
AGENCY OVERVIEW

405 INDUSTRIAL COMMISSION

Date: 12/14/2006

Time: 13:25:47

STATUTORY AUTHORITY

North Dakota Century Code Chapters 4-36, 6-09.4, 23-29-07.6, 38-08, 38-08.1, 38-12, 38-14.1, 38-15, 38-19, 49-24, 54-17, 54-17.3, 54-17.6, 54-17-34, and 57-61-01.5

AGENCY DESCRIPTION

The Industrial Commission budget is comprised of three agencies including the Administrative Office, the Public Finance Authority, and the Department of Mineral Resources which includes the Oil and Gas Division and the Geological Survey.

The Administrative Office coordinates the activities of all the divisions and agencies that are overseen by the North Dakota Industrial Commission and prepares information and recommendations for the Industrial Commission. The office serves as the contracting office for the Lignite Research, Development and Marketing Program and the Oil and Gas Research Program. The Executive Director of this office serves as the Authorized Officer for the North Dakota Student Loan Trust. This office is also the primary contact for all activities of the North Dakota Building Authority and in this role has responsibility for the preparation of documents for bond issues, providing ongoing disclosure on outstanding bonds and has oversight of lease/loan payments. During the 2005 Session the Legislature named the Industrial Commission as the North Dakota Transmission Authority (NDTA) and this office coordinates the activities of the NDTA.

The Department of Mineral Resources (DMR) consists of the North Dakota Geological Survey and the Oil and Gas Division. The DMR is the primary source of information regarding the geology of North Dakota and is responsible for regulating all facets of petroleum production through enforcement of statutes, rules and regulations of the Commission with regards to permitting of wells, establishing well spacing for producing reservoirs, inspection of facilities, approving enhanced oil recovery operations, ensuring proper plugging and site reclamation of all wells, and conducting hearings on oil and gas matters in a manner that will be most beneficial to the producer, royalty owner and all citizens of the state. The DMR maintains the state's core and sample library in Grand Forks, coordinates the State Fossil Collection, and disseminates geologic information via the internet, maps, publications, presentations, tours and field trips. The DMR has statutory regulatory responsibilities for subsurface minerals, underground injection, oil well cores and samples, coal exploration drilling, geothermal drilling and paleontological resources.

The Public Finance Authority (formerly known as the Municipal Bond Bank) provides market and below market loans to political subdivisions through the purchase and holding of eligible municipal securities and provides financial services in connection with the administration and management of the State Revolving Fund Program as the financial agent for the State Health Department. The Authority is also authorized to provide services to other state agencies that have the authority to issue debt through an administrative agreement between those agencies and the Authority. The Authority also provides accounting services to other entities overseen by the Industrial Commission as requested.

AGENCY MISSION

Through the Administrative Office, serve as the central contact for the activities and programs overseen by the North Dakota Industrial Commission and serve as secretary for the Commission.

Through the Administrative Office, facilitate the operations of the Oil and Gas Research Program which has the mission to promote the growth of the oil and gas industry through research and education.

Through the Administrative Office (which serves as the contracting officer for the Lignite Research, Development and Marketing Program), promote economic, efficient and clean uses of lignite and products derived from lignite in order to maintain and enhance development of North Dakota lignite and its products; preserve and create jobs involved in the production and utilization of North Dakota lignite; ensure economic stability, growth and opportunity in the lignite industry; and maintain a stable and competitive tax base for our state's lignite industry for the general welfare of North Dakota. The development of North Dakota's lignite resources must be conducted in an environmentally sound manner that protects our state's air, water and soil resources as specified by applicable federal and state law.

Through the Transmission Authority (activities coordinated by the Administrative Office), assist with the removal of electrical transmission export constraints and assist with the upgrading and expansion of the region's electrical transmission grid in order to facilitate the development of the state's abundant natural resources for export to the regions' consumers.

Through the Administrative Office acting as the North Dakota Building Authority, access the national capital markets for financing of capital projects approved by the Legislature.

Through the Administrative Office as the authorized officer for the North Dakota Student Loan Trust, access the national markets for financing the purchase of student loans thus serving as a secondary market for student loans.

Through the Department of Mineral Resources, encourage and promote the development, production and utilization of oil and gas in the state in such a manner as will prevent waste, maximize economic recovery, and fully protect the correlative rights of all owners to the end that the landowners, the royalty owners, the producers, and the general public realize the greatest possible good from these vital natural resources.

Through the Department of Mineral Resources, investigate and report the geology of North Dakota emphasizing the state's energy resources and stressing applied research, public service, dissemination of information, advisory work and regulatory duties leading to the economic benefits or quality of life improvements for residents of the state, industry and other state, federal and local government agencies.

Through the Department of Mineral Resources, maintaining the valuable oil and gas cores and coordinating the State's Fossil Collection for the benefit of the State's citizens.

