



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF NATURAL RESOURCES  
LANSING



RODNEY A. STOKES  
DIRECTOR

July 12, 2012

To: Rodney A. Stokes, Director

Information: Natural Resources Commission

Transaction: Proposed Changes to Lease Restrictions for the Mineral Leasing Program -- For Action

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

Discussion: Pursuant to Department of Natural Resources (DNR) Procedure 27.23-15, "Stipulations" and "Reasons" are used to place specific restrictions or requirements on lands requested for mineral leasing. The "Stipulations" and "Reasons" listed in the attached reports were created after input from several divisions within the DNR and other state departments, and approved by the Natural Resources Commission and the Director on April 13, 1995. In order to meet the current needs of the mineral leasing program, this information needs to be updated. A committee was established to gather input from all divisions to ensure appropriate updates. The committee included at least one representative from the following DNR divisions and external partners: Forest Resources Division, Wildlife Division, Fisheries Division, Law Enforcement Division, Parks and Recreation Division, Department of Environmental Quality, Office of Geological Survey, Department of Military and Veterans Affairs, and United States Forest Service.

Notice: This item will appear on the July 2, 2012 DNR Business Calendar for action. It will be eligible for approval on July 12, 2012.

Recommendation: That the updated "Stipulations" and "Reasons" be adopted pursuant to committee recommendations. Upon approval of the Director, the "Stipulations" and "Reasons" will be updated and a process for accommodating any necessary future additions or changes will be implemented. That process will include input from all land managing divisions within the DNR as well as from external

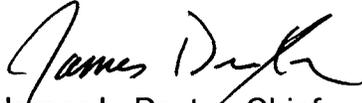
partners, and changes in “Stipulations” or “Reasons” will require approval from the appropriate Field Coordinator.



William O'Neill, Acting Chief  
Forest Resources Division



Russ Mason, Ph.D., Chief  
Wildlife Division



James L. Dexter, Chief  
Fisheries Division



William E. Moritz, Ph.D.  
Natural Resources Deputy

I approve the staff recommendation.

Rodney A. Stokes  
Director

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Approval Date

## STIPULATIONS

1. Development – USDA Forest Service Surface - All other provisions of this lease notwithstanding, it is understood that the land described in this lease shall not be entered for any purpose whatsoever without first contacting the United States Department of Agriculture, (USDA) Forest Service, and securing detailed instructions as to cutting any forest growth for the purpose of making roadways or clearing well locations or for any other purpose in order that the surface values may be properly protected and conserved. No drilling operations may be conducted within 200 feet of any road, trail or highway unless otherwise approved by the USDA. All operations must be in compliance with the standards and guidelines outlined in the National Forests Land and Resource Management Plan.
2. INACTIVE – per USDA Forest Service Nondevelopment - U.S.F.S. Surface - The surface of this land is under the jurisdiction of the United States Department of Agriculture, Forest Service, Huron-Manistee National Forest, Cadillac, Michigan.
3. Office of the State Archaeologist (OSA) Consultation - All other provisions of this lease notwithstanding, it is understood and agreed that no exploration or development work shall be conducted on this land without specific consultation from the OSA, Michigan Historical Center. No operations shall be conducted until written recommendations for the proper protection of any and all artifacts of historical or archaeological value are issued by the State Archaeologist.
4. Military and Veterans Affairs Agreement No. L-1479 - All other provisions of this lease notwithstanding, it is further understood that no exploration (including but not limited to seismic), drilling or development work shall be conducted on the surface of the land described herein which is under the jurisdiction of the Department of Military and Veterans Affairs. Use with Reason 14 - *MMS ONLY*
5. Military and Veterans Affairs Agreement No. L-7084 - All other provisions of this lease notwithstanding, it is understood that no exploration, drilling or development work shall be conducted on this land until the lessee first contacts the Department of Military and Veterans Affairs to obtain approval regarding the timing of activities.
6. Kirtland's Warbler Habitat Management - As of the date of this lease, this land is considered to be part of a Kirtland's Warbler Habitat Management Area (KWHMA). No drilling, exploration, construction or maintenance activities shall take place within ½ mile of a KWHMA from May 1 to October 1.
7. USDA Forest Service Designated Semiprimitive Motorized or Nonmotorized Area - This land is subject to restrictive controls on access relative to location, timing and methodology of this Semiprimitive Motorized or Nonmotorized Area. All other provisions of this lease notwithstanding, it is understood that this land shall not be entered for any purpose whatsoever without first contacting the United States Department of Agriculture, Forest Service. All operations must be in compliance with the standards and guidelines outlined in the National Forests Land and Resource Management Plan.
8. Including Riparian Rights - Including riparian rights adjacent thereto. *MMS ONLY*

