

27.23-14 - Oil and Gas Leasing Procedure (Issued: 07/11/2005)

Supersedes

- DNR Department Procedure 2314.14 - Oil and Gas Leasing Procedure, Issued Issued 09/14/2001.

NOTE: The content of this document has not been revised since Issued 09/14/2001..

The only change involves the conversion and numbering to the current DNR Policies & Procedures Manual Structure.

Approval Signature

K. L. Cool, Director, Department of Natural Resources

Supersedes

- DNR Department Procedure 2306.6 – OIL AND GAS LEASING POLICY AND LEASE AMENDMENTS (dated May 11, 1979)
- Rescinded Natural Resources Commission Policy 2306 (dated April 13, 1995)

Policy:

It shall be the policy of the Natural Resources Commission (NRC) to manage State-owned minerals in a manner that protects and enhances the public trust. Surface and mineral ownership may be consolidated when it is in the best interests of the State. Minerals shall be developed in an orderly manner to optimize revenue consistent with other public interest and natural resource values.

Purpose:

The State of Michigan owns over 3.8 million acres of combined surface and mineral rights, and an additional 2.1 million acres of mineral rights only. Also, the State owns 25 million acres of Great Lakes bottomlands. Under the provisions of P. A. 451 of 1994, Part 5, Section 502, the NRC and Director of the Department of Natural Resources (DNR) are responsible for managing these lands and mineral resources to ensure protection and enhancement of the public trust.

The DNR is authorized to enter into oil and gas leases through both the public auction and direct lease process. Lease auctions may be scheduled, subject to demand, with regular periodic auctions as a goal. The DNR shall conduct market studies for the purpose of gathering information to aid in developing auction strategies, analyzing auction results and optimizing economic return to the State. The DNR may enter into direct leases for (1) completion of drilling units; (2) lands previously offered but not leased at two previous lease sales within a one-year period; and (3) lands on which it is suspected that drainage of hydrocarbons may be occurring.

Direct nondevelopment leases on State-owned bottomlands may be granted but only for protective purposes (e.g., completion of an upland drilling unit) or if drainage is suspected. The lease shall have a specific provision prohibiting drilling or development activities on the bottomlands. All development must be accomplished from an upland site. No leases shall be issued which allow exploration, drilling or development operations on the bottomlands of the Great Lakes and connecting bays, harbors or waterways.

No leases shall be issued which allow drilling or development operations on the bottomlands of inland lakes and streams.

The DNR will closely monitor oil and gas lease activities and well-drilling operations in the Great Lakes and connecting waters, by neighboring governmental bodies, in order for the DNR to determine the consequences of such activities. Continued attention shall be devoted by the DNR to changes in technology of drilling and production in offshore areas and to new knowledge of geological conditions under the Great Lakes.

Related Procedures:

- Oil and Gas Lease Classification Procedure, No. [27.23-15](#).
- Oil and Gas Lease Maintenance Procedure, No. [27.23-18](#).
- Oil and Gas Lease Compliance Procedure, No. [2306.E8](#).

PUBLIC AUCTION PROCESS

WHO

DOES WHAT

MINERAL AND LAND MANAGEMENT SECTION (MLMS) STAFF

1. Sets a proposed lease auction sale date and associated nomination period for the nomination of State-owned minerals to be considered for offering for lease through the public auction process.
2. Secures suitable location for a lease auction to be held. Staff should try to use no cost public facilities if possible.
3. Makes arrangements for the services of a contract auctioneer and recording contractor.
4. Publishes notice of open nomination period and nomination requirements/procedures through advertisement published in trade journals, and through the posting of the information on the DNR Calendar and DNR web site.
5. Nominate lands for lease where:
Drainage is suspected or unleased State acreage is within producing units.

NOMINATORS

6. Nominate State-owned mineral rights to be offered for lease through the public lease auction process by submitting to FMFMD, through the Cashier's Office, a completed Oil and Gas Lease Auction Nomination Form No. PR6044 and nomination fees of \$70.00 per quarter section nominated.