Through the Public Finance Authority, assist with the development of rural and urban North Dakota by providing political subdivisions and other qualifying entities access to flexible and competitive financing option for their local qualifying projects.

AGENCY PERFORMANCE MEASURES

Performance Measures are addressed under each of the individual Programs.

MAJOR ACCOMPLISHMENTS

- Provided the financing on a timely basis for the capital projects authorized by the 2005 Legislative Assembly. In addition the ND Bonding Authority refunded two outstanding series of bonds and lowered the interest costs for the State.
- Developed through the Public Finance Authority the guidelines and prepared the bond documents for the newly authorized IDB economic development program and completed the financing of these projects.
- Coordinated the activities of the newly created Transmission Authority and provided input to the Department of Energy and the Federal Energy Regulatory Commission on federal legislation and rules impacting transmission development. The Transmission Authority coordinated these activities with the Upper Great Plains Transmission Coalition.
- Developed and assisted with the passage of resolutions by the Midwestern and Western Governors' Associations encouraging passage of legislation and the coordination of laws to assist with resolving transmission constraints.
- Completed a study and publication detailing North Dakota's primary oil reserves to promote activity within the state.
- Concluded a highly successful beta test of electronic filing on horizontal drilling permits.
- Placed more than 50,000 photographs of oil and gas cores and thin sections from cores onto the agency website.
- Authored 55 maps and reports and gave 50 presentations on various aspects of North Dakota geology.
- Managed three public fossil digs with a major fossil exhibit at the North Dakota Heritage Center.
- Co-sponsored the 2006 Williston Basin Petroleum Conference and Prospect Expo in Minot attended by 450 representatives of the oil and gas industry.
- Purchased additional loans from the Bank of North Dakota in order to maximize its return for the State.

FUTURE CRITICAL ISSUES

Administration

SALARIES

Included in salaries and wages is the funding that was directed by the Legislature for an additional salary increase on June 1, 2007 for the Industrial Commission Executive Director.

BOND PAYMENTS

Bond Payments are reduced by \$27,292,412 and all bond payments for the 2007-009 biennium are reflected under budget change. The requested \$29,475,016 reflects all bond payments including the bond payments for the 2005 legislative session projects.

Oil and Gas

SALARIES AND WAGES

The reduction under Cost to Continue (PR/GS) reflects reduced temporary salaries request (optional request to restore funds is submitted) and an excess in anticipated benefits expenditures for contingency fund employees (funded for 24 months but employed 13 months).

OPERATING EXPENSES

The reduction under Cost to Continue Adjustments reflects reduced operating expenses for contingency fund employees (funded for 24 months but employed 13 months).

CAPITAL ASSETS

The reduction under Cost to Continue Adjustments reflects the one time 2005-2007 expenditure for a wide bed map printer. \$10,000 was carried over but had to be moved to optional requests to achieve a 100% agency budget in light of DOT mileage and ITD service rate increases.

GAS AND OIL DIV CONTINUE

The reduction under Cost to Continue (PR/GS) reflects additional unused contingency funds for 2 employees (funded for 24 months but employed 13 months).

Geological Survey

SALARIES AND WAGES

The increase under Cost to Continue (PR/GS) reflects equity and workload salary adjustments resulting from increased activity in all research and regulated areas (coal, gas, geothermal, oil, and minerals).

CAPITAL ASSETS

The reduction under Cost to Continue Adjustments reflects the one time 2005-2007 expenditure for a fork lift and a wide bed map printer. \$8,500 was carried over but had to be moved to optional requests to achieve a 100% agency budget in light of DOT mileage and ITD service rate increases.

Public Finance Authority

SALARIES

Adjustment made in pay plan for vacant FTE to reflect the increased beginning salary for this position.

REQUEST SUMMARY

405 INDUSTRIAL COMMISSION

Biennium: 2007-2009

Bill#: HB1014

Date: 12/14/2006

Time: 13:25:47

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
BY MAJOR PROGRAM					
ADMINISTRATION	26,399,485	42,830,453	6,401,697	49,232,150	0
OFFICE OF MINERAL RESOURCES	7,154,649	7,394,424	-185,210	7,209,214	1,652,118
PUBLIC FINANCE AUTHORITY	293,179	556,919	619	557,538	0
TOTAL MAJOR PROGRAMS	33,847,313	50,781,796	6,217,106	56,998,902	1,652,118
BY LINE ITEM					
SALARIES AND WAGES	6,008,742	6,231,034	23,561	6,254,595	749,619
OPERATING EXPENSES	1,656,499	1,929,850	-79,159	1,850,691	415,999
CAPITAL ASSETS	55,770	45,500	-37,500	8,000	236,500
GRANTS	7,386,210	15,200,000	4,210,600	19,410,600	250,000
GAS AND OIL DIV. CONTINGENCY	0	83,000	-83,000	0	0
BOND PAYMENTS	18,740,092	27,292,412	2,182,604	29,475,016	0
TOTAL LINE ITEMS	33,847,313	50,781,796	6,217,106	56,998,902	1,652,118
BY FUNDING SOURCE					
GENERAL FUND	6,852,879	6,878,658	62,342	6,941,000	1,652,118
FEDERAL FUNDS	264,030	290,766	-22,552	268,214	0
SPECIAL FUNDS	26,730,404	43,612,372	6,177,316	49,789,688	0
TOTAL FUNDING SOURCE	33,847,313	50,781,796	6,217,106	56,998,902	1,652,118
TOTAL FTE	58.37	51.37	.00	51.37	4.00

