

TECHNICAL REVIEWER RATING SUMMARY

G-007-A

G-007-A – McKenzie County Digital Imaging Enhancement Project

Submitted by: McKenzie County

Principal Investigator: Ann M. Johnsrud

Request for \$32,576.50; Total Project Costs \$65,153.00

Rating Category	Weighting Factor	Technical Reviewer			Average Weighted Score
		07-01	07-02	07-03	
Objective	9	5	3	2	30
Availability	9	5	4	3	36
Methodology	7	5	2	4	25.67
Contribution	7	4	1	2	16.33
Awareness	5	5	1	4	16.67
Background	5	5	3	4	20
Project Management	2	5	3	3	7.33
Equipment Purchase	2	4	4	2	6.67
Facilities	2	4	3	4	7.33
Budget	2	5	4	3	8
Average Weighted Score					174
Maximum Weighted Score					250
<u>OVERALL RECOMMENDATION</u>					
FUND			X		
FUNDING TO BE CONSIDERED					
DO NOT FUND			X	X	

G-007-0A
“McKenzie County Digital Imaging Enhancement Project”

Submitted by: McKenzie County
Request for: \$32,576.50; Total Project: \$65,153.00

Section B. Ratings and Comments:

1. *The objectives or goals of the proposed project with respect to clarity and consistency with North Dakota Industrial Commission/Oil and Gas Research Council goals are: 1 – very unclear; 2 – unclear; 3 – clear; 4 – very clear; or 5 – exceptionally clear. Please comment:*

Reviewer 07-01 (Rating: 5)

- The goal of the McKenzie County Recorder to update access to the courthouse records that are needed by the landmen in North Dakota’s oil industry clearly will have a positive economic impact on oil and gas exploration. We have made significant modernizations in digitizing geological information and the oil and gas records of the NDIC, but access to North Dakota’s land records are in serious need of updating in most counties. Actually, it is quite amazing to think that should this grant be funded, landmen in the McKenzie County register of deeds office or on the NDRIN system would be able to access nearly all the Register of Deed’s records on a 24/7 basis, without standing in line and physically carrying 25# books to a table in the hallway to review 80 years of land records. These records will be available at a keystroke. There is no question as to the significant impact this will have on erasing the bottleneck created in busy times, in reducing the cost and increasing the efficiency of record searches.
- As was stated in the grant request, there is a direct link between the expedient record search required of the county records and bringing production online. Leases must first be acquired, but only after the county records have been searched to identify mineral ownership. A second exhausting search must be made by a mineral title attorney to write the drilling title opinion before the rig reaches the location. After production is initiated, access to the records is again needed to update and finalize the Division Order title opinion before royalties are paid.
- Quick and convenient access to public records by landmen and title attorneys will make doing business in our state more efficient, therefore attracting more companies to continue work where they can more quickly accomplish their research.
- The Recorder’s goal in this grant request is to close the gap, by having **all** of the records and indexes digitized, from patent forward. The significance here to the oil industry is that record title search must originate from the patent forward, therefore it is necessary that all records be digitized, not just newly recorded documents. To my knowledge the recording fees that are collected do not cover the document preservation costs of digitizing old documents, only future documents, therefore there is no other funding available to accomplish this task.

Reviewer 07-02 (Rating: 3)

The goals of the proposed project are clearly stated. There is some correlation between those stated goals and the Council's goals to promote the efficient and economic use of North Dakota's oil and gas resources and encourage the use of new technologies.

Reviewer 07-03 (Rating: 2)

The goals of the proposed project are very clear, I understand exactly what they are planning to do however I think they are unclear as to how they match with the goals of the NDIC/OGRC.

2. *With the approach suggested and time and budget available, the objectives are: 1 – not achievable; 2 – possibly achievable; 3 – likely achievable; 4 – most likely achievable; or 5 – certainly achievable.*

Please comment:

Reviewer 07-01 (Rating: 5)

As the county recorder is using the same methodology that she currently uses to digitize newly recorded documents, I see no impediments to fully digitizing the remaining documents. Her timeline is reasonable, the budget is straight forward, and process is reliable.

Reviewer 07-02 (Rating: 4)

There should be no problem completing the project within the contemplated time and budget.

Reviewer 07-03 (Rating: 3)

As the applicants have done similar projects in the past I have no reason to believe that they could not complete the project on the time table and budget they set out.

3. *The quality of the methodology displayed in the proposal is: 1 – well below average; 2 – below average; 3 – average; 4 – above average; or 5 – well above average.*

Please comment:

Reviewer 07-01 (Rating: 5)

The methodology is simple, clear, and has a history of success.

