

Minutes of a Meeting of the Industrial Commission of North Dakota

Held on December 20, 2022 beginning at 1:00 p.m.

Governor's Conference Room – State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Drew H. Wrigley
Agriculture Commissioner Doug Goehring

Also Present: This meeting was open through Microsoft Teams so not all attendees are known.
Agency representatives joined various portions of the meeting.

Governor Burgum called the meeting of the Industrial Commission to order at approximately 1:04 p.m.

STATE ENERGY RESEARCH CENTER

Mr. Tom Erickson gave a presentation of the annual report, detailing activities of the State Energy Research Center.

SERC Focus Areas:

1. Exploratory energy research,
2. rapid response critical to ND issues, and
3. education and outreach.

There are 50 exploratory research projects completed to date.

Mr. Erickson highlighted 3 projects during the presentation:

- i. Graphene/Graphite
 - SERC funded
 - Evaluation of high-value solid carbon products from ND lignite
 - Evaluation of graphene-enhanced low-viscosity engine oil for automotive, aerospace, and unmanned aerial vehicle applications
 - Led to:
 - Federal proposal awarded for laboratory-scale graphene production: \$930,000
 - Additional proposal awarded to us ND Lignite to produce graphite for lithium battery anodes: \$1 million plus cost share
- ii. Rare Earth Elements
 - SERC Funded
 - Recovery of REEs from coal ash
 - Quantifying REEs in coal seams and shale
 - Electrochemical extraction of REEs from coal and produced water
 - Tunable electrochemical extraction for purification of REE's and CM
 - Led to:

- Williston Basin CORE-CM: \$1.5 million federal funding with additional cost share from Lignite Research Program, North American Coal, BNI, Basin Electric Cooperative, and Minnkota Power
- The Williston Basin CORE-CM involves the following initiatives:
 1. Assess the existing information available for resource characterization, waste streams, and technologies and identify options for business development, innovation centers, and stakeholder engagement.
 2. Identify the gaps where additional research and technology development are necessary.
 3. Create a series of plans to provide a pathway for future development.
 4. Initiate stakeholder engagement.
- iii. Zero Emissions from Well Pads
 - SERC funded
 - Robust adaptive technology economically captures flare gas
 - Note: Additional work also done through OGRP (BPOP project)
 - Led to
 - First commercial prototype planned within the next few months
 - Joint development agreement with Steffes Corporation
 - Recent federal proposal submitted for \$1 million to expedite commercial development and deployment

Governor Burgum asked Mr. Erickson if funding and staffing are at optimal levels for the State Energy Research Program. Mr. Erickson explained that they could use twice as much funding for exploratory research successfully and appropriately (\$10,000,000). He believes there is adequate staff of approx. 300 employees along with graduate and undergraduate students.

Governor Burgum congratulated the State Energy Research Program team on their patents and hard work.

NORTH DAKOTA PIPELINE AUTHORITY

Mr. Justin Kringstad gave a presentation of the North Dakota Pipeline Authority Midstream Update Report.

The presentation consisted of miles of pipeline development in North Dakota, the Steel pipe price index, EIA Oil price index, and the Williston Basin Oil Production and Export Capacity.

Mr. Kringstad highlighted a project: “South Bend Pipeline” - has approximately 80 miles of pipe in North Dakota. There is existing pipe capacity from Baker, MT to Hulett, WY with a committed rate- ND to OK \$4.25/BBL and an uncommitted rate- ND to OK \$8.15/BBL.

Mr. Kringstad highlighted another project: “Equality Pipeline” - 191 miles of pipe construction began November 2019 and was completed in Q3 of 2022. This pipeline is key infrastructure to support Bakken growth.

Mr. Kringstad discussed natural gas capture rates, currently at 95%, and forecasts of future growth of natural gas production and natural gas capture capacity. Mr. Kringstad noted a need for additional plant capacity, with forecasted production exceeding planned capacity by the end of 2024. Governor Burgum

asked Mr. Kringstad if there are plans in place for capacity and Mr. Kringstad said there has been a lot of discussion surrounding it, but no official plans have been made public yet.

Mr. Kringstad highlighted the WBI Energy – Grasslands South project which has a proposed completion of Q3 2023 and features Fort Union Gas Gathering and Wyoming Interstate Company provide further transport Cheyenne hub.