REQUEST DETAIL

Date: 12/14/2006

405 INDUSTRIAL COMMISSION

Bill#: HB1014

Time: 13:25:47

Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
SALARIES AND WAGES					
SALARIES - PERMANENT	4,540,376	4,650,352	62,792	4,713,144	330,408
SALARIES - OTHER	0	0	0	0	272,695
TEMPORARY SALARIES	51,448	62,592	-30,000	32,592	32,592
FRINGE BENEFITS	1,416,918	1,518,090	-9,231	1,508,859	113,924
SALARY INCREASE	0	0	0	0	0
BENEFIT INCREASE	0	0	0	0	0
TOTAL	6,008,742	6,231,034	23,561	6,254,595	749,619
SALARIES AND WAGES					
GENERAL FUND	5,297,240	5,253,883	158,860	5,412,743	749,619
FEDERAL FUNDS	260,549	289,291	-21,077	268,214	0
SPECIAL FUNDS	450,953	687,860	-114,222	573,638	0
TOTAL	6,008,742	6,231,034	23,561	6,254,595	749,619
OPERATING EXPENSES					
TRAVEL	456,039	526,722	-34,067	492,655	279,799
SUPPLIES - IT SOFTWARE	43,136	31,600	-600	31,000	500
SUPPLY/MATERIAL-PROFESSIONAL	43,855	39,000	-1,500	37,500	0
FOOD AND CLOTHING	856	2,000	0	2,000	0
BLDG, GROUND, MAINTENANCE	9,686	11,050	0	11,050	0
MISCELLANEOUS SUPPLIES	15,940	15,500	1,250	16,750	1,500
OFFICE SUPPLIES	20,733	24,000	-2,000	22,000	500
POSTAGE	18,792	19,900	-1,500	18,400	0
PRINTING	20,709	39,700	-15,379	24,321	13,179
IT EQUIP UNDER \$5,000	90,326	102,700	5,000	107,700	6,820
OTHER EQUIP UNDER \$5,000	6,678	7,800	-3,000	4,800	3,000
OFFICE EQUIP & FURN SUPPLIES	5,276	2,600	0	2,600	0
UTILITIES	10,471	10,000	100	10,100	1,900
INSURANCE	22,305	18,000	-300	17,700	0
RENTALS/LEASES-EQUIP & OTHER	0	2,500	0	2,500	3,000
RENTALS/LEASES - BLDG/LAND	473,930	525,400	-17,950	507,450	49,801
REPAIRS	31,445	39,800	0	39,800	0
IT - DATA PROCESSING	114,209	121,928	-358	121,570	15,572
IT-COMMUNICATIONS	71,494	87,300	-1,655	85,645	22,928
IT CONTRACTUAL SERVICES AND RE	42,384	35,150	-2,200	32,950	2,000
PROFESSIONAL DEVELOPMENT	49,419	58,300	0	58,300	500
OPERATING FEES AND SERVICES	39,254	74,800	-5,000	69,800	8,000

