

~~Absent: Robbins~~

~~Enactment No: RES0200-2005~~

2005-0312

Set a Public Hearing Regarding Oil and Gas Lease for property in Sections 24 and 25 - Energy Quest, Inc., applicant

Attachments: Agenda Summary.pdf; Public Hearing Notice.pdf; 070605 Agenda Summary.pdf; 051805 Agenda Summary.pdf; Energy Quest Oil Gas Lease1.pdf; Memo Casey 20050426.pdf; Resolution to Set Public Hearing.pdf; 0312 Resolution.pdf; Final Signed Lease.pdf

Mr. Dan Casey, Economic Development Manager, explained that the City had recently been approached by Energy Quest to discuss the possibility of leasing the mineral rights for oil and gas beneath City-owned property, noting the following:

- * There are 65 similar dwelling facilities in Oakland County and 50,000 throughout the State of Michigan.
- * The mineral rights would be leased for three years with a two-year extension.
- * During the lease period, seismic testing would be conducted to determine if and to what extent marketable oil or gas exists within the suspected structure.
- * There will be an initial payment to the City of \$100 per acre of leased area resulting in a "signing bonus" of \$14,177.70.
- * If a facility were established to extract marketable oil or gas, the City will receive 1/6th of all profits.
- * A similar project exists at the Michigan State University (MSU) Extension Campus in Troy and, to date, has received no complaints from adjoining property owners.
- * The drilling facility itself would not be located on City property, but rather private property leased by Energy Quest.

COUNCIL DISCUSSION:

Mr. Casey introduced **Mr. Jeff Schwartz** of Energy Quest, 3016 Cass Road, Traverse City, Michigan; **Mr. Walter Danyluk** from the Geological Survey Office of the Michigan Department of Environmental Quality in Lansing; and **Mr. Trey Brice** of the law firm Beier Howlett, who addressed questions and concerns raised by various Council members:

- * This lease does not permit drilling or the construction of a facility on City property, rather it would be located on one of the industrial properties adjacent to the park.
- * Energy Quest will be leasing mineral rights from various entities including private homeowners and businesses in addition to the City in order to access the anticipated minerals.
- * The combined properties result in a "drilling unit" and all property owners within that drilling unit will "share in the royalties coming off that well proportionate to what your minerals are contributing to the unit."
- * A bond must be posted to acquire a drilling permit from the State, and the final lease agreement will include insurance requirements and indemnification of the City.
- * Perhaps any profits paid to the City from a marketable product could be used to enhance the City's parks.

* A cost analysis would dictate the process of either trucking or piping any marketable product away from the facility for distribution.

President Hill expressed her concern that, if approved, this lease "allows the complete operation from the get-go." The petitioner is not required to return before Council for approval of any further stages; the State oversees the matter from that point forward. She further noted that she lived near a similar facility and while it was in operation there were problems with natural gas odor.

President Hill asked that the following questions be addressed when this matter returns for further Council discussion and consideration:

- 1) What other facilities are currently operating in Oakland County?
- 2) Are there other Oakland County municipalities that have entered into similar lease agreements?
- 3) More information is needed regarding the location or placement of pipelines to service any marketable product.

Mr. Brice described some of the safeguards his firm is attempting to include in the lease agreement such as:

- * Any violations of State permitting processes would result in a violation of the lease itself.
- * The operation can be halted if environmental problems occur.

A motion was made by Dalton, seconded by Duistermars, that this matter be Adopted by Resolution.

Resolved that the Rochester Hills City Council shall hold a Public Hearing at a Regular Meeting in July of 2005 regarding Oil and Gas Lease for property in Sections 24 and 25 by Energy Quest, Inc., applicant.

Be It Further Resolved that the Clerk shall cause notice of the Public Hearing pursuant to MCL 125-2663, Section 13.

The motion carried by the following vote:

Aye: Barnett, Dalton, Duistermars, Holder and Raschke

Nay: Hill

Absent: Robbins

Enactment No: RES0239-2005

COUNCIL COMMITTEE REPORTS

Community Development & Viability (CDV) Committee:

Mr. Barnett, Chairperson of the CDV Committee, noted that the Committee's primary focus at their most recent meeting was the open space issue, resulting in the presentation earlier in the meeting.