



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2012-0383

TO: Mayor and City Council Members

FROM: Ed Anzek, Director of Planning and Economic Development, ext. 2572

DATE: October 17, 2012

SUBJECT: Request for Consideration and Approval regarding Oil and Gas Lease

REQUEST:

The City has been contacted by Jordan Management Company out of Traverse City requesting the City to approve lease(s) for oil and gas exploration under lands owned by the City.

BACKGROUND:

For many years the Michigan Department of Natural Resources has granted certain companies the rights to explore for oil and gas fields (structures) well below the surface. The MDEQ contract awards are issued on a county wide basis. After some initial sonar testing certain groupings are identified to have potential. To further evaluate and validate requires drilling into the structure. That is what is being requested now. Under consideration are 4 sub areas within/near the city. They are identified on the Mayor's Summary letter. The royalties paid to the State are the source of monies that the MDNR Trust Fund distributes as grants for recreation and land preservation.

A few weeks ago the Mayor's Admin team prepared a summary letter for residents and property owners that have been contacted by Jordan Management Company regarding a lease granting sub-terrain exploration rights. That general summary was prepared after the Mayor, Mike Hartner, and myself met with representatives of Jordan Mgmt Co. Jordan owns the West Bay Exploration Company who in turn had contracted with Land services, Inc. to seek the approved leases from property owners. The summary was to assist our residents that had been calling city hall to learn more about this issue.

The lease accomplishes 2 main tasks. First it provides permission to the exploration company to drill for which a set fee is offered. The second is the permission to extract if oil/gas is found for which the property owner will be paid a royalty. At this point in time there is no way to estimate what any level of royalties might be paid.

This type of request to explore is not a new issue as the City went through this process in 2005 for Borden Park and adjacent areas. At that time the City did approve the lease but further analysis indicated the "structure" of oil/gas was not worthy of pursuit.

Should oil/gas be identified all property owners are entitled to royalties from the extraction and sale of the natural product. The amount is part of the lease and it's based on the percentage of land owned within the lease cell.

The location of the drilling operation and subsequent pumps used for extraction has not been identified. City parks cannot be used for the drill or extraction purposes.

Attached is the Summary Letter, a copy of the lease, and a Resolution authorizing the Mayor to enter into a lease.

RECOMMENDATION:

Staff is recommending approval.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		

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