Reviewer 07-02 (Rating: 2)

The stated methodology, while adequate to accomplish the limited stated goals, is not likely to significantly advance the oil and gas industry or resources within North Dakota.

Reviewer 07-03 (Rating: 4)

I have no problem with the quality of the methodology the applicant has presented.

4. *The scientific and/or technical contribution of the proposed work to specifically address North Dakota Industrial Commission/Oil and Gas Research Council goals will likely be: 1 – extremely small; 2 – small; 3 – significant; 4 – very significant; or 5 – extremely significant.*

Please comment:

Reviewer 07-01 (Rating: 4)

There will be a significant contribution to the NDIC/OGRC goals which will be seen in McKenzie County, as modern access to the records greatly diminishing the bottleneck that now occurs when the industry is busy. This grant will allow expedient access to those paper records and indexes to which currently there is limited physical access, forcing landman to wait in line for many hours of the day to view the records from the patent to 1982.

Reviewer 07-02 (Rating: 1)

The project is certainly a worthwhile project, but it offers very little in the way of **scientific** or **technical** contribution to the Council's goals.

Reviewer 07-03 (Rating: 2)

Although I think this is a worthy project for the applicants to pursue, I feel that the scientific and/or technical contribution of the proposed work is very small in relation to the NDIC/OGRC goals.

5. *The principal investigator's awareness of current research activity and published literature as evidenced by literature referenced and its interpretation and by the reference to unpublished research related to the proposal is: 1 – very limited; 2 – limited; 3 – adequate; 4 – better than average; or 5 – exceptional.*

Please comment:

Reviewer 07-01 (Rating: 5)

Ms. Johnsrud's accomplishments in the modernization of the register of deed's office in her county are proof of her ongoing awareness of the improvements in efficiency available for her county to meet the needs of the oil industry and others businesses working in McKenzie County.

Reviewer 07-02 (Rating: 1)

Due to the nature of the project, there is no current applicable research activity or published literature.

Reviewer 07-03 (Rating: 4)

The principal investigator I feel has very adequate awareness of the current research activity relative to the subject application.

6. *The background of the investigator(s) as related to the proposed work is: 1 – very limited; 2 – limited; 3 – adequate; 4 – better than average; or 5 – exceptional.*

Please comment:

Reviewer 07-01 (Rating: 5)

Ms. Johnsrud has shown continued leadership in the modernization of record access in her county and in encouraging other oil producing counties to also modernize as documented in her grant request.

Reviewer 07-02 (Rating: 3)

The proposed investigator is certainly competent to undertake the proposed tasks.

Reviewer 07-03 (Rating: 4)

The investigator has been involved in a similar project in the county already so I feel she has adequate background as related to the proposed work.

7. *The project management plan, including a well-defined milestone chart, schedule, financial plan, and plan for communications among the investigators and subcontractors, if any, is: 1 – very inadequate; 2 – inadequate; 3 – adequate; 4 – very good; or 5 – exceptionally good.*

Please comment:

Reviewer 07-01 (Rating: 5)

This is quite a simple plan and process, which has little risk of failure.

Reviewer 07-02 (Rating: 3)

In light of the limited scope of the project, the management plan is adequately stated.

Reviewer 07-03 (Rating: 3)

I have no problem with the management plan as presented.

8. *The proposed purchase of equipment is: 1 – extremely poorly justified; 2 – poorly justified; 3 – justified; 4 – well justified; or 5 – extremely well justified. (Circle 5 if no equipment is to be purchased.)*

Please comment:

Reviewer 07-01 (Rating: 4)

Minimal equipment is needed to accomplish this goal, and the purchase of additional computer access stations is justified given the waiting time landmen have experienced in the last three years.

Reviewer 07-02 (Rating: 4)

The proposed purchase of workstations and licenses is justified.

Reviewer 07-03 (Rating: 2)

The only items in their budget that are well justified is the \$51,453 for image digitizing and the \$1,000 for film retrieval and postage.

9. *The facilities and equipment available and to be purchased for the proposed research are: 1 – very inadequate; 2 – inadequate; 3 – adequate; 4 – notably good; or 5 – exceptionally good.*

Please comment:

Reviewer 07-01 (Rating: 4)

The quality of the digitation process is well known and reliable as it is currently an ongoing process for new documents in the recorder's office.

Reviewer 07-02 (Rating: 3)

Presumably the equipment proposed to be purchased will be adequate, but there is little information in the request to justify such a determination.

Reviewer 07-03 (Rating: 4)

I have no doubt that the equipment needed for this project is readily available.

