000	\$231,000
2047	\$59,000	\$50,000
2048	\$59,000	\$88,000

DNRC Recommendation

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

Sales 2044, 2045, 2047, 2048, Missoula County



0923-3

LAND BANKING

Preliminary Approval for Sale

**Land Board Agenda Item
September 18, 2023**

0923-3 Land Banking Parcel: Preliminary Approval for Sale

Location: Yellowstone County

Trust Benefits: Common Schools

Trust Revenue: Appraisal to be completed after preliminary approval.

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting preliminary approval to sell Skyview Ridge Subdivision in Yellowstone County.

Sale #	# of Acres	Legal	Nominator	Trust
387	268±	Skyview Ridge Subdivision, Section 20, T1N-R26E	DNRC	Common Schools

The parcel is bordered on three sides by mixed-use development, including residences, parks, schools, and businesses. The parcel has been annexed into the City of Billings, and has been rezoned to single-family residential, multiple family residential, and commercial zoning. In addition, subdivision approval has been obtained on the eastern portion of the property containing approximately 65 acres, which includes six commercial lots, five multi-family lots and six single-family lots. The remainder of the Skyview Ridge Subdivision property includes additional acreage for residential development.

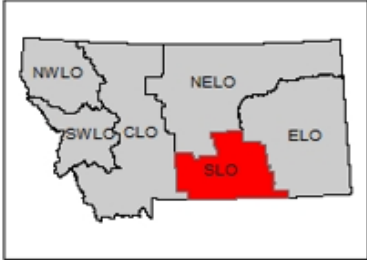
The property received preliminary approval for sale from the Land Board in April of 2010, but public auctions between 2015 and 2017 were unsuccessful. Between 2018 and 2023, the DNRC opened four requests for proposals (RFPs) for commercial lease on the Skyview Ridge Subdivision for mixed-use commercial and residential. The most recent RFP process resulted in one responsive proponent for a small three-acre commercial use that is currently under review. In addition, further interest in sale of residentially zoned lots was generated because of the most recent RFP process. With renewed market interest in residential development in the Billings area, DNRC plans to reactivate this sale project. The proposed first phase would be to offer for sale approximately 25 acres of Skyview Ridge Subdivision, 1st Filing, for residential purposes. The remainder of the residentially zoned property could be sold as market demand allows.

In consideration of the best long-term financial interests of the trust beneficiaries, commercial leasing opportunities will continue to be considered for the Skyview Ridge Subdivision. This action item does not preclude the DNRC from pursuing commercial leasing, per 77-1-901, MCA.

DNRC Recommendation

The DNRC recommends the Land Board grant preliminary approval to sell this parcel.