CASHIER'S OFFICE

7. Date stamps the nomination form and forwards the nomination form and a copy of the check submitted for nomination fees to MLMS staff.

MLMS STAFF

8. Reviews nomination to determine identity of nominator, description of land nominated, and to ensure that proper nomination fee has been paid. Enters this information into the automated field review system.
9. Nominations that are not complete, or are submitted after the open nomination period has ended, are returned to the nominator.
10. Coordinates the field review/lease classification process as outlined in Procedure No. [27.23-15](#), Oil and Gas Leasing Classification Procedure.
11. Compiles a list of leasable lands and associated classifications.
12. Creates an auction list.
13. Mails out individual notifications to surface owners whose lands are underlain by State-owned minerals which are nominated for lease.

14. Publishes a notice of lands and their classifications considered for leasing, to provide for public comment and review. This notice is published in newspapers in the counties where the lands are located, and in the major regional newspapers at least 30 days in advance of the DNR Director's decision to hold a lease auction.
15. Following a public comment period, prepares memo for approval of sale and classifications by the Director

MLMS SECRETARY

16. Types memo for Director approval, inserts Department Calendar approval eligibility dates and returns file to MLMS Staff for review and approval.

MLMS STAFF

17. Reviews memo, notes any necessary changes and forwards to Section Supervisor for approval.

MLMS MANAGER

18. Reviews memo, makes any necessary changes and forwards to Division Chief for signature.

FOREST, MINERAL AND FIRE MANAGEMENT (FMFM) CHIEF

19. Reviews, signs and forwards memo to other Division Chiefs within the Resource Management Bureau for review and approval.

RESOURCE MANAGEMENT CHIEFS

20. Reviews, signs and returns memo for FMFMD Secretary.

FMFM CHIEF'S SECRETARY

21. Forwards memo to Resource Management Bureau Deputy for review and approval.

RESOURCE MANAGEMENT BUREAU DEPUTY

22. Reviews memo and signs it. Forwards memo to Director for action.

MLMS STAFF

23. Publishes a notice in the DNR Calendar notifying the public that the DNR is seeking comments from the public, and Director approval of a lease auction and land classifications. Auction must be publicized in DNR Calendar for a period of at least 7 days prior to Director approval.

DEPARTMENT OF NATURAL RESOURCES (DNR) DIRECTOR

24. Approves lease classifications and lease auction.

MLMS STAFF

25. Mails Auction Book to individuals and companies on mailing list.
26. Publishes auction book on the DNR website.
27. Publishes advertisement of lease auction in selected industry trade publications.
28. Conducts a public auction of State Oil and Gas Leases through the open oral auction or sealed bid process, as determined by the DNR. Auctions are held under the following standard terms and conditions, except as hereafter provided:

A. Registration of bidders

- 1) Only qualified bidders may participate in the lease auction.
 - a) Parties interested in bidding, or their authorized representative, must be present at the auction.
 - b) Bids may be submitted by individuals of legal age, a partnership, corporation or other entity qualified to do business in the State of Michigan. All prospective bidders must submit proof as follows:
 - (1) Corporations or Partnerships must provide MLMS with a copy of "Certificate of Good Standing" or "Certificate of Limited Partnership."
 - (2) Persons doing business under an assumed name must provide MLMS with a copy of "Certificate of Persons Conducting Business Under Assumed Name."
 - (3) Individuals must provide MLMS with proof of legal age. This can be in the form of a birth certificate or valid driver's license.
 - (4) Entities listed on the Department's Hold Action List are ineligible to participate in any lease auction as long as they remain in violation of lease terms (See Oil and Gas Lease Compliance Procedure No. [2306.E8](#)).

B. Bidding

- 1) The minimum bid shall be \$13.00 per acre which includes a \$3.00 per acre audit fee.
- 2) Bid increments must be in whole dollar values.

C. Successful bidders

- 1) Successful bidders must pay the entire bonus bid, plus the first year's rental payments, at checkout on the day of the sale. Payment can be made by cash, certified check, cashiers check, money order, or company check. Site drafts, in any format, will not be accepted. Successful bidders have the option of paying rental payments in advance for the entire primary term of the lease to avoid the potential for future cancellation of the lease due to failure to pay the rent by the required due date.