10. *The proposed budget “value”¹ relative to the outlined work and the financial commitment from other sources is of: 1 – very low value; 2 – low value; 3 – average value; 4 – high value; or 5 – very high value. (See below)*

Please comment:

Reviewer 07-01 (Rating: 5)

The cost of digitizing 80 years of land records and the 24/7 access to them will continue to return value to the state for the foreseeable future. Further more, as the paper records are already microfilmed there is only a very small bridge to cross to finalize this goal. The expenditure of only \$32,579 by the Oil & Gas Research Council is very reasonable for the benefit that will be derived.

This project is simple, inexpensive, and has results that will be used immediately and repeatedly by the oil industry. This will significantly reduce the bottleneck that impedes efficient record searches and lease acquisition, and move us toward the ultimate goal of expediting the drilling of more wells in our state. This project should be funded.

Reviewer 07-02 (Rating: 4)

The value of the project, when compared to the contemplated costs, is high.

Reviewer 07-03 (Rating: 3)

As I am unaware of the amount of revenue the applicants are able to generate off of the NDRIN online system which would benefit the most from this project I cannot access the value relative to of this project as presented.

Section C. Overall Comments and Recommendations:

Please comment in a general way about the merits and flaws of the proposed project and make a recommendation whether or not to fund.

General comments:

Reviewer 07-01 (Fund)

Granted this project will only complete one county’s records. Hopefully other counties will begin moving toward this same objective. However, I do not expect that there will be a flood of requests from other counties for grants like this as many of them see modernization of their county offices as a threat to their economies instead of recognizing the advantage of a modern user friendly system which will encourage and expedite exploration in their county.

Reviewer 07-02 (Do Not Fund)

This is a difficult project to review. The underlying project – the digitization of county recorder’s records so as to make the records available to the public through NDRIN – is a good project, and there is nothing to indicate that the anticipated costs are unreasonable or that the investigator is not competent to complete the task.

However, despite the value of the project, it does little to demonstrate to the public the importance of the oil and gas exploration and production industry, to encourage or promote the wise and efficient use of energy, to promote environmentally sound exploration and production methods and technologies, to develop the state's oil and gas resources, or to support research and education activities concerning the oil and natural gas exploration and production industry, which are the statutory goals as set forth in Section 54-17.6-02 of the North Dakota Century Code. Instead, it fulfills a basic governmental function that is better funded from other sources.

The legislature has provided for a document preservation fund and has increased the cost of recording documents by \$3.00 per document to provide funding for this activity. In light of the upsurge in oil and gas activity in recent years, there has undoubtedly been an increase in the number of documents sent to the McKenzie County Recorder's office for recording, and a corresponding increase in the document preservation fund. Yet there is no explanation of why that funding source is not adequate to fulfill this basic government service.

It should also be noted that other counties have already digitized their records and others are in various stages of such a project. Funding this request would undoubtedly raise questions as to why other counties' projects are not equally deserving of funding.

Again, this is a good project, and one that should be undertaken. It is not, however, in this reviewer's opinion, an appropriate project for funding by the Research Council.

Reviewer 07-03 (Do Not Fund).

I feel this project has very good merit for the applicant to pursue through county funding, but I do not feel that it fits the goals and objectives of the NDIC/OGRC and therefore cannot recommend that it be funded. Given the fact that the county is already accessing a \$3.00 fee to record documents to supposedly pay to do just what the application proposes I feel that the County needs to step up to the plate and better fund the Register of Deeds office for equipment and improvements. They are making a ton of money off of recording fees that seem to get siphoned off to buy new road graders instead of investing some back into the Register of Deeds office as they should. Producing counties like McKenzie County I feel are already getting more than their fair share of oil tax revenue and shouldn't need more from the NDIC/OGRC.

¹ "Value" – *The value of the projected work and technical outcome for the budgeted amount of the project, based on your estimate of what the work might cost in research settings with which you are familiar.*

From: Ann M. Johnsrud
McKenzie County Recorder

To: Oil and Gas Research Council

RE: Response to technical review for McKenzie County Digital Imaging Enhancement Project

The mission statement of the Oil and Gas Research Council is designed to demonstrate to the general public the importance of the state oil and gas exploration and production industry, to encourage and promote the wise and efficient use of energy, to promote environmentally sound exploration and production methods and technologies, **to develop the state's oil and gas resources**, and to **support research** and educational activities concerning the oil and gas exploration and production industry.