Mr. Kringstad highlighted the TC Energy – Proposed Bison Xpress project which wouldn't service until around Q1 2026 and would also feature Fort Union Gas Gathering and Wyoming Interstate Company further transport Cheyenne hub.

Mr. Kringstad explained the difference between a Contribution in aid of Construction (CIAC) and a capacity purchase model to incent pipeline construction. CIAC is upfront contributions vs the state committing to taking capacity on a pipeline with the opportunity to release its capacity or obligation to another third party. He presented three scenarios (best case, most-likely case, and worst case) for the State.

It was also mentioned by Mr. Kringstad that there were zero applications received during the last grant round for the \$140 million west-to-east portion of the Natural Gas Pipeline Grant Program. Governor Burgum mentioned the possibility of converting the existing \$150 million CIAC-model grant program to a capacity purchase model during the 68th legislative session.

Governor Burgum thanked Mr. Kringstad for the depth of the analysis and said how critical it is to move forward on this.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Ms. DeAnn Ament gave a presentation of loans approved by the Advisory Committee:

- i. City of Fort Ransom – Clean Water - \$857,000
 - This project will repair a broken force main under the Sheyenne River and rehabilitate a lift station.
- ii. City of Lincoln – Drinking Water - \$1,858,000
 - This project will replace the existing 549,000-gallon water tank with a new 1-million-gallon tank to meet storage requirements and add capacity to the city's water infrastructure and install a new 16" water main to connect water tanks to the city for fire suppression.

Ms. Ament presented for consideration of approval the following Clean Water State Revolving Fund Application:

- i. City of Center - \$4,700,000, eligible for loan forgiveness of \$3,525,000.
 - The purpose of this project is to reconstruct two cells of the wastewater treatment lagoons, including replacing 2 feet of the existing pond bottom with new, locally sourced bentonite clay material or a synthetic liner.
 - The Advisory Committee, at its December 13, 2022 meeting, reviewed and discussed, and recommended the approval of the \$4,700,000 Clean Water State Revolving Fund Program loan to the City of Center.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the Clean Water State Revolving Fund application to the City of Center for \$4,700,000 which is eligible for loan forgiveness of \$3,525,000.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

NORTH DAKOTA HOUSING FINANCE AGENCY

Ms. Jennifer Henderson gave a presentation on the Report of Multi-Family Bond Issuance – Prairie Ridge Residences in Fargo, ND.

- i. On October 20, 2022, the Industrial Commission executed an Authorizing Resolution authorizing the issuance of Multifamily Revenue Bonds not to exceed \$17,000,000 and approve the following operative documents in substantial Form:
 - a. The Funding Loan Agreement
 - b. The Borrower Loan Agreement
 - c. Trust Indenture
 - d. Loan Agreement
 - e. Regulatory Agreement
 - f. Forward Delivery Bond Purchase Agreement
- ii. Proceeds were lent to Prairie Ridge 4 LLLP, a North Dakota limited liability limited partnership, to finance a portion of the costs of the acquisition, construction and equipping by the Borrower of the Prairie Ridge Residences Apartments, a 120-unit multifamily residential rental property located in Fargo, ND.

Mr. Dave Flohr presented for consideration of approval the Appointment of Public Hearing Officer and Ratification of Public Notice – HOME ARP Allocation Plan.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission appoint David Flohr, the Executive Director of the North Dakota Housing Finance Agency, to act as the representative of the North Dakota Industrial Commission, acting as the Agency at a public hearing regarding the Agency's proposed Allocation Plans for the HOME Investment Partnership Program-American Rescue Plan (HOME ARP) a substantial amendment to the 2021 Annual Action Plan, and receive on behalf of the Agency public comments, oral or written, and advise the Commission of the substance of the testimony given at the public hearing prior to the date of adoption of the Plan, and that the Commission ratify the Public Notice of the hearing which will be held at the Agency's Bismarck office and virtually via Microsoft Teams on January 5, 2023, at 10:00 A.M. (C.T).

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Flohr presented for consideration of approval the 2023 Annual Series Authorizing Resolution and Appointment of TEFRA Hearing Officer.