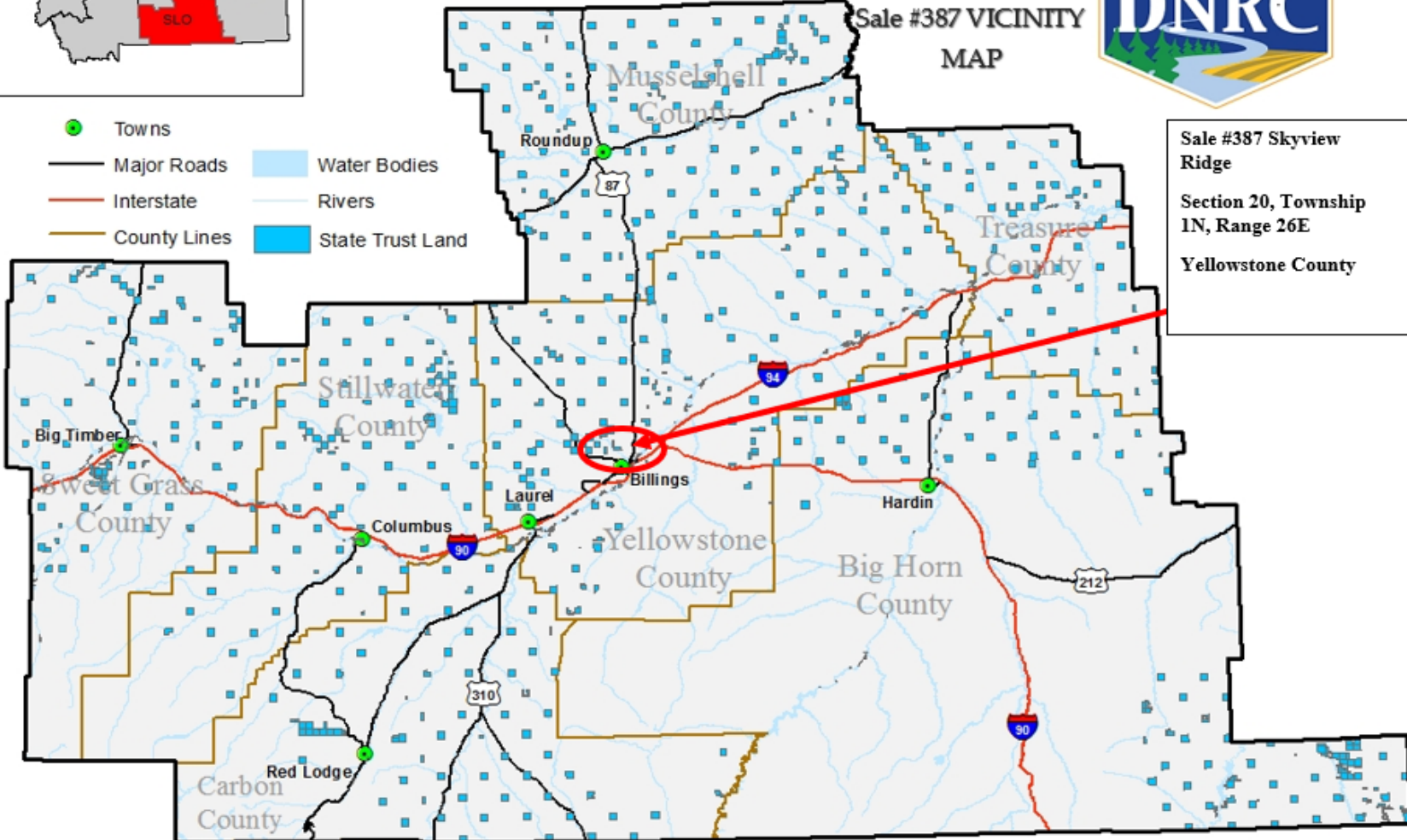
State Trust Land Vicinity Map Southern Land Office



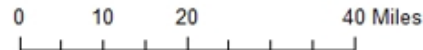
Sale #387 VICINITY
MAP

- Towns
- Major Roads
- Interstate
- County Lines
- Water Bodies
- Rivers
- State Trust Land

