



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

September 15, 2008

TO: Rebecca A. Humphries, Director

Information: Natural Resources Commission

Transaction: Proposed October 27 and 28, 2008, Oil and Gas Lease Auction

Authority: Part 5, Department of Natural Resources, Section 502, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

Auction Method: Oral Auction

Acres Offered: Approximately 265,000 acres

Counties Offered: Alpena, Antrim, Arenac, Benzie, Cheboygan, Clare, Crawford, Emmet, Gladwin, Grand Traverse, Isabella, Jackson, Kalkaska, Lake, Manistee, Mason, Mecosta, Midland, Missaukee, Montmorency, Newaygo, Oceana, Ogemaw, Osceola, Otsego, Presque Isle, Roscommon, Saint Clair, and Washtenaw.

Lease Terms: Five-year term with two one-year options to extend, 1/6 royalty rate, initial \$13.00 per acre minimum bonus consideration (\$3.00 audit fee) and \$2.00 per acre annual rental for the primary term.

Special Restrictions: Approximately 165,000 acres of the offered lands did not go through the classification process and will be offered as non-development parcels. Certain parcels proposed to be offered for lease may contain restrictions limiting surface activities where environmental concerns exist. All oil and gas development activities proposed on state-owned surface require separate surface use agreements. Additionally, for any parcels that were acquired through tax reversion on or after April 1, 1976, the successful bidder will be required to submit an Attorney's Title Opinion. The Attorney's Title Opinion must show that the minerals rights were not severed prior to tax reversion. If an acceptable Attorney's Title Opinion is not provided by April 27, 2009, a lease will not be issued and the Department of Natural Resources (DNR) will not refund the bonus and rental paid.

Notice: Potentially affected private surface owners have been notified of the proposed auction. Township supervisors, county commissioners and other interested parties will receive notification when the auction catalog is available online. Notice of the proposed auction also appeared in the

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county newspapers representing the areas where the lands are located. This item will appear on the September 29, 2008 DNR Business Calendar and will be eligible for approval on October 9, 2008.

Recommendation: The mineral rights in all the lands being considered to be offered for inclusion in the proposed auction, under the terms and conditions specified.

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

Russ Mason PhD., Chief
Wildlife

Kelley D. Smith, Chief
Fisheries

Arminda S. Koch
Resource Management Deputy

I approve the staff recommendation.

Rebecca A. Humphries
Director

Approval Date