It was moved by Commissioner Goehring and seconded by Governor Burgum that the Industrial Commission accept the recommendation of the Housing Finance Agency and adopt the Home

Mortgage Finance Program Bonds 2023 Annual Series Resolution as follows and which includes, to the extent required for New Series Bonds to be issued as tax-exempt bonds, that each Authorized Officer be appointed to represent the Agency at public hearings held pursuant to Section 147(f) of the Internal Revenue Code, to be held on the dates and at the times selected by such Authorized Officer regarding the proposed issuance of such New Series Bonds and will receive, on behalf of the Commission, public comments, oral or written, and advise the Chairman of the Commission of the substance of the testimony given at the public hearing prior to the date of issuance of such New Series Bonds: (A copy of the resolution is on file with the Office of the Industrial Commission and the North Dakota Housing Finance Agency).

On a roll call vote, Governor Burgum and Commissioner Goehring voted aye. Attorney General Wrigley stepped out of the room at this time so did not vote. The motion carried.

NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES

Dr. Lynn Helms presented for consideration of approval the following cases:

- i. Order 32075 for Case 29505 regarding an application of Henry Hill Oil Services, LLC for an order pursuant to NDAC § 43-02-03-88.1 authorizing saltwater disposal into the Dakota Group in the Schneiderman 1 SWD well, NWSW Section 20, T.150N. R.99W., South Tobacco Garden Field, McKenzie County, ND, pursuant to NDAC Chapter 43-02-05 and such other relief as is appropriate

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approves Order No. 32075 issued in Case No. 29505 approving the application of Henry Hill Oil Services, LLC pursuant to NDAC § 43-02-03-88.1 authorizing saltwater disposal into the Dakota Group in the Schneiderman 1 SWD well, NW/4 SW/4 Section 20, T.150N. R.99W., South Tobacco Garden Field, McKenzie County, ND, pursuant to NDAC Chapter 43-02-05, and/or such further relief.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

- ii. Order 32179 for Case 29607 regarding an application of Hunt Oil Co. for an order for the Bailey, Wolf Bay and/or Werner-Bakken Pool, Dunn County, ND, as follows: (i) create and establish an overlapping 1920-acre spacing unit comprised of Section 36, T.147N., R.93W. and Sections 1 and 12, T.146N., R.93W., authorizing the drilling of a horizontal well on said proposed overlapping 1920-acre spacing unit; (ii) create and establish an overlapping 2560-acre spacing unit Sections 2, 3, 10 and 11, T.146N., R.93W., authorizing the drilling of a horizontal well on or near the section line between the existing spacing units of said proposed overlapping 2560-acre spacing unit; and, (iii) create and establish two overlapping 3840-acre spacing units comprised of Sections 1, 12 and 13, T.146N., R.93W. and Sections 6, 7 and 18, T.146N., R.92W.; and Sections 24, 25 and 36, T.146N., R.93W. and Sections 19, 30 and 31, T.146N., R.92W., authorizing the drilling of a horizontal well on or near the section line between the existing spacing units of each proposed overlapping 3840-acre spacing unit and such further relief.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approves Order No. 32179 issued in Case No. 29607 approving the application of Hunt Oil Company for an order for the Bailey, Wolf Bay and/or Werner-Bakken Pool, Dunn County, ND, as follows: (i) create and establish an overlapping 1920-acre spacing unit comprised of Section 36, T.147N., R.93W. and Sections 1 and 12, T.146N., R.93W., authorizing the drilling of a horizontal Three Forks well on said proposed overlapping 1920-acre spacing unit; (ii) create and establish an overlapping 2560-acre spacing unit comprised of Sections 2, 3, 10 and 11, T.146N., R.93W., authorizing the drilling of a horizontal well on or near the section line between the existing spacing units of said proposed overlapping 2560-acre spacing unit; and, (iii) create and establish two overlapping 3840-acre spacing units comprised of Sections 1, 12 and 13, T.146N., R.93W. and Sections 6, 7 and 18, T.146N., R.92W.; and Sections 24, 25 and 36, T.146N., R.93W. and Sections 19, 30 and 31, T.146N., R.92W., authorizing the drilling of a horizontal well on or near the section line between the existing spacing units of each proposed overlapping 3840-acre spacing unit, and/or such further relief.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

- iii. Order 32285 for Case 29681 regarding an application of Petro-Hunt L.L.C. for an order authorizing the conversion of the State 1-16-2B well (File No. 6281), located in the NE/4 of the NE/4 of Section 16, T.144N., R.98W., Little Knife Field, Billings County, ND, for the injection and disposal in the Dakota Group of acid gas or other waste products from the Little Knife Gas Plant pursuant to Chapter 43-02-05 of the North Dakota Administrative Code, and providing such other and further relief as the Commission deems necessary