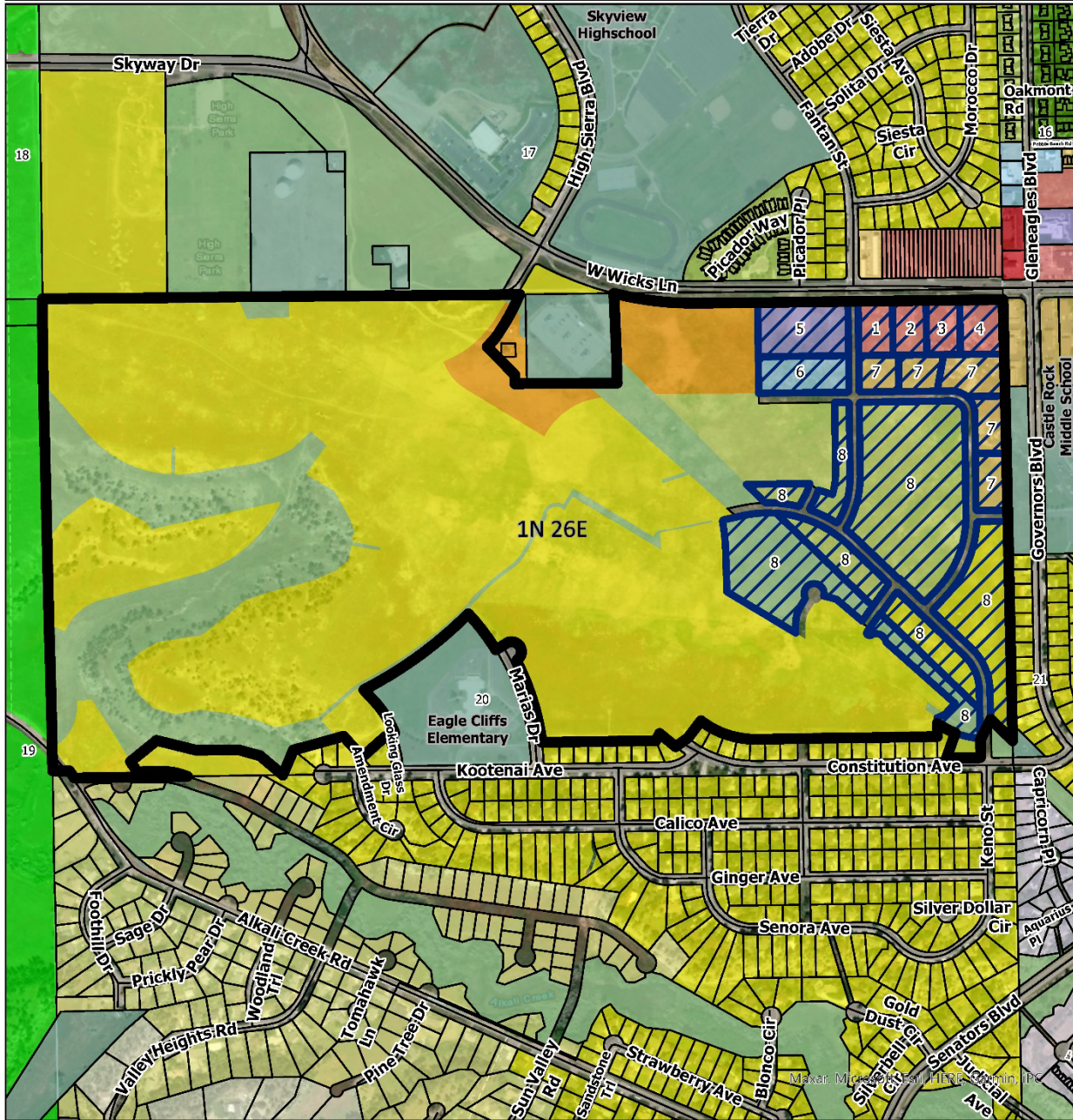
Sale #387 Skyview
Ridge
Section 20, Township
1N, Range 26E
Yellowstone County



Produced by Montana Department of Natural Resources and Conservation 11/1/2019
Datum: NAD 1983 StatePlane



**SKYVIEW RIDGE SUBDIVISION
BILLINGS HEIGHTS - BILLINGS, MT
±268-ACRES**



Legend

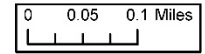
- 1st Filing Parcels 1-8
- Roads
- Parcels
- Skyview Boundary

Zoning

- Corridor Mixed-Use
- Neighborhood Mixed-Use
- Neighborhood Office
- Mixed Residential
- Mid-Century Neighborhood
- Suburban Neighborhood
- Open Space, Parks, Recreation
- Public-Civic, Institutional

*see City of Billings Zoning Code for more details

*****FOR REFERENCE ONLY*****
Location: Yellowstone County
Date: 30 August 2023
Prepared By : Joe Holzwarth - DNRC
NAD 1983 MT State Plane FIPS 2500