- 2) Successful bidders must designate at checkout, the name of the individual or company to whom the lease will be issued. Leases will be issued to legal entities only.

D. Lease terms and rates

- 1) The lease shall be a maximum of 5 years in length and so long thereafter as oil and/or gas is produced in paying quantities.
- 2) The lease shall provide for a royalty to the State of 16.66 percent (1/6).
- 3) Lease rental is \$2.00 per acre for the first year of the lease, and shall increase by \$ 1.00 per acre for each additional year in which the lease is in force. The minimum annual rental for any lease is \$5.00.
- 4) A lease performance bond shall be required of each lessee of State oil and gas lease rights in order to assure faithful compliance with the terms and conditions of the lease. No lease will be issued without the minimum lease performance bond in place. The minimum bond to be maintained by each lessee, and the form of bond accepted, is determined as follows:
 - (a) Bond types accepted:
 - (1) Surety bond, as provided by Form PR-6514.
 - (2) Irrevocable Letter of Credit from a financial institution.
 - (3) Cash bond.
 - (4) Certificate of Deposit.
 - (b) Amount of bonding required:

<u>AMOUNT OF BOND</u>	<u>MAXIMUM ACRES</u>
\$10,000.00	0-5000
\$25,000.00	5001-10,000
\$50,000.00	10,001-UNLIMITED

29. Prepares auction summary at the end of the auction.
 - A. Drafts news release for DNR press office.
 - B. Drafts article for Natural Inquirer.
 - C. Prepares memorandum (memo) to Director for approval of auction bids and bidders, and inserts DNR Calendar/approval eligibility dates.
 - D. Submits memo to FMFMD Chief for signature.

VARIOUS

30. Follow Steps 19-22.

DNR DIRECTOR

31. Approves auction bids and bidders; approves issuance of leases.

MLMS STAFF

32. Upon Director approval:

- A. Prepares Transportation and Natural Resources (TNR) Committee, and State Administrative Board (Board) agendas.
- B. Forwards TNR Committee agenda and memo to Board members, Secretary and other parties requiring copies.

NOTE: If fully executed memo is not available, forwards copy of memo signed by FMFMD Chief, and submits final copy to Board Secretary when returned from Director's Office.

- C. Places copy of agenda and memo in pending file drawer, with copies to MLMS staff.
- D. Attends TNR Committee meeting to address any questions raised by committee members.
- E. Notifies MLMS Secretary of TNR Committee's decisions.

TRANSPORTATION AND NATURAL RESOURCES (TNR) COMMITTEE

33. Approves auction and issuance of leases, and presents to State Administrative Board for approval.

STATE ADMINISTRATIVE BOARD

34. Approves auction and issuance of leases

MLMS SECRETARY

35. Generates oil and gas lease documents by completing the following steps:

- A. Uploads sale data into automated data base system.
- B. Establishes the effective date, to be 30 days after Board approval.
- C. Inserts the Director approval date at the top of the signature page for each lease.
- D. Prepares cover letter and send leases, by Certified Mail, to the proposed Lessees for execution.

LESSEE

36. Signs, witnesses and obtains signature from notary for each lease signed.

37. Returns lease to MLMS, along with any other requested information or material.

MLMS STAFF

38. Reviews lease documents for any changes made, and ensures that signature pages have been signed, witnessed by two parties and notarized.
39. Reviews Lessee bond information to ensure proper bonding is in place.
40. Reviews Hold Action List to determine if any proposed Lessee is on the List. No leases will be granted to entities on the Hold Action List.

MLMS SECRETARY

41. Finalizes lease by obtaining signature from MLMS Manager, two witnesses and a notary.
42. Applies stamp reflecting Board approval date to lease signature pages.
43. Prepares cover letter(s) to Lessee.
44. Mails original lease and cover letter to Lessee.
45. Prepares lease file and files a copy of fully executed lease in file.
46. Notifies MLMS staff that leases have been issued.