## STIPULATIONS

9. INACTIVE - Development with Restriction - Attach this stipulation to leases initially classified as nondevelopment but a change of lease classification was granted and any stipulations that apply are included in an amendment to the lease.
10. INACTIVE - Time Restriction - All other provisions of this lease notwithstanding, it is understood that from-February 1 through August 31 of each year that only exploration and development activities specifically approved in writing by the Lessor's representative(s) will be allowed on this leased acreage.
11. INACTIVE - Pigeon River Country State Forest - This parcel is located within the boundaries of the Pigeon River Country State Forest and is subject to a management plan. No future leasing should occur unless the lease is made subject to the management plan.
12. INACTIVE - Sand Lakes Quiet Area - This parcel is included in the Sand Lakes Quiet Area Management Plan and should not be leased for oil and gas development.
13. INACTIVE – Nord House Dunes Area - Do not lease for oil and gas development.
14. INACTIVE - Military Affairs Agreement - All other rights in this lease notwithstanding, it is understood the above described parcel is subject to an agreement between the State of Michigan's Departments of Natural Resources and Military Affairs. Said agreement reserved to the Department of Natural Resources certain rights including the right to development of the minerals.
15. Limited Surface Disturbance - To limit surface disturbance, any wells to be drilled on the leased premises shall be drilled from a single surface area that is acceptable to and approved by the Lessor. The Lessee shall submit a proposed development plan for the leased premises including a proposed surface area, access routes and pipeline corridors, with due regard to surface features, the relative location of other operations in the area, and applicable regulatory requirements. The Lessee may not drill any well on the leased premises without first obtaining an approval from the Lessor. Approval shall not be unreasonably withheld. If Lessor reasonably determines that production on adjacent land creates the probability of drainage of oil and/or gas from State mineral land, additional surface locations may be considered.
16. Threatened or Endangered Species Habitat - All other provisions of this lease notwithstanding, it is understood that no exploration or development work shall be conducted on this parcel without specific authorization from the Department of Natural Resources, Wildlife Division. No operations shall be conducted until written instructions for the proper protection of any threatened or endangered species or their habitat are issued.
17. INACTIVE – Limit Operators - It is further understood that exploration and development activities on this parcel will be performed by only one operator.
18. INACTIVE - Gate and Lock Access Road - It is further understood that well operator will gate and lock access road within the leased premises.

## STIPULATIONS

19. Recreational Trails - All other provisions of this lease notwithstanding, it is understood that no well site shall be located closer than 660 feet to any recreational trail without obtaining the written consent of the Lessor and contacting the local Department trails coordinator.
20. Use Existing Well Pad - All other provisions of this lease notwithstanding, it is further understood that existing well pads shall be used for drilling unless otherwise authorized by the Department of Natural Resources' Land Manager.
21. INACTIVE – Nonleaseable Dead Stream Swamp - This parcel is part of the area known as the Dead Stream Swamp classified as nonleasable for purposes of comprehensive planning.
22. INACTIVE - Site Cleanup - This parcel will be subject to a "site cleanup" stipulation.
23. Subject to Existing Underground Gas Storage Lease - All other provisions of this lease notwithstanding, this parcel is subject to an existing State of Michigan Underground Gas Storage Lease. Contact Underground Gas Storage field operator prior to any surface use - *MMS ONLY*
24. INACTIVE - Jordan River Valley Management Area - Parcel lies within the area known on State of Michigan, Department of Natural Resources records as the Jordan River Valley Management Area.
- 25–30. INACTIVE – Pertain to St. Clair Flats and will eventually be removed from the system.
31. INACTIVE - Reason 2 - Nonleaseable State Military Board - This parcel is classified as nonleasable per request by State Military Board on May 1, 1997.
32. Michigan Stray and Marshall Strata Conveyed - The Michigan Stray and Marshall strata on this parcel were conveyed to Michigan Gas Storage Company. *MMS ONLY*
33. Raptor Nesting Area - All other provisions on this lease notwithstanding, it is understood that this parcel was determined to be, at time of leasing, near to a known raptor nesting site. No drilling or development shall take place, and no activity is allowed within ¼ mile of known (or possible) protected raptor nests, during the nesting season. All exploration and development activities must be approved, in writing, by the Lessor's Wildlife Management Unit Supervisor.
34. Nondevelopment Species Habitat - This parcel is classified as nondevelopment due to the presence of threatened or endangered species at time of leasing. Use with Reason 8 – *MMS ONLY*
35. Office of the State Archaeologist (OSA) Concern - The OSA has specific concerns relative to this parcel. Use with Reason 11 – *MMS ONLY*