0923-4

LAND USE LICENSE

**Land Board Agenda Item
September 18, 2023**

0923-4 Land Use License

Location: Big Horn County

Trust Benefits: Public Land Trust – Navigable Rivers

Trust Revenue: \$150.00

Item Table of Contents

Applicant	Land Use License Purpose	Term	Page(s)
Bighorn River Alliance c/o James Chalmers	Re-establish side channel connectivity with the Bighorn River to improve riverine habitat by excavating gravel and cobble deposits. Removal of this material will allow side channels to stay connected to the river during low flow periods.	1 year	26-27

NAVIGABLE WATER LAND USE LICENSE
September 18, 2023

Applicant: Bighorn River Alliance
c/o James Chalmers
1371 Rimtop Drive
Billings, MT 59105

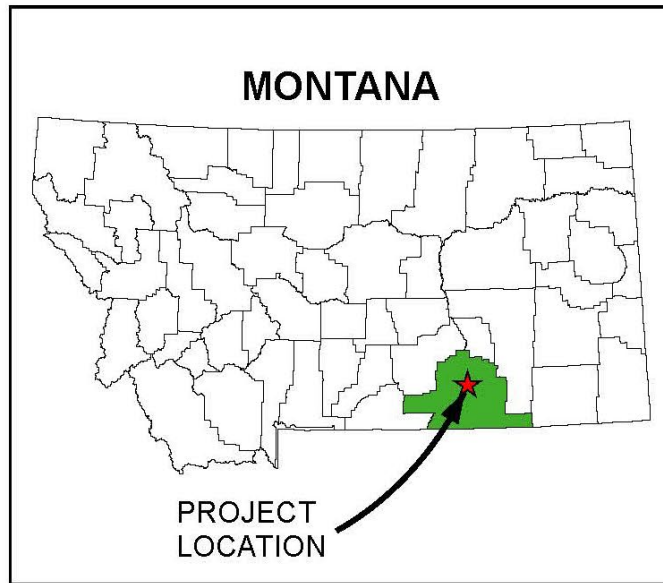
License No.: LUL 309-2400006
Purpose: Excavate gravel and cobble plugs that have deposited within the riverbed and the head of side channels within the Bighorn River.
Acreage: 1.0
Compensation: \$150.00
Legal Description: Parts of T5S R31E, T5S R32E, T4S R32E, T3S R32E, & T1N R33E
Trust Beneficiary: Public Land Trust – Navigable Waterways