DIRECT LEASE PROCEDURES

WHO

DOES WHAT

MLMS STAFF

1. Will consider Direct Lease applications:
 - A. On a first-come first-serve basis, however, for lake and stream bottomland leases, including Great Lakes bottomlands, priority will be given to applicants with existing infrastructure in place.
 - B. With the applicant who first submits a complete package when two or more applicants apply for the same location.
 - C. For Great Lakes bottomlands, after the Department has completed the following:
 - 1) Identify areas where directional drilling is likely to occur.
 - 2) Create a data base for each potentially affected area, in GIS format, that includes the following data:
 - a) Location of existing oil and gas infrastructure.
 - b) Location of 1,500 foot setback delineation.
 - c) Unique or sensitive features such as sand dunes, wetlands, endangered species habitat and public parks.
 - d) Location of sites where it appears that well infrastructure could be allowed.
 - 3) Meet with township official(s) or other local government officials to share GIS information and to gather additional information and recommendations regarding potential well and infrastructure sites.
 - 4) Merge local information with Department GIS database. Based on this combined information, eliminate upland sites not suitable for oil and gas well site purposes. This database will be used as a tool by the Department when considering requests to direct lease Great Lakes bottomlands.

APPLICANT

2. Submits Direct Lease application to MLMS, through the Cashiers Office, with the following information:
 - A. Direct Oil and Gas Lease Application Form No. PR4306, completed with the following information:
 - 1) Name and address of intended lessee, including the name and address of where the leases are to be mailed if different from the intended lessee.
 - 2) Specific State-owned minerals being requested, .e.g., all land located in the SW1/4 NW1/4, Section 5, T29N, R06W, Mancelona Township, Antrim County.
 - 3) Size and type of proposed drilling, e.g., 40/80/640 acres, Antrim, Niagaran, or Prairie Du Chien (PDC), and whether the request is for Development or Nondevelopment purposes.

- 4) Proposed Drilling Unit (DU), e.g., NW1/4, Section 5, T29N, R06W, Mancelona Township, Antrim County. If the request is within a Unitized Area (UA), include the description of the proposed UA.
- 5) Proposed surface location of well, if known. Include application / permit number obtained from the Department of Environmental Quality-Geological Survey Division (GSD).
- 6) Proposed lease terms.
NOTE: Standard minimum of 3/16th royalty, and maximum of three (3) years with two one-year extensions.
- 7) Name and address of severed surface owner, if applicable.

B. Documents to be provided:

- 1) Non-refundable application fee of \$200.00 per 1/4 section for nondevelopment and \$500.00 per 1/4 section for development.
- 2) Proof of majority leasehold interest in the proposed DU:
 - a) Copies of private leases for lands located within the proposed DU.
NOTE: Leases must be fully executed but do not have to be recorded. Additionally, a sampling of leases, accompanied with a lease summary report which verifies lease dates (beginning, ending and any extensions), royalty rate, and the bonus amounts paid, may be submitted in lieu of a complete set of leases within a proposed DU which involves several platted tracts.
 - b) Copies of bonus drafts paid, lease summary report, or signed affidavit for private lands.
 - c) Surveys to verify "majority" interest if State-owned minerals reflect 1/2 of the DU, e.g., 80 acre Niagaran intended and State records reflect a 40 acre interest. Lessee will be required to provide a registered surveyor's verification that actual State interest is less than 40 acres such as 39.877 and Lessee interest is 39.955 acres.
 - d) State-owned highway and railroad requests must include a copy of State acquisition deed and relevant part of title opinion.
 - e) Executed assignments if private leases reflect a different Lessee.
- 1) Request due to drainage by offsetting production with 2a, b, and d above.
NOTE: Submit either 2) or 3) and associated documentation.
- 2) Plat map / schemataic reflecting site requested, proposed DU, proposed US and location of existing oil and gas wells if application is due to drainage, if applicable. Requests involving platted subdivisions must include a copy of the recorded plats.