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approves Order No. 32285 issued in Case No. 29681 approving the application of Petro-Hunt, L.L.C. for an order authorizing the conversion of the State 1-16-2B well (File No. 6281), located in the NE/4 NE/4 Section 16, T.144N., R.98W., Little Knife Field, Billings County, ND, for the injection and disposal in the Dakota Group of acid gas or other waste products from the Little Knife Gas Plant pursuant to Chapter 43-02-05 of the North Dakota Administrative Code, and/or such further relief.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Bruce Hicks presented the Oil and Gas Division Quarterly Report for 3Q 2022.

The rig count was 45, the barrels of oil per day were 1,089,106, the gas capture in the Bakken was at 95%, the ND Avg (\$/barrel) was \$89.59, and there were no water well complaints received.

Mr. Ed Murphy and Mr. Clint Boyd presented the Geological Survey Division Quarterly Report.

Dr. Helms presented an update on Litigation:

- i. Case No. 31-2020-CV-0018 – Northern Oil and Gas, Inc. vs Continental Resources, Inc; Board of University and School Lands and ND Industrial Commission et al
- ii. Case No. 27-2022-CV-00305 – Blue Steel Oil and Gas, LLC v. North Dakota Industrial Commission, Slawson Exploration Company, Inc and White Butte Oil Operations, LLC

- iii. North Dakota Industrial Commission v. U.S. Department of Interior
- iv. Dominek v Equinor et al
- v. Spec Tech v NDIC

Dr. Helms presented for consideration of approval the Industrial Commission comments on BLM NEPA Number: DOI-BLM-HQ-3100-2023-001-EA; Supplemental Environmental Assessment Analysis for Greenhouse Gas Emissions Related to Oil and Gas Leasing; public comment period ending December 27, 2022.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approves the presented comments regarding the Bureau of Land Management’s Supplemental Environmental Assessment Analysis for Greenhouse Gas Emissions Related to Oil and Gas Leasing, with the addition of the pooling and liability protection discussed, and the Director of the Department of Mineral Resources to submit the comments prior to the public comment deadline.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

Dr. Helms presented the Environmental Protection Agency: “Supplemental Proposal to Reduce Climate and Health-Harming Polluting from Oil and Natural Gas Operations”, which has a public comment period ending February 13, 2023.

OIL AND GAS RESEARCH PROGRAM

Mr. Reice Haase presented the Oil and Gas Research Program Financial and Project Management Report. The Oil and Gas Research Program non-committed cash funding for this period is just over \$3.8 million dollars.

Mr. Haase presented for consideration of approval the following Oil and Gas Research Program Grant Round 57 application:

- i. G-057-01: “North Dakota Petroleum Foundation Outreach and Education Program” – North Dakota Petroleum Foundation; Principal Investigator: Tessa Sandstrom, PE; Project Duration: 2 years; Total Project Cost: \$2,069,205; Request for: \$982,125.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission accepts the recommendation of the Oil and Gas Research Council and approve funding for application G-057- 01: “North Dakota Petroleum Foundation Outreach and Education Program” for the amount of \$982,125 and authorize Industrial Commission staff to enter into a contract with the applicant.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Haase presented for consideration of approval the request for variance from OGRP Policy 3.02 – Matching Funds for Contract G-049-092 “Underground Storage of Produced Natural Gas – Conceptual Evaluation and Pilot Project(s) (HB 1014).

It was moved by Commissioner Goehring and seconded by Attorney General that the Industrial Commission accept the recommendation of the Oil and Gas Research Council and approve a variance from OGRC Policy 3.02 – Matching Funds for Contract G-049-092, and further authorize Industrial Commission staff to amend Contract G-040-092 to allow a 57% cost-share from the Oil and Gas Research Program.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

RENEWABLE ENERGY PROGRAM

Mr. Haase gave a presentation of the Renewable Energy Program Financial and Project Management Report. Uncommitted Cash available is just over \$2.9 million.