Item Summary

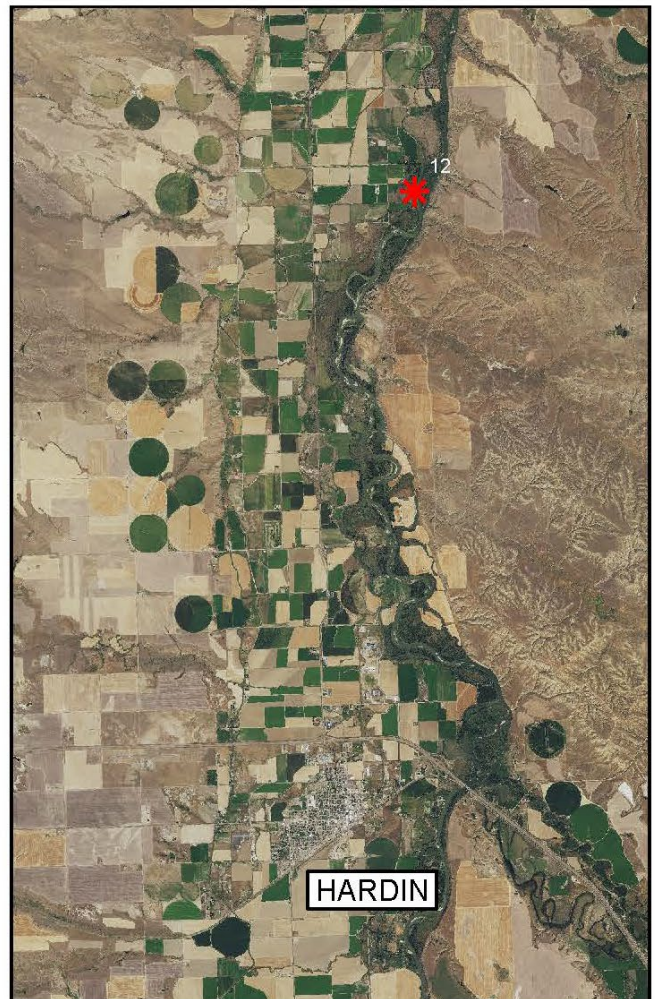
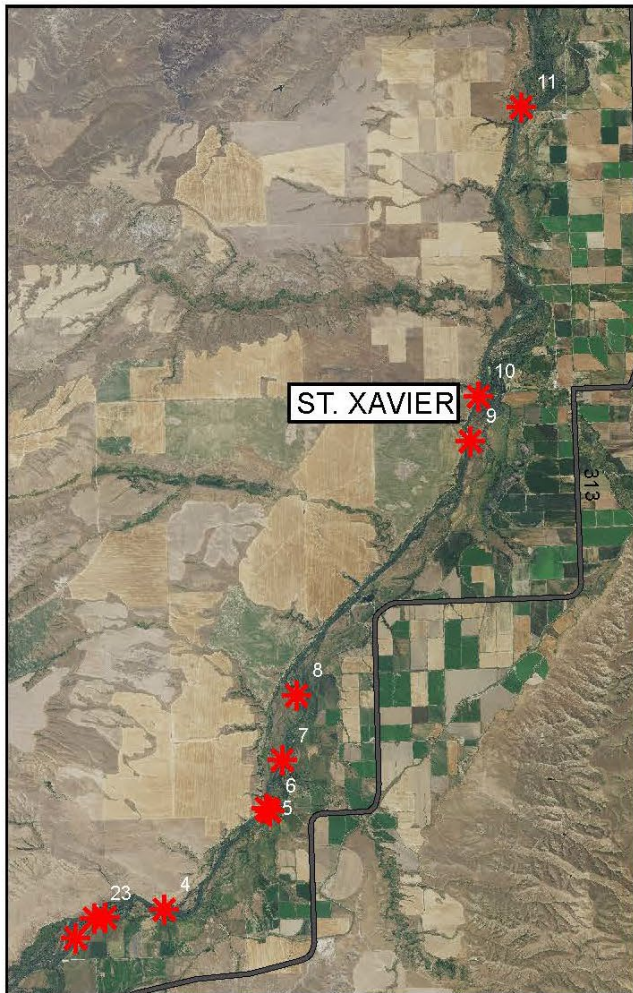
The purpose of this license is to re-establish side channel connectivity by excavating gravel and cobble plugs that have deposited within the riverbed and the head of side channels within the Bighorn River. Removal of this material will allow side channels to stay connected to the river during low flow periods as part of a restoration project. Gravel and cobble will be placed to create a more effective entrance angle to the side channels. Excavated material will be placed to create a series of alternating point bars, which are intended to narrow the low flow channels and improve sediment transport. This will be a one-year license. Pursuant to ARM 36.25.1102(3), a land use license for this purpose is subject to final land board approval.

DNRC Recommendation

The DNRC recommends approval of the license for Bighorn River Alliance.



PROJECT VICINITY AERIAL PHOTO



0923-5

EASEMENTS

**Land Board Agenda Item
September 18, 2023**

0923-5 Easements

Location: Flathead and Missoula Counties

Trust Benefits: Common Schools and Public Land Trust – Navigable Rivers

**Trust Revenue: Common Schools = \$4,508.00
Public Land Trust – Navigable Rivers = \$479.00**

Item Table of Contents

Applicant	Right-of-Way Purpose	Term	Page(s)
Bonnie Farnum	Private Access Road	Permanent	32-33
InterBel Telephone Cooperative, Inc.	Buried Fiber Optic Cable	Permanent	34-35