CASHIER'S OFFICE

3. Date stamps the application, and forwards original cover letter, application and copy of check to MLMS Staff.

MLMS STAFF

4. Completes the following steps in review of the application:
 - A. Enters application in the Direct Lease-Project Summary Report, sets up file with Direct Lease Work Sheet and determines:
 - 1) The identity of the applicant.
 - 2) The description of land being requested.
 - 3) The type of land requested, i.e., Department of Natural Resources (DNR), Department of Transportation (MDOT) highway or railroad right-of-way, Department of Management and Budget (DMB), Military Affairs, lake or stream bottomlands, etc.
 - 4) DNR ownership, such as fee, surface or minerals only, and the applicable funding source, e.g., the Michigan Natural Resources Trust Fund, General Fund, or federal funds, by accessing the Real Estate Information System (REIS).
 - 5) Current lease status by reviewing REIS on-line maps and Secretary's "Direct Lease" logbook (for leased subdivision tracts and other agency leases, e.g., MDOT, DMB, Military Affairs). Potential platted, highway and/or railroad tracts by reviewing Rockford plat books and MDOT right-of-way maps. Makes copies of the applicable on-line map, Rockford plat map, and right-of-way maps if appropriate.
 - B. Determine whether the applicant qualifies for a Direct Lease by confirming that:
 - 1) For upland parcels, including inland lakes and stream bottomlands:
 - a) The applicant's leasehold interest in the DU is current with active private and/or State auctioned leases.
 - b) The proposed DU has been specified.
 - c) The requested minerals total less than 1/2 of the proposed DU, or
 - d) Parcel is being drained by offsetting production.
 - e) The applicant has submitted copies of the bonus drafts paid, lease summary report, or affidavit of leasehold interests, verifying terms and economic factors contained within the private leases.
 - f) The applicant has submitted the remaining information requested.

NOTE: If further information is required, contact the applicant and place file in pending applicant status.
 - 2) For Great Lakes Bottomlands parcels:
 - a) The applicant's leasehold interest to the upland portion of the drilling unit is current with active private and/or State leases.
 - b) The proposed DU has been specified.

- c) The proposed surface location and bottom hole location of the proposed well has been specified.
 - d) Existing and/or proposed infrastructure has been specified.
 - e) The applicant has submitted copies of the bonus drafts paid, lease summary report or affidavit of leasehold interests verifying terms and economic factors contained within the private leases.
 - f) Review environmental and coastal zone inventories to determine if existing or potential sites exist.
 - g) The applicant has submitted the remaining information requested.
- C. Forwards notice of denial if applicant does not qualify for a Direct Lease. Places yellow copy of notice in file and files in cancelled lease drawer.
- D. Sends Groupwise note to MLMS-Unitization Agreement Staff and lease auction staff indicating:
- 1) Company submitting Direct Lease application.
 - 2) Legal description of request.
 - 3) Unitized area, if known.
- E. Verifies which State agency controls the minerals.
- 1) If DNR, make copies of REIS information relative to: a) the complete legal description, and b) the funding source for each parcel located within the proposed DU or UA which is not currently leased.
 - 2) If MDOT, review title opinion, historical statutes and deed to verify State ownership.
NOTE: MDOT only authorizes nondevelopment leases with specific restrictions.
 - 3) If DMB, forward notice requesting verification of mineral ownership, copy of deed(s), lease classification and authorization to lease with any special conditions; include copy of Rockford plat map. Place file in pending DMB folder.
 - 4) If Military Affairs, forward notice requesting verification of mineral ownership, copy of deed(s) and authorization to lease; include copy of Rockford plat map. Place file in Pending Military Affairs folder.
NOTE: Military Affairs only authorizes nondevelopment leases with specific restrictions.
 - 5) If minerals do not vest with the State:
 - a) Notifies applicant that we cannot enter into a lease.
 - b) Writes "CLOSED" in red ink across the label and file in cancelled lease drawer.