REQUEST DETAIL405 INDUSTRIAL COMMISSION
Biennium: 2007-2009

Bill#: HB1014

Date: 12/14/2006

Time: 13:25:47

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
FEES - PROFESSIONAL SERVICES	65,237	128,500	0	128,500	7,000
MEDICAL, DENTAL AND OPTICAL	4,325	5,600	0	5,600	0
TOTAL	1,656,499	1,929,850	-79,159	1,850,691	415,999
OPERATING EXPENSES					
GENERAL FUND	1,499,869	1,579,275	-51,018	1,528,257	415,999
FEDERAL FUNDS	3,481	1,475	-1,475	0	0
SPECIAL FUNDS	153,149	349,100	-26,666	322,434	0
TOTAL	1,656,499	1,929,850	-79,159	1,850,691	415,999
CAPITAL ASSETS					
EXTRAORDINARY REPAIRS	0	0	0	0	210,000
EQUIPMENT OVER \$5000	38,375	22,705	-22,705	0	8,000
IT EQUIPMENT OVER \$5000	17,395	22,795	-14,795	8,000	18,500
TOTAL	55,770	45,500	-37,500	8,000	236,500
CAPITAL ASSETS					
GENERAL FUND	55,770	45,500	-45,500	0	236,500
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	0	8,000	8,000	0
TOTAL	55,770	45,500	-37,500	8,000	236,500
GRANTS					
GRANTS, BENEFITS & CLAIMS	7,386,210	15,200,000	4,210,600	19,410,600	0
TRANSFERS OUT	0	0	0	0	250,000
TOTAL	7,386,210	15,200,000	4,210,600	19,410,600	250,000
GRANTS					
GENERAL FUND	0	0	0	0	250,000
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	7,386,210	15,200,000	4,210,600	19,410,600	0
TOTAL	7,386,210	15,200,000	4,210,600	19,410,600	250,000
SPECIAL LINES					
GAS AND OIL DIV. CONTINGENCY	0	83,000	-83,000	0	0
BOND PAYMENTS	18,740,092	27,292,412	2,182,604	29,475,016	0
TOTAL	18,740,092	27,375,412	2,099,604	29,475,016	0

REQUEST DETAIL

Date: 12/14/2006

405 INDUSTRIAL COMMISSION

Bill#: HB1014

Time: 13:25:47

Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
SPECIAL LINES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	18,740,092	27,375,412	2,099,604	29,475,016	0
TOTAL	18,740,092	27,375,412	2,099,604	29,475,016	0
FUNDING SOURCES					
GENERAL FUND	6,852,879	6,878,658	62,342	6,941,000	1,652,118
FEDERAL FUNDS	264,030	290,766	-22,552	268,214	0
SPECIAL FUNDS	26,730,404	43,612,372	6,177,316	49,789,688	0
TOTAL FUNDING SOURCES	33,847,313	50,781,796	6,217,106	56,998,902	1,652,118

CHANGE PACKAGE SUMMARY

405 INDUSTRIAL COMMISSION

Biennium: 2007-2009

Bill#: HB1014

Date: 12/14/2006

Time: 13:25:47

Description	FTE	General Fund	Federal Funds	Special Funds	Total Funds
AGENCY BUDGET CHANGES					
Cost To Continue	.00	113,360	-21,077	-27,511,634	-27,419,351
1 Adjustment to Base Budget/Workload Change	.00	-52,493	0	-4,666	-57,159
8 Server - Public Finance Authority	.00	0	0	8,000	8,000
9 Funding Source Change	.00	1,475	-1,475	0	0
16 Adjustments to Lignite Research Program	.00	0	0	4,210,600	4,210,600
17 Adjustments to Bond Payments	.00	0	0	29,475,016	29,475,016
Agency Total	.00	62,342	-22,552	6,177,316	6,217,106
OPTIONAL REQUEST					
2 Contingency Funding Change	2.00	271,740	0	0	271,740
3 Roof Repair Core Library and Update Offices	.00	210,000	0	0	210,000
4 Paleontology Program FTE	1.00	163,040	0	0	163,040
5 Shallow Gas Project	.00	16,000	0	0	16,000
6 National Energy Meetings	.00	11,000	0	0	11,000
7 Eng Tech Position	1.00	105,981	0	0	105,981
10 Transfer to Fossil Restoration Fund	.00	250,000	0	0	250,000
11 Restoration of Base Budget Changes/Inflation	.00	325,162	0	0	325,162
12 Dust Collection System	.00	8,000	0	0	8,000
13 Map Printer O/G	.00	10,000	0	0	10,000
14 Equity Adjustment	.00	272,695	0	0	272,695
15 Map Printer/Plotter-Survey	.00	8,500	0	0	8,500
Optional Total	4.00	1,652,118	0	0	1,652,118

BUDGET CHANGES NARRATIVE

405 INDUSTRIAL COMMISSION

Date: 12/14/2006

Time: 13:25:47

Change Group: A	Change Type: A	Change No: 1	Priority:
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Adjustment to Base Budget/Workload Change -

Adjustments in operating to base budget to meet projected needs and account for recommended inflationary increases.

Administration:

Increases in IT Data Processing, IT Communications, IT Equipment under \$5000 and Rent. Decreases in Printing, Postage, Miscellaneous Supplies and IT Software.

Geological Survey:

In order to bring the North Dakota Geological Survey budget to 100%, approximately \$40,000 had to be cut from our budget. We did this by cutting our temporary salary line item in half, reducing our printing budget by 46%, our equipment under \$5000 by 50%, and transferring capital asset funds for a large format plotter to an optional request.