## STIPULATIONS

36. Michigan State Police Tower Site Network - The Michigan State Police or its successors or assigns (MSP) may use all or part of the surface of the land described in this Lease to construct, operate & access a radio tower & related facilities as part of a communications system. All other provisions of this Lease notwithstanding, the Lessee is prohibited from conducting any exploration activities, drilling any well, laying any pipeline, or otherwise making any use whatsoever of the surface of the land described in this Lease without obtaining the prior written consent of the Lessor and MSP.
37. INACTIVE - Proposed State Police Tower Site - Proposed State Police Tower Site. If the surface of this land is included in the Department of State Police Communications System, Stipulation Code No. 36 will apply to this parcel.
38. INACTIVE - Nonleaseable - Skegemog Lake Wildlife Area - This parcel lying within the Skegemog Lake Wildlife Area is nonleaseable.
39. Pittman Robertson, or Dingell Johnson or other similar Federal Funding - Parcel is classified as nondevelopment pursuant to provisions of the funding source used to acquire the land. Use with Reason 14 - *MMS ONLY*
40. INACTIVE - Nonleaseable - Ludington State Park - Proposed Wilderness Area - Nonleaseable lands that lie within the boundaries of the Ludington State Park.
41. DELETED
42. INACTIVE - Nonleaseable - Pigeon River Country State Forest – Parcel is classified nonleaseable pursuant to the Consent Judgment.
43. INACTIVE – In lieu of Stip #41.
44. MDOT #1 – Conditions – All other conditions of the Lease notwithstanding, it is expressly understood and agreed that the above-described land is leased solely for communitization purposes and that no drilling or other development work will be conducted on the leased premises without the express written permission of MDOT and Lessor. For use with Highway and Railroad ROW parcels. Use with REASON 14 - *MMS ONLY*
45. INACTIVE MDOT #2 – Discrimination Clause - For use with Highway and Railroad ROW parcels. Use with REASON 14 - *MMS ONLY*
46. MDOT #3 – Insurance Clause. For use with Railroad ROW parcels. Further, Lessee agrees to hold harmless and indemnify the Michigan State Transportation Commission (Commission), and the MDOT, and the Michigan Department of Natural Resources (MDNR), as follows:  
All insurance policies will be endorsed to protect the Commission, the MDOT, and MDNR. Copies of insurance policies will be furnished to the MDOT. All cost of the aforesaid insurance, including liability claims, shall be considered costs of providing service. The Lessee agrees to indemnify the insure the Commission, the MDOT, and MDNR from and against any loss, damage, destruction, injury or death which occurs as a result of the management, control, use or operations of the Lessee, and to indemnify and hold the

## STIPULATIONS

Commission, MDOT, and MDNR harmless from any such loss or liability including all related costs and counsel fees, unless such loss, damage, destruction, injury or death occurs as a result of maintenance or rehabilitation performed after the effective date hereof, which work was neither undertaken by Lessee nor approved on completion by the Lessee. Use with REASON 14 - *MMS ONLY*