FOREST, MINERAL AND FIRE MANAGEMENT (FMFM) CHIEF

5. If minerals do vest with the State, sends appropriate notices and requests for field review and classification for purposes of oil and gas leasing to various non-DNR and DNR offices as outlined in Oil and Gas Lease Classification Procedure No. [27.23-15](#), Steps 10-13.
 - A. If severed mineral, also send notice to surface owner that direct lease has been applied for.
 - B. If Great Lakes bottomlands:
 - 1) Posts direct lease request on DNR website.
 - 2) Publishes notice of direct lease request in a newspaper published in the County or Counties off-shore from the desired bottomlands and in the County where the well pad and associated surface development is proposed.
 - 3) Send notice of direct lease request to the Township Supervisor of Township where the well site and associated surface development is proposed. The purpose of this notification is to provide local units of government the ability to comment on the requested lease and associated development. Notice to include the following information, in GIS format, if possible:
 - a. Identification of lands proposed to be leased.
 - b. Surface location of existing and or proposed infrastructure.
 - c. Inventory of environmental features, e.g., critical dunes, high risk erosion areas, etc.
 - 4) Hold public meeting in close proximity to the proposed well site. Provide Opportunity for public comment on proposed lease and information sharing.

STATE AGENCY, i.e., DEPARTMENT OF MANAGEMENT AND BUDGET (DMB), MILITARY AFFAIRS

6. Forwards authorization to lease with requested materials and/or restrictions to MLMS.

TOWNSHIP SUPERVISOR

7. Forwards comments regarding bottomlands lease to MLMS within 45 days of notice.

LAND ADMINISTERING DIVISION

8. For development lease requests, forwards a field review identifying the classification for the proposed DNR owned minerals to MLMS in accordance with Oil and Gas Lease Classification Procedure No. [27.23-15](#).

MLMS STAFF

9. Copies REIS-MLMS information relative to the applicant's legal entity, certificate of good standing, and current lease performance bond status.

NOTE: If information is not available, notifies applicant that documents and bond must be submitted prior to the lease being issued.

10. Develops leasing terms and economic factors by:
- A. Reviewing previous five years of State and Federal lease auction data within a three-mile radius of request.
 - B. Reviewing private lease information submitted by the applicant.
 - C. Reviewing classification recommendations from field review and comments by Township Supervisor.
 - D. Comparing the applicant's proposal with the following requirements:
 - 1) Minimum of 3/16 royalty rate is standard with other rates considered under certain situations. However, nothing less than the existing lease auction royalty rate will be approved. Higher royalties may be negotiated in areas where pooling or expansion is occurring.
 - 2) Maximum of three (3) year initial term with two (2) one-year extensions. Total number of years may not exceed the term of leases being offered at public auction at the time that the direct lease is granted. The term of the direct lease is determined by the expiration date of the shortest lease held by the applicant within the drilling unit. i.e., if applicant holds leases within the drilling unit expiring in 2, 5 and 10 years, the Direct Lease may not exceed 2 years.

NOTE: When calculating the lease term, include the approval process time required:

- (i) Director's memos are due 30 days prior to the scheduled Director's Agenda which occurs at the closure of the Natural Resources Commission meeting.
NOTE: Routine applications can go to the LMSD Chief for approval; potentially controversial applications will continue to go to the Director for approval.
 - (ii) TNR Committee review generally occurs at the end of the month meeting, after Director approval.
 - (iii) Administrative Board approval occurs after TNR Committee review and approval.
 - (iv) Typing, lessee signature and final execution of the leases, approximately 30 days.
- 3) Bonus rate is a minimum of \$13.00 per acre which includes \$3.00 per acre audit fee or \$250.00 per subdivision, but not less than that paid for private and/or State auction leases in the vicinity. Total bonus shall be based upon the next highest acreage figure, i.e., 2.70 acres shall be calculated as 3.00 acres,

and small parcels, i.e., 0.23 acre and 0.79 acre, shall be treated as two separate lots within a subdivision when determining total bonus due.

- 4) Rental rate of \$2.00 per acre beginning the first year and continuing through the end of the primary term (5 years maximum), and shall increase by \$1.00 per acre for each additional year extended beyond the primary term (2 years maximum).
- E. Negotiates terms and economic factors with the applicant by telephone and notes the "Direct Lease Work Sheet" of the agreement reached.
- F. Notifies applicant of requirements for Public Notice and surface owner notification.
- G. Prepares the appropriate memo for approval, and inserts the following information:
 - 1) Lease classification and county location.
 - 2) Applicant's name and company location.
 - 3) Number of leases requested.