Oil & Gas Division:

The Oil and Gas Division adjustments include the following:

TRAVEL

DOT motor pool mileage rate has increased 38% from the 2005-2007 biennium. We are unable to absorb this magnitude of increase, maintain services, and achieve a 100% budget. Increases in other operating expense items require a reduction of \$12,067 in travel costs to reach a 100% budget. To accomplish this reduction the number of field inspections will have to be reduced 20% at a time when industry has a large number of inexperienced personnel who need guidance and supervision. This may result in inadequate protection of potable waters and correlative rights.

MISCELLANEOUS SUPPLIES

An increase of \$1,750 is necessary to equip two vehicles with tool boxes and computer stands. Failure to fund these items will result in preventable damage to laptops and air safety equipment due to excessive vibration and improper containment of equipment.

RENTAL/LEASES - BLDG/LAND

A 5% increase in rent for our main office and a 10% increase in rent at the warehouse results in a \$12,642 increase in costs. To achieve a 100% budget requires a net overall reduction of \$18,950. This will require the closing of our three field offices located in Minot, Williston, and Dickinson for savings of \$34,687. Closing the field offices will eliminate the only place for the general public to have contact with local Oil and Gas Division employees as well as the place where inspectors hold staff meetings and complete written correspondence, but was necessary since reducing programs or personnel would be devastating to our agency, which has seen tremendous increases in work load from industry activity spurred by over two years of record oil prices.

IT - DATA PROCESSING

A 6% rate increase in ITD processing charges equates to a \$3,863 increase in costs. The overall reduction of \$2,132 reflects closing our three field offices located in Minot, Williston, and Dickinson which will save \$7,126. As stated above, closing the field offices is not in the best interest of the division, but was necessary to achieve a 100% budget.

IT - COMMUNICATIONS

Rate increase in ITD communication charges of 5%-50% result in a \$6,504 increase in costs. The overall reduction of \$5,015 reflects closing our three field offices located in Minot, Williston, and Dickinson which will save \$7,752. These offices currently provide a fax, an efficient synchronization of inspector data to our main database, a place for the general public to have contact with local Oil and Gas Division employees, and a place for inspectors to complete written correspondence. Closing the field offices is not in the best interest of the division, but was necessary to maintain a 100% budget, and will result in the inefficient use of employee time, the inability to maintain the highly valued Risked Based Data Management System (RBDMS), and cause a disconnect with local land owners and royalty owners.

Public Finance Authority:

Increases in IT Data Processing and Insurance. Decreases in Printing, Postage, Office and Professional Supplies, and Operating Fees.

Change Group: A	Change Type: A	Change No: 8	Priority:
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Server - Public Finance Authority -

PFA is looking at opportunities to utilize BND's accounting software. If that is not possible, PFA may need to purchase a server to meet its accounting needs.

Change Group: A	Change Type: A	Change No: 9	Priority:
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Funding Source Change -

Changes in the funding source between general and federal reflecting the amount of federal funding anticipated for the 07-09 biennium.

Change Group: A	Change Type: A	Change No: 16	Priority:
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Adjustments to Lignite Research Program -

Expenditures for the Lignite Research Program have increased in response to the number of lignite projects being considered in the state. Currently the Program has four Lignite Vision 21 Projects. The Commission has committed to fund \$10,000,000 for each of these projects. It is anticipated that one of the remaining two projects will seek funding for an additional \$7 to \$8 million. This is in addition to the other research that is important to the mission of the program. The demand for funding is much higher than the funding available in the Lignite Research Fund. Depending on cash flow, the Commission may need to bond to meet the funding needs for this Program

Change Group: A	Change Type: A	Change No: 17	Priority:
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Adjustments to Bond Payments -

Bond payments have increased to reflect the bond payments that begin during the 07-09 biennium for those projects authorized by the 2005 Legislative Assembly.

Change Group: A	Change Type: A	Change No: 100	Priority:
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OMB Contingent FTE Funding Change -

The executive recommendation includes \$271,740 general funds and 2 FTE for a field inspector and a reclamation specialist that were contingently funded through the Land and Minerals Trust Fund for 2005 - 2007.

Two positions were authorized by the 2005 legislative Assembly contingent upon an increase in drilling rig activity. The contingency was met in early 2006 and Field Inspector and Reclamation Specialist positions were subsequently funded (through the Land and Minerals Trust Fund) upon approval of the Emergency Commission. Record oil prices have resulted in major work load increases for the Oil and Gas Division that support continuing both positions.

Change Group: A	Change Type: A	Change No: 101	Priority:
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OMB Base Inflation Increases -

The executive recommendation includes \$325,162 general funds to to meet projected needs and account for recommended inflationary increases. The submitted budget request had been reduced by these amounts to meet the general fund allotment.

Change Group: A	Change Type: A	Change No: 102	Priority:
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OMB Energy Tech & Paleontologist -

The executive recommendation includes 2 FTE and \$269,021 general fund dollars for the salaries and operating expenses related to the following positions:

Geological Survey - additional geologist (paleontologist) to help with an expanding public fossil dig program and increases to the paleontology and surface geology workload.