Mr. Haase presented for consideration of approval the following Grand Round 50 applications:

- i. **R-050-A - Novel Process for Biocoal Production with CO₂ Mineralization to Achieve Negative Carbon Emissions**; Submitted by Dr. Srivats Srinivasachar; Total Project Costs: \$349,825; **Amount Requested: \$174,830**
- ii. **R-050-C - Enhanced Sweep Efficiency for Geothermal Renewable Energy Using Bio-Polymer Supplement**; Submitted by Dongmei Wang; Total Project Costs: \$942,877; **Amount Requested: \$468,877**
- iii. **R-050-D – Production of hydrogen and Valuable Carbons from Methane-Sources**; Submitted by Johannes van der Watt; Total Project Costs: \$360,000; **Amount Requested: \$180,000**
- iv. **R-050-E – Unlocking Lithium Extraction in Produced Water**; Submitted by Mat Hirst; Total Project Costs: \$1,000,000; **Amount Requested: \$500,000**
- v. **R-050-F – Modular Biomass Gasification for Co-Production of Hydrogen and Power**; Submitted by Junior Nasah; Total Project Costs: \$2,120,000; **Amount Requested: \$500,000**

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve all 5 grant round applications (R-050-A, R-050-C, R-050-D, R-050-E, R-050-F) as listed above.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

NORTH DAKOTA TRANSMISSION AUTHORITY

Mr. Claire Vigesaa gave a presentation of Grid Resilience and Innovated Partnerships (GRIP) opportunity.

The GRIP Funding Opportunity would impact seven states (North Dakota, Minnesota, South Dakota, Iowa, Nebraska, Kansas, and Missouri). Minnesota Department of Commerce is willing to be the lead agency for the application.

GRIP Priorities and Requirements are as follows:

- Priorities-
 - Interregional transmission

- Grid resilience and reliability improvements
- Innovative planning approaches and enhanced collaboration
- Unlocking clean energy resource and contribute to decarbonization
- Requirements-
 - 50% matching funds (of total project costs)
 - Community Benefits Plan
 - Prevailing wage requirements
 - Buy American requirements (all iron, steel, manufactured good and construction materials)
 - Reporting and tracking spend, jobs created and preserved
 - Cybersecurity plan
 - NEPA (likely)- in collaboration with DOE
- GRIP Eligible Entities-
 - One or more states
 - An Indian Tribe
 - A unit of local government
 - A public utility commission

Current Plan and Timeline:

- MN Dept of Commerce – lead agency applicant
- SPP and MISO formal project partners
- State energy office as collaborators – outreach underway
- Concept Paper due by Jan 13, 2023
- DOE response due by Feb 24, 2023
- Full applications due by May 19, 2023

OFFICE OF THE INDUSTRIAL COMMISSION

Ms. Karen Tyler presented for consideration of approval the Industrial Commission meeting minutes for August 26, 2022, September 19, 2022, October 20, 2022, and November 18, 2022.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the Industrial Commission meeting minutes for August 26, 2022, September 19, 2022, October 20, 2022, and November 18, 2022.

On a roll call vote, Governor Burgum, Attorney General Wrigley, and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Tyler gave a brief presentation of the Industrial Commission pre-filed agency bill.

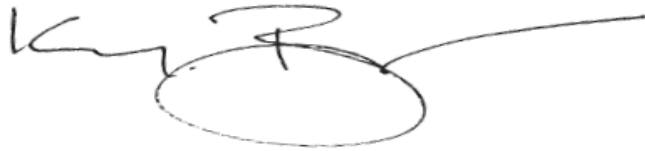
A BILL for an Act to amend and reenact subsection 1 of section 38-08-04, subsection 6 of section 38-22-06, subsection 4 of section 44-04-20, section 54-17-03, subsection 8 of section 54-17-07.3, section 54-17-07.9, section 54-18-04, subsection 2 of section 54-63-03 and section 57-21.1-02.2 of the North Dakota Century Code, relating to regulation of oil and gas wells, service requirements, modernization of the notice requirement, updating position titles, clarification for mortgage insurance requirements, to provide efficiency in executing documents, create an exemption for specialized mill equipment and updated language for flare mitigation.

Ms. Tyler let the Commission know that Legislature Info Day will be taking place on January 10, 2023, on the first floor of the Capitol building and the Office of the Industrial Commission and several Industrial Commission agencies will participate.

The next Industrial Commission meeting will take place on January 24, 2023.

Governor Burgum adjourned the meeting at 4:30 p.m.

North Dakota Industrial Commission

A handwritten signature in black ink, appearing to read 'K. Tyler', with a large, stylized circular flourish at the end.

Karen Tyler, Interim Executive Director and Secretary