47. INACTIVE - Great Lakes Bottomlands – All other provisions of the Lease notwithstanding, it is understood that this Lease is granted solely for communitization purposes, and does not convey to the Lessee the right to drill for oil and/or gas on any of the overflowed or submerged lands described in this Lease. The parties hereto agree that drilling shall be limited to uplands above the high water mark.
48. INACTIVE - Deep Formation – Notwithstanding any other provision of this Lease to the contrary, it is understood and agreed that if at the end of the primary term a well has not been drilled on the herein described lands, or lands pooled therewith, to a depth sufficient to penetrate the top of the Glenwood Member of the Black River Group, this Lease shall terminate. If at the end of the primary term drilling operations as defined herein are being conducted by the Lessee as provided in Paragraph B(4) hereof, and such drilling operations penetrate the top of the Glenwood Member of the Black River Group and result in a well capable of producing oil and gas in paying quantities from any formation, then this Lease shall remain in effect pursuant to the terms of this Lease.
49. Best Management Practices – Best management practices along wetlands, waterways, or steep slopes as per Sustainable Soil and Water Practices on Forest Land IC 4011 (Rev. 02/24/2009 and as amended) and approved in writing by the Local Management Unit Supervisor.
50. INACTIVE – REASON 4, 5, 6 OR 7 - Natural Area Management – Currently managed with Natural Area Management objectives.
51. Subject to Existing Federal Gas Storage Agreement – All other provisions of this lease notwithstanding, this parcel is subject to an existing Federal Underground Gas Storage Agreement. It is understood that this parcel shall not be entered for any purpose whatsoever without first contacting the U.S. Department of the Interior, Bureau of Land Management, Milwaukee Field Office, Milwaukee, Wisconsin (telephone 414-297-4400).  
*MMS ONLY*
52. INACTIVE - U.S. Navy ELF Antenna Line & Easement – No exploration or development activities shall take place within the one hundred (100) foot wide United States Navy Project ELF Antenna Line Easement.
- 53-61 Deleted by the Land Ownership Tracking System (LOTS)
62. Canada Creek Ranch - Subject to terms and conditions of Consent Judgment dated October 10, 1978 and recorded in Judgment Liber 9, Page 341, Montmorency County Records.
63. MDOT Nondiscrimination Clause - The Lessee for itself, its personal representatives, contractors, subcontractors, employees, applicants for employment, successors in interest

## STIPULATIONS

and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land, that (1) No person on the ground of race, color, religion, national origin, age, sex, height, weight, or marital status shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, in the use of said land, and (2) In the event of breach of any of the aforementioned nondiscrimination covenants, the Lessor shall have the right to terminate the Lease and to re-enter and repossess said land and the facilities thereon, if any, and hold the same as if said Lease had never been made or issued. *MMS ONLY*

## Reasons

Reason ID	Code	Reason Name	Reason Description
1	1A	NL - Great Lakes Bottomlands	Nonleaseable Great Lakes Bottomlands
2	1B	NL - Deed or Legal Restrictions	Nonleaseable - Lands with specific deed or other legal restrictions prohibiting leasing or mineral development
3	1C	NL - Special Island	Nonleaseable - Certain islands where mineral production facilities would be undesirable
4	1D	NL - Unique or Sensitive Area	Nonleaseable - Certain unique or sensitive areas (e.g. designated or critical dunes)
5	2A	LND - Public Facilities	Leaseable Nondevelopment - Public parks and recreation areas, campgrounds, fish hatcheries, and research areas; lands dedicated under the wilderness and designated Natural Areas act and similar facilities sites
6	2B	LND - Ecologically Sensitive Areas	Leaseable Nondevelopment - Wetlands, sand dunes, steep slopes, and other natural features and areas that are ecologically sensitive, special or unusual
7	2C	LND - Unique Biotic Communities	Leaseable Nondevelopment - Unique biotic communities as listed or verified by the Natural Heritage Program
8	2D	LND - Critical Habitat	Leaseable Nondevelopment - Critical Habitat for endangered threatened, special-concern or sensitive species that cannot be accommodated by a development lease with special conditions, i.e., Kirtland Warbler habitat
9	2E	LND - Special Recreation or Scenic area	Leaseable Nondevelopment - Special or unusual recreation or scenic areas
10	2F	LND - Islands	Leaseable Nondevelopment - Islands
11	2G	LND - Archaeological or historical features	Leaseable Nondevelopment - Areas with archaeological or historical features
12	2H	LND - Inland Lake or Stream bottomland	Leaseable