Oil and Gas - Engineering Technician position to provide technical assistance in managing, inputting, and disseminating data more efficiently than additional geologists or engineers at this time.

Change Group: A	Change Type: A	Change No: 103	Priority:
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OMB Core Library Roof - Extraordinary Repairs -

The executive recommendation includes a one-time payment of \$210,000 general funds for extraordinary repairs to the Core Library roof and building.

The tar roof of the core and sample library is 26 years old, is no longer repairable, and must be replaced. The fluorescent lights in the core storage area, the lab, and the office are the original fixtures and in need of replacement. Vapors from the hydrochloric acid that is routinely used by industry geologists studying core in the laboratory has corroded the air vents and grid for the ceiling tiles. In addition to replacement of corroded tiles, light fixtures, and air vents, a wall needs to be built to help isolate the acid vapors from the office area.

Change Group: A	Change Type: A	Change No: 104	Priority:
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OMB Dust Collection System -

The executive budget includes \$8,000 general funds for replacement of the dust collection system. Fossil preparation in the laboratory generates a significant amount of fine dust that can cause long-term respiratory problems. The current dust collection system was largely homemade and does not do a sufficient job of collecting dust.

Change Group: A	Change Type: A	Change No: 105	Priority:
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OMB Shallow Gas Project -

The executive recommendation includes \$16,000 general funds for a one-time shallow gas project. This project will seek to quantify and qualify the amount of shallow natural gas in eastern North Dakota by obtaining gas/water samples from hundreds of existing water wells in eastern North Dakota. These samples will be tested for gas content and results will be plotted on maps in conjunction with the rock unit that they were obtained from. Maps generated will be an invaluable exploration tool for gas companies and will have potential benefit for mineral owners across North Dakota.

Change Group: A	Change Type: A	Change No: 106	Priority:
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OMB Map Printers -

The executive recommendation includes \$18,500 general funds to replace map printers within the Oil & Gas and Geological Survey divisions.

Change Group: A	Change Type: A	Change No: 107	Priority:
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OMB Fossil Restoration Fund -

The executive recommendation includes a one-time transfer of \$250,000 general funds to the fossil restoration fund for the Corridor of Time and other web-based projects.

Change Group: O	Change Type: A	Change No: 2	Priority: 1
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Contingency Funding Change -

Two positions were authorized by the 2005 legislative Assembly contingent upon an increase in drilling rig activity. The contingency was met in early 2006 and Field Inspector and Reclamation Specialist positions were subsequently funded (through the Land and Minerals Trust Fund) upon approval of the Emergency Commission. This optional adjustment of \$147,288 is to change the funding source from the Land and Minerals Trust Fund to the General Fund. Record oil prices have resulted in major work load increases for the Oil and Gas Division and we are in dire need of continuing both positions

Change Group: O	Change Type: A	Change No: 3	Priority: 3
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Roof Repair Core Library and Update Offices -

The tar roof of the core and sample library is 26 years old, is no longer repairable, and must be replaced. The fluorescent lights in the core storage area, the lab, and the office are the original fixtures and in need of replacement. Vapors from the hydrochloric acid that is routinely used by industry geologists studying core in the laboratory has corroded the air vents and grid for the ceiling tiles. In addition to replacement of corroded tiles, light fixtures, and air vents, a wall needs to be built to help isolate the acid vapors from the office area.

CORE LIBRARY

Roof repair	\$160,000
Replace obsolete lights in core storage area	\$ 25,000
Lab and Office remodeling	<u>\$ 25,000</u>
	\$210,000

Change Group: O	Change Type: A	Change No: 4	Priority: 6
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Paleontology Program FTE -

The Geological Survey needs an additional geologist (paleontologist) to help with an expanding public fossil dig program and increases to the paleontology and surface geology workload.

The Geological Survey has co-sponsored three public fossil digs over the last 12 months. That is equal to the number of public digs that we have offered in the previous five years. Even with this significant expansion of the program, we still had people on the waiting list to get into the programs.

We have tentative plans to expand this program even further to accommodate these additional people. One of the most recent digs brought in people from ten states, and these visitors often spend time in the state after the dig has been completed. In addition to increases in agency fossil excavations, fossil exhibits in the Heritage Center, exhibits in museums and visitor centers across the state, and public enquiries on fossils, we have also seen an increase in the number of requests for paleontological surveys on state land as well along transmission line and pipeline corridors.

Travel costs will increase due to the additional mileage generated by a new paleontology FTE for additional fossil digs and paleontological inventories along new construction corridors. IT and office supply costs will also increase with a new FTE.