NOTE: One lease per each quarter section. If several leases are located within the DU or UA, they can be combined on one memo.
 - 4) Department having jurisdiction over surface; type of ownership, e.g., fee or mineral; and amount of acreage to be leased.

NOTE: Acreage is not to exceed two decimal points, e.g., 5.76 acres.
 - 5) Complete legal description of requested parcels.
 - 6) DU legal description.
 - 7) Economic factors and term of lease.
 - 8) Any other pertinent information, i.e., restrictions, previous drilling site, etc.
- H. Order map from RMAP Unit which identifies the requested minerals, dedicated forests, major cities and roads, rivers, lakes, DU and/or UA.
- I. Give completed memo, map and file to Secretary for typing.

APPLICANT

11. Publishes Public Notice in a newspaper in the county where the lands to be leased are located, at least 30 days prior to Director approval. If Great Lakes bottomlands are involved, applicant also publishes a Public Notice in a regional newspaper at least 30 days prior to Director approval.
12. Provides surface owner with notification of lease, if applicable, at least 30 days prior to Director's approval of lease.

MLMS STAFF

13. If requested lease is for Great Lakes bottomlands, send copy of staff recommendations, to the township supervisor in the township(s) where the lands proposed for lease and associated upland sites are located. This notice will be sent to the township supervisor at least 30 days prior to Director's approval of the lease.

TOWNSHIP SUPERVISOR

14. Provides comments on proposed lease to the Department staff in MLMS.

MLMS STAFF

15. Reviews Township Supervisor comments and works with Township Supervisor to address concerns.

MLMS SECRETARY

16. Types memo, inserts Department Calendar / approval eligibility dates and returns file to MLMS Staff for review and approval.

MLMS STAFF

17. Reviews memo, notes any necessary changes and forwards file to Section Supervisor for approval.

SECTION SUPERVISOR

18. Reviews file, discusses any questions with MLMS Staff, notes any necessary changes and returns file to MLMS Secretary.

MLMS SECRETARY

19. Completes the following:
 - A. Inserts any changes requested and combines the memo with the map.
 - B. Forwards memo to FMFMD Chief for signature.

FMFM CHIEF

20. Reviews, signs and returns memo for Director approval to MLMS Secretary, or approves memo and returns.

MLMS SECRETARY

21. Completes the following:
 - A. Obtains remaining Division memo signatures as needed, and forwards copies to the Division Secretary for the Executive Office.

- B. Distributes copies of Memos to Pending file, lease file, and FMD.
- C. Requests Department Calendar notice.
- D. Place lease file in MLMS Staff's "Pending Director Approval" drawer.

DIRECTOR

- 22. Approves or denies request to lease State-owned minerals, as necessary.

MLMS STAFF

- 23. If lease is denied, sends letter to applicant explaining reason for denial. If lease is to be approved but under modified conditions, sends letter to applicant to explain modification.

APPLICANT

- 24. Notifies MLMS whether they want to proceed with lease under modifications approved by Director.

MLMS SECRETARY

- 25. Upon Director / FMFMD Chief's approval:
 - A. Prepares TNR / State Administrative Board agenda.
 - B. Forwards TNR agenda and memo to State Administrative Board members, Secretary and other parties requiring copies.
NOTE: If fully executed memo is not available, forward copy of memo signed by FMFMD Chief, and submit final copy to Board Secretary when returned from Director's Office.
 - C. Places copy of agenda and memo in "Pending" file drawer with copies to MLMS staff

MLMS STAFF

- 26. Attends TNR Committee Meeting to address any questions raised by committee members.
- 27. Notifies MLMS Secretary of TNR decisions.

TNR COMMITTEE, STATE ADMINISTRATIVE BOARD

- 28. Recommends and grants approval to lease State-owned minerals.

MLMS SECRETARY

- 29. Completes the following steps:
 - A. Access REIS-MLMS data base and establish a lease number.

