



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

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Legislative File No: 2005-0312 V5

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning and Development Department, ext. 2572
DATE: June 26, 2005
SUBJECT: Oil and Gas Lease Public Hearing

REQUEST:

To hold a public hearing regarding a proposed oil and gas lease between Energy Quest, Inc. and the City of Rochester Hills for 141.777 acres on Hamlin Road, the property identified as Parcel # 70-15-25-100-012.

BACKGROUND:

Representatives of the Planning and Development Department were approached several months ago by Energy Quest, Inc to discuss the possibility of leasing 141.777 acres of city land, principally including Earl Borden Park, for the exploration of oil and gas. Energy Quest, based on seismic results conducted several years ago, was negotiating with adjacent property owners to lease their lands to do additional testing. After the Department conducted research on similar projects in the state, staff continued discussions and reviewed a draft lease agreement. Since then, the City Attorney's office has worked with Energy Quest to develop a formal lease agreement.

Energy Quest's proposal is to enter into a lease agreement that will pay the City an upfront fee of \$100/acre, or \$14,177.70. Energy Quest will then initiate testing on City property, using an unobtrusive process that will minimize impact to parklands or operations. The primary term of the lease is three (3) years with a two-year extension at an additional cost of \$100/acre; however, the number of acres under the extension may be less. Meanwhile, testing on the adjacent private property also will be conducted. Should the results of these tests be favorable, Energy Quest is proposing to hire a sub-contractor to conduct diagonal drilling, not on City property, but on adjacent property. If sufficient marketable quantities of oil and/or gas are discovered, the lease allows for the construction of a facility, subject to City review and approval, on the adjacent properties. No City property will be utilized for drilling or for the establishment of facilities.

A joint meeting of the Community Development and Viability Committee and Financial Services Committee was conducted on April 28, and a joint recommendation was approved to forward this item to a City Council workshop. On June 1, 2005, the workshop was held, and Energy Quest made a presentation. The Council requested a public hearing for this issue, which will be held on July 20, 2005.

At the June 1 meeting, a representative of the Michigan Department of Environmental Quality (MDEQ) was in attendance to answer questions related to environmental concerns and permitting requirements. MDEQ has since provided a list of existing southeast Michigan facilities. Staff visited three sites, all

located in urban areas, in Shelby Township, Sterling Heights and Novi. The MDEQ reports that they have not received any complaints regarding these facilities or their operations.

The Shelby Township location was similar in character to the area around Borden Park. It contains two wells, one above ground storage tank, piping and other equipment in a fenced enclosure on the north side of 23 Mile Road, just west of Van Dyke. It is located in a mixed-use area that includes nearby commercial, residential and a school.

The Sterling Heights facility is located on the west side of Mound Road between 19 Mile and Hall Roads. A residential subdivision has been built around the facility, which consists of one well in a fenced in area. No tanks are visible.

The Novi facility is located on Wixom road, just south of 12 Mile Road. It is located just past an old steel plant and next to a newer school.

I hope to provide aerial photographs of each facility at the Council meeting.

Recently it was brought to my attention that a concern with a proposed facility in Brighton Township had resulted in media coverage on television and in the Detroit News, May 24, 2005 and June 9, 2005 edition. A homeowner had leased his land to Meridian Resources USA to test and drill for oil or gas. A nearby property owner complained about the noise during the drilling process. The drilling was expected to last for ten days. At its conclusion, no oil or gas was found. The local ordinances of the Township did not prohibit the testing, drilling or proposed facility in residential zoning, so it was within the property owner's rights to lease his land for that purpose.

Additional research has not discovered oil and gas facilities on municipal lands in Michigan and, specifically, Oakland County, other than in Dearborn at Camp Dearborn, and on State and county-owned lands. The following Oakland County communities have oil or gas facilities in operation within their boundaries: Addison Twp., Highland Twp., Village of Leonard, Lyon Twp., Milford, Northville, Novi, Troy and White Lake. Statewide, the Michigan Department of Environmental Quality monitors 56,000 facilities.

RECOMMENDATION:

Hold the Public Hearing. Approve the lease agreement and direct the Mayor and City Clerk to sign on behalf of the City after review by the City Attorney's office as to form.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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

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