Change Group: O	Change Type: A	Change No: 5	Priority: 8
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Shallow Gas Project -

This project will seek to quantify and qualify the amount of shallow natural gas in eastern North Dakota. Historically, natural gas at depths of less than 300 feet has been utilized by individuals and municipalities in north-central and southeastern North Dakota. Although the Geological Survey has noted these occurrences in the past, no attempt has been made to quantify or qualify this gas until now. This project will obtain gas/water samples from hundreds of existing water wells in eastern North Dakota. These samples will be tested for their gas content and those results will be plotted on maps in conjunction with the rock unit that they were obtained from. These maps will be an invaluable exploration tool for gas companies. The rock units to be targeted extend throughout most of North Dakota, so this project has the potential to benefit mineral owners across North Dakota.

Costs associated with this project are related to travel in eastern North Dakota, rental of specialized gas sampling equipment, and gas analysis.

Change Group: O	Change Type: A	Change No: 6	Priority: 9
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National Energy Meetings -

Geological Survey:

Over the last 18 months, the Geological Survey has displayed an informational booth on the oil and gas potential of North Dakota to raise awareness of the energy potential of the State at several national meetings. Through our presence at these meetings, we have the opportunity to generate interest in the Williston Basin which, in turn, may lead to additional mineral leasing and mineral exploration. Both of these activities generate revenue for the State of North Dakota. We have exhibited at two important national meetings; the North American Prospect Expo in Houston, Texas and the annual meeting of the American Association of Petroleum Geologists (which changes cities from year to year). The North Dakota Oil and Gas Research Council, recognizing the important benefits to the State of having the Geological Survey display exhibits at these meetings, partially funded our attendance at the North American Prospect Expo. However, the council feels that this is an activity best funded by the state legislature.

Associated costs are out-of-state travel and booth rental.

Oil & Gas Division:

Election of Governor Hoeven as the Chairman of the Interstate Oil and Gas Compact Commission will require the Vice Chairman (Director of the Department of Mineral Resources) to attend special meetings resulting in additional costs of \$4,000 for airfare and hotel.

Change Group: O	Change Type: A	Change No: 7	Priority: 5
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Eng Tech Position -

This optional adjustment of \$105,981 is to add an Engineering Tech position. Two years of record oil prices have resulted in tremendous increases in industry activity and ever-increasing workload on current employees who process completion reports, well logs, industry statistics, sundry notices, and tax exemption requests. A technician can provide technical assistance in managing, inputting, and disseminating data more efficiently than additional geologists or engineers at this time. We are seeking an individual who is familiar with oil industry terms and practices that will be able to perform tasks such as processing sundry notices, well bore logs, completion reports, etc.

Change Group: O	Change Type: A	Change No: 10	Priority: 12
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Transfer to Fossil Restoration Fund -

The Fossil Restoration Fund was established as a means of safeguarding a large donation by the Clarence Johnsrud family. Several smaller donations have been made to the fund in recent years. Some exhibits take a long time to plan and construct, others go from the planning stage through to construction relatively quickly. The variability in

planning and execution makes it very difficult to plan these exhibits using funds within a biennial budget. The small donations that have been deposited in this fund in recent years are not sufficient to enable us provide the services for which this fund was established.

To offset the high costs of fossil restoration and fossil exhibits.

Change Group: O	Change Type: A	Change No: 11	Priority: 2
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Restoration of Base Budget Changes/Inflation -

Geological Survey:

The North Dakota Geological Survey is requesting that the approximately \$40,000 in cuts that were applied to the base budget to bring it to 100% be restored in the optional budget. These restorations are for cuts to temporary salaries, printing, equipment under \$5000, and capital asset funds for a large format plotter. In addition, inflationary increases of approximately \$33,000 in travel, IT data processing, IT communications, utilities, rent building space, and IT contractual were placed into the optional budget because we could not adsorb these inflationary increases in our budget without severely impacting our mandated functions.

Oil & Gas Division:

TRAVEL: A 38% increase in mileage rate and additional field inspection result in an additional cost of \$226,000. The DOT mileage rate increase could not be absorbed in our current budget. The Oil and Gas Division budget is 80% salaries and a reduction in programs or personnel would be devastating to our agency, which has seen tremendous increases in work load from over two years of record oil prices. Failure to restore this increase from fleet services will result in a 20% reduction in the number of field inspections of drilling rigs, disposal systems, wells and production facilities at a time when industry has a very high number of inexperienced personnel needing guidance and supervision. This could result in inadequate protection of potable waters and correlative rights.

RENTAL / LEASES - BLDG / LAND: \$34,687 is needed to restore rental of office space for our three field offices located in Minot, Williston, and Dickinson. These offices currently provide a fax, efficient synchronization of inspector data to our main database, a place for the general public to have contact with local employees, and a place for inspectors to complete written correspondence. Failure to restore these monies will result in the inefficient use of employee time, the inability to maintain our highly valued Risked Based Data Management System (RBDMS), and severely limit contact with local land owners and royalty owners.