- B. Establish the effective date, to be approximately 30 days after Administrative Board approval.
- C. Note the following on the first page of the memo:
 - 1) Director approval date.
 - 2) Administrative Board approval date.
 - 3) Lease number.
 - 4) Effective lease dates.
- D. Provides copy of memo with lease number, to MLMS Unitization Agreement Staff.
- E. Prepares the lease based upon information contained on Direct Lease Work Sheet by:
 - 1) Attaching the legal description from REIS, and typing any special restrictions on Page 1 after the legal description.
 - 2) Inserting the effective lease date and term.
 - 3) Modifying the rental and royalty rate.
 - 4) Inserting the Director approval date at the top of the signature page.
- F. Insert the lease information into REIS-MLMS data base so the bonus and rental can be posted when received.
- G. Note lease information in the direct lease logbook in numerical order and appropriate list, i.e., platted property, highway right-of-way, DMA.
- H. Prepare cover letter to designated contact noted on direct lease worksheet, i.e., lessee or landperson, with copy to contact as identified.

NOTE: If applicant has not submitted the appropriate legal documents and / or Lease Performance Bond, have Attachment A or B referenced within the cover letter.
- I. Prepare invoice / billing for bonus and rental due.
- J. Type new label for file showing company and lease number.
- K. Forward cover letter and lease document to MLMS Staff.

MLMS STAFF

- 30. Completes the following:
 - A. Reviews lease document(s) for correct:
 - 1) Lessee name and address.
 - 2) Legal description.
 - 3) Term, royalty rate, rental, special restrictions and extension language.

- B. Verifies if applicant has submitted appropriate legal documents and Lease Performance Bond.
- C. Reviews cover letter for correct term, bonus and rental amount. Signs and returns file to MLMS Secretary.
- D. Reviews invoice / billing for proper bonus and rental due.
- E. If the lease is for a State Agency other than DNR, provides the MLMS Secretary with a duplicate map, i.e., highway right-of-way, showing the following:
 - 4) Highlight of area leased.
 - 5) Company name.
 - 6) Lease number and expiration date.

MLMS SECRETARY

- 31. Completes the following:
 - A. Makes any changes noted, copy cover letter (yellow) and Page 1 of the lease, mark as "Worksheet," and inserts into the lease file.
 - B. Mails letter and one copy of the lease to the designated contact by certified mail, return receipt requested; forwards copies to cc(s) by regular mail.

NOTE: Includes the date the letter and leases are actually mailed, as well as the Secretary's initials on the green receipt card.
 - C. Places file in MLMS Staff's drawer marked "Pending Lessee Signature."

APPLICANT

- 32. Signs, witnesses and notarizes copy of lease.
- 33. Returns lease with bonus / rental check, invoice, and any other requested information or material to the MLMS Staff.

MLMS SECRETARY

- 34. When lease is returned by Lessee:
 - A. Date stamps and copies cover letter and bonus/rental check.
 - B. Forwards copy of cover letter and original check to Cashier's Office.
 - C. Forwards lease, original cover letter and copy of check to MLMS Staff.

MLMS STAFF

35. Verifies bonus and rental payment with amount due, and inserts date and check number on the direct lease worksheet.
36. Reviews lease documents for any changes made and ensures signature pages have been signed, witnessed by two parties and notarized.
37. Initials lease in area above MLMS Manager's signature block.
38. Returns file to MLMS Secretary, who forwards file to MLMS Manager.

MLMS MANAGER

39. Signs lease and returns to MLMS Secretary.

MLMS SECRETARY

40. Finalizes lease by obtaining signatures from two witnesses and a notary.
41. Applies stamp reflecting State Administrative Board approval date to lease signature pages.
42. Makes sure there is a fully executed copy of the memo in file.
43. Prepares cover letter(s) to lessee and State agency if other than DNR, and obtains MLMS staff's signature.
44. Mails original lease and cover letter to lessee.
45. Sends a copy of the fully executed lease with cover letter to the respective State agency, .e.g., MDOT.
46. Places file in permanent record drawer according to company name and numerical order.