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Bonnie Farnum
PO Box 442
Bonner, MT 59823

Application No.: 19145 (Amended)
R/W Purpose: a private access road to two (2) single-family residences and associated outbuildings and to conduct normal farming, ranching and timber management operations

Lessee Agreement: N/A (Unleased)
Acreage: 4.57
Compensation: \$4,508.00
Legal Description: 30-foot strip through NE4NW4, W2NE4, NE4NE4, Sec. 36, Twp. 14N, Rge. 17W, Missoula County
Trust Beneficiary: Common Schools

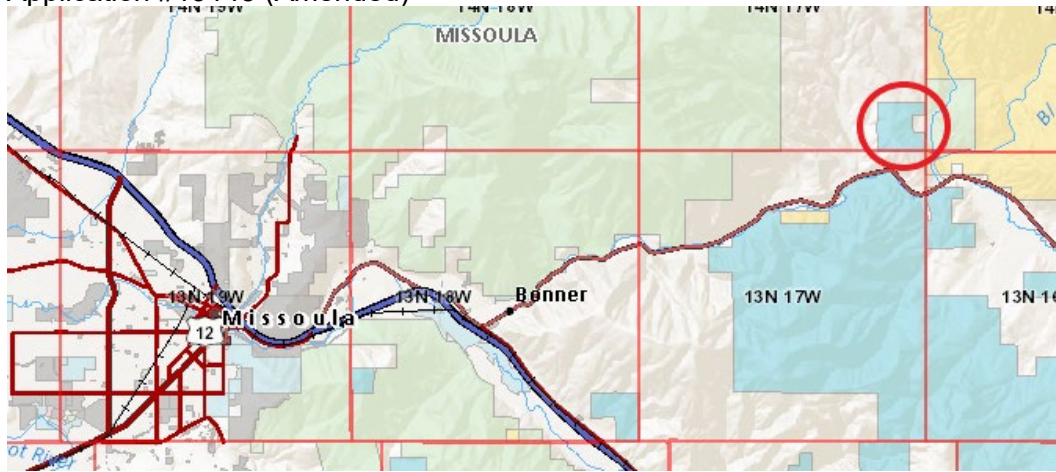
Item Summary

Bonnie Farnum is requesting an amendment to her existing historic private access road easement for relocation purposes and to allow for a 2nd residence on her private land. The existing route on private land was not under a legal easement and the private landowner offered a legal easement on a different road that is less impactful to his property. This relocation intersects with a different existing road on State Land that also provides direct access to Ms. Farnum but will need some slight reconstruction. The Department has analyzed the impacts and determined them to be minimal. This private easement provides for access to two residential units; thus Ms. Farnum has requested similar rights through the amendment. A portion of the compensation for the amendment of this easement includes a charge equal to 1% of the market value of a similar sized property for the 2nd residential unit per the Access Road Policy. The affected State Land has existing legal access easements for both roads on the private landowners through a reciprocal access agreement with the prior landowner.

DNRC Recommendation

The DNRC recommends approval of the application of Bonnie Farnum.

Application #19145 (Amended)



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: InterBel Telephone Cooperative, Inc.
PO Box 648
Eureka, MT 59917

Application No.: 19563
R/W Purpose: a buried fiber optic cable
Lessee Agreement: N/A (Nav. River)
Acreage: 0.02
Compensation: \$479.00
Legal Description: 20-foot strip across the Stillwater River in SE4NW4, Sec. 35,
Twp. 30N, Rge. 22W, Flathead County
Trust Beneficiary: Public Land Trust – Navigable River

Item Summary

InterBel Telephone Cooperative, Inc. is requesting an easement to install a buried fiber optic telecommunications cable across the Stillwater River. The line will provide reliable telephone and broadband services to unserved and underserved properties in the Flathead West Valley area. The proposed route is the most direct route between terminus locations.

DNRC Recommendation

The DNRC recommends approval of the application of InterBel Telephone Cooperative, Inc.

Application #19563