IT - DATA PROCESSING: \$10,989 is necessary to maintain efficient operations in the next biennium. A major portion (\$3,863) will cover rate increases assessed by ITD. \$3,120 is needed for restoration of field office services, \$2,711 is for the two contingency FTEs being moved from Land and Minerals Trust Fund to general fund, and \$1,295 is for our requested Engr Tech IV position. Failure to restore monies for field office services will result in inefficient use of field office space (assuming field office rent is restored) and make it very difficult to regulate industry. Failure to restore monies for contingency FTEs and the requested Engr Tech IV position will result in inefficient use of office equipment and employee time.

IT - COMMUNICATIONS: \$18,555 is necessary to maintain efficient operations in the next biennium. A major portion (\$6,504) will cover rate increases assessed by ITD. \$7,752 is needed for restoration of field office services, \$3,361 is for the two contingency FTEs being moved from Land and Minerals Trust Fund to general fund, and \$938 is for our requested FTE Engr Tech IV position. Failure to restore monies for field office services will result in inefficient use of field office space (assuming field office rent is restored) and make it much more difficult to regulate industry. Failure to restore monies for contingency FTEs and the requested Engr Tech IV position will result in inefficient use of office equipment and employee time.

OPERATING FEES AND SERVICES: There has been an 85% increase in the number of cases on our hearing dockets over the last biennium. An additional \$8,000 is necessary to cover advertising these cases. The alternative is to limit industry to a single day of hearings each month and reduce the information provided to the public in published hearing notices.

Change Group: O	Change Type: A	Change No: 12	Priority: 7
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Dust Collection System -

Fossil preparation in the laboratory generates a significant amount of fine dust that can cause long-term respiratory problems. The current dust collection system was largely homemade and does not do a sufficient job of collecting dust.

Change Group: O	Change Type: A	Change No: 13	Priority: 11
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Map Printer O/G -

This graphics printer delivers fast and efficient printing and accommodates a multitude of paper widths and types up to 42" wide. The purpose of this equipment is to print detailed map requests from industry and the public. It must be very versatile to meet the wide variety of requests. The printer must be at least a 1200 x 600 dpi printing resolution printer and capable of printing maps to meet industry's request to provide professional presentation-quality maps. The maps are presented to company management and the North Dakota Industrial Commission. The printer's built-in computer will simplify workflow and allow unattended printer operation to process map info, which frees up the computer to allow work on multiple projects simultaneously. Map requests have skyrocketed with higher oil prices, putting a tremendous strain on our current system. Replacing the current printer with the proposed machine will allow our Engineering Technician to complete other tasks while printing professional maps more quickly at a reasonable cost to users.

Change Group: O	Change Type: A	Change No: 14	Priority: 4
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Equity Adjustment -

Oil & Gas Division:

There is a great need to pay competitive salaries for experienced personnel. There exists a tremendous inequity between the salaries paid by our agency and the salaries paid by the oil industry. We have recently "lost" two employees to the oil industry. The latest employee to leave was employed by our agency for 17 years and his salary was nearly doubled by a position he accepted in the oil industry. The latest salary survey conducted by the Society of Petroleum Engineers (2004) indicates the starting salary for an inexperienced engineer is \$6350 per month. A recent survey conducted by the American Association of Petroleum Geologists indicates an average wage increase of 20% was obtained by geologists over the past year. Similar increases for engineers place the starting monthly salary at \$7500, which is more than the current salary paid to our most experienced engineer. In an attempt to mitigate employee motivation to join industry, we are proposing an equity pool to address the inequity that exists between our agency and industry.

Geological Survey:

Salaries for geologists and technicians in the energy industry within North Dakota are often double the salary of experienced employees of the Geological Survey. In the last two years we have lost two senior geologists to consulting work in the Williston Basin, a third has been heavily recruited by industry. Recent salary surveys by professional geologic organizations concur that rates of pay in industry are twice or more the rate of pay within the North Dakota Geological Survey.

Change Group: O	Change Type: A	Change No: 15	Priority: 10
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Map Printer/Plotter-Survey -

This graphics printer delivers fast and efficient printing and accommodates a multitude of paper widths and types up to 42" wide.

The purpose of this equipment is to print detailed map requests from industry and the public. It must be very versatile to meet the wide variety of requests. The printer must be at least a 1200 x 600 dpi printing resolution printer and capable of printing maps to meet industry's request to provide professional presentation-quality maps. The printer's built-in computer will simplify workflow and allow unattended printer operation to process map info, which frees up the computer to allow work on multiple projects simultaneously.

Map requests for coal, oil and gas have greatly increased in recent years. The current graphics printer is scheduled for replacement in 2008.