Any grant applicant would be hard pressed to qualify under each and every one of the goals listed in the mission statement. I feel that the value of access to the county records is very important to help in the development of the oil and gas resources, one of the goals listed in the mission statement. Exploration and development of oil and gas resources cannot happen without oil and gas leases in place. The oil industry title search must originate from patent forward; therefore it is important that all records be digitized. There is a direct link between expedient, efficient record research and bringing production online, which is the ultimate goal for the oil and gas industry in the state of North Dakota. The grant will support "research" in the terms of researching land records in a timely manner, which helps our state compete competitively with other states, which also satisfies the methodology or procedures of the project.

The statements made by several of the reviewers in regard to the \$3.00 Document Preservation Fee seem to be misguided. I would take this opportunity to explain how the Document Preservation Fees is structured.

The County Recorder's were successful in procuring legislation securing a \$3.00 per Document Preservation Fee in 2001. Through this legislation, a document preservation fund is required to be set up in each county; \$3.00 per recorded document is placed in this fund. The revenue in this fund can be used **only** for contracting for and purchasing equipment and software for a document preservation storage and retrieval system, training, maintenance and updating the system and contracting for the offsite storage of microfilm or electronic duplicates of documents for the County Recorder's office.

As a North Dakota Recorder Information Network (NDRIN) member, McKenzie County paid \$2.00 per recorded document to have their digital records **preserved** in the Central Repository, which is housed and managed by High Plains Technology in Fargo, ND. Keep in mind that NDRIN's **primary purpose** is the **preservation** of digital images and data and provides the county with archival microfilm. The archival microfilm is then stored in the Underground Vaults and Storage facility in Hutchinson, KS. In 2004 and 2005, McKenzie County recorded 13,274 documents; \$39,822.00 was placed in the Document Preservation Fund in this County; \$26,548.00 was paid to NDRIN for preservation and microfilm. This left McKenzie County with \$13,274.00 to provide for all that is required to maintain and preserve the records within our office. McKenzie County had expenditures in excess of \$69,000.00 in addition to the \$26,548.00 NDRIN

expense, in the two year period of 2004 and 2005 for book purchase/replacement and repair, microfilm storage costs, computer, scanner, printer purchase, replacement and repair, software purchase, support, training and maintenance, custom programming, contract imaging, and other miscellaneous expenses. You can see that the \$3.00 preservation fee does not even come close to providing for all of the costs incurred to provide the services required in the preservation/technology area for newly recorded documents. There is no allowance in the preservation fee for preserving and maintaining old records and no fee was in place for those prior years.

McKenzie County has had a computer system in the Recorder's office since 1989 and with the continual maintenance and advances in technology over time; McKenzie County has expended considerable dollars in this area during and since that time, modernizing the Recorder's office. With the 20 to 30 plus landmen trying to access records in the office every day, it can be difficult to fulfill all the needs of the public, not only with digital images, but with access to the microfilm and paper copies. This project will make a digital copy available for viewing by many people working in the courthouse at one time, versus the paper and microfilm copies that only one person at a time may view. It will also make those images available on the NDRIN website for the subscribers across the state and nation. The grant certainly fits the goal of developing the state's oil and gas industry by saving wasted time in researching documents that is a bottleneck in the chain of events needed to get new prospects developed. The ND Landman's Association (representing 100+ members) is supporting this County's efforts because they see and deal with these problems daily in the courthouses across the state.

McKenzie County also provides wireless internet access in the court house and many of the landmen use their own laptop computers in the hallways of our courthouse to access the records via NDRIN mainly due to lack of access to the public records.

The NDRIN website, which is a by-product and secondary to the preservation purpose of NDRIN, has been a marvelous boon to the oil and gas industry. For a small monthly subscription fee of \$25.00 per month, it has allowed landmen and other entities across the state and nation to access County records after courthouse hours, on the weekends and all night if they so choose. They may print documents as well for a printing fee of \$1.00 per page. I might add that NDRIN is only collecting a very insignificant total of \$1,000,000 per month in printing fees amongst the 41 counties that are publishing to the Internet. NDRIN is certainly not getting "rich" from these fees.

Public access within the courthouse in an expeditious manner for the public and maintenance of these irreplaceable records is this counties main concern and reason for pursuing this enhancement project; that these records will also be available thru NDRIN via the Internet is an added bonus for the oil and gas industry and other consumers.

One of the reviewers stated that other counties have already digitized their records. That is an incorrect statement. McKenzie County is the **only** county that is pursuing digitizing **all** records from patent forward. Most counties who have entered the imaging era are not

doing **any** back digitizing. They simply do not have the funds available. They are only digitized from the day they began scanning, forward.

This project is, in my opinion, for the good of all county Recorder's in the State of North Dakota and will greatly enhance the oil and gas industries work. Hopefully more counties will see the benefit of this project and move forward in their own endeavors.

This project will not fail and will be of monumental benefit to the oil and gas industry.