



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

November 10, 2008

TO: Rebecca A. Humphries, Director

Information: Natural Resources Commission

Transaction: Oil and Gas Lease Auction – 263,250.63 acres were offered on October 27, 2008

Authority: Part 5, Department of Natural Resources, Section 503, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.

Applicants: The attached auction summary identifies the successful bidders, the total acreage and the total revenue paid. There were 23 registered bidders with 16 successful bidders.

Mineral Description: The official auction record shows the legal descriptions for each offering.

Acres Bid: Of the 263,250.63 acres offered, 223,218.20 acres were bid successfully (49,148.63 acres development, 174,069.57 acres nondevelopment) in 23 counties.

Lease Terms: Five-year initial term with two one-year extension options, 1/6 royalty. Bonus amount of \$4,021,637.00 and rental amount of \$459,346.56 were collected at the auction. Total revenue generated at the auction was \$4,480,983.56.

Special Restrictions: In accordance with those described in the official auction record for each applicable auction description. Additionally, for any parcels that were acquired through tax reversion on or after April 1, 1976, the successful bidder will be required to submit Attorney's Title Opinion. The Attorney's Title Opinion must show that the mineral rights were not severed prior to tax reversion. If an Attorney's Title Opinion is not provided by April 28, 2009, a lease will not be issued and the Department of Natural Resources (DNR) will not refund the bonus and rental paid.

Notice: This item appeared on the DNR's September 2, 2008 business calendar and is eligible for approval on November 6, 2008.

NATURAL RESOURCES COMMISSION
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Recommendation: That oil and gas leases be issued to the successful bidders pursuant to the above terms and conditions.

Lynne M. Boyd, Chief
, Chief
Forest, Mineral and Fire Management

Russ Mason, Ph.D.
Wildlife

Kelley D. Smith, Ph.D., Chief
Fisheries

Arminda S. Koch
Resource Management Deputy

I approve the staff recommendation.

Rebecca A. Humphries
Director

Approval Date

State of Michigan
Oil and Gas Lease Auction
October 27, 2008

Bidder Number	Lessee	Total Acres	Total Bonus + Total Rental
101	John Cororan P.O. Box 2001 Traverse City, MI 49685	No Bid	No Bid
102	EnergyWest Corporation P.O. Box 1441 Denver, CO 80201	148,141.15	\$3,158,271.30
103	Sturgeon Point Development Company P.O. Box 4356 Traverse City, MI 49685	1,301.06	\$52,016.60
104	Michael J. Riness P.O. Box 1826 Traverse City, MI 49684	No Bid	No Bid
105	Michael J. Riness P.O. Box 1826 Traverse City, MI 49684	No Bid	No Bid
106	O.I.L. Energy 954 Business Park Drive, Ste. 5 Traverse City, MI 49686	240.66	\$3,640.32
107	Leslie A. Irish 207 W. Grandview Pkwy. Suite 214 Traverse City, MI 49684	No Bid	No Bid
108	Jordan Development Co. 1503 Garfield Rd., N. Traverse City, MI 49686	65.00	\$975.00
109	Stephen H. Anderson P.O. Box 136 Reed City, MI 49677	200.00	\$3,320.00
110	Savoy Energy, L.P. P.O. Box 1560 Traverse City, MI 49685	262.84	\$52,750.68
111	Randy Marshall 3335 S. Airport Rd., W., Suite 5A Traverse City, MI 49684	No Bid	No Bid
112	CORE Energy, LLC 954 Business Park Drive, Ste. 1 Traverse City, MI 49686	35.00	\$525.00

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Bidder Number	Lessee	Total Acres	Total Bonus + Total Rental
113	O.I.L. Niagaran, L.L.C. 954 Business Park Drive, Suite 5 Traverse City, MI 49686	65,820.85	\$1,108,005.70
114	Neptune Oil & Gas Exploration, LLC 3266 Hidden Road Bay City, MI 48706	272.71	\$9,775.10
115	Schmude Oil P.O. Box 1008 Traverse City, MI 49685	1,320.00	\$22,080.00
116	West Bay Exploration Company 13685 S. West Bay Shore, Ste. 200 Traverse City, MI 49684	4,483.12	\$46,544.24
117	Enveron Corporation 1818 W. Centre Ave Portage, MI 49024	40.00	\$920.00
118	CORE Energy, LLC 954 Business Park Drive, Ste. 1 Traverse City, MI 49686	246.48	\$9,697.96
119	Rich Patterson P.O. Box 610 Haslett, MI 48840	No Bid	No Bid
120	Rich Patterson P.O. Box 610 Haslett, MI 48840	No Bid	No Bid
121	Federated Oil & Gas Properties P.O. Box 946 Traverse City, MI 49685	469.33	\$7,061.66
122	Meridan Energy Corporation P.O. Box 610 Haslett, MI 48840	40.00	\$600.00
123	Ranch Production, L.L.C. 3908 Hogan Road Pentwater, MI 49449	280.00	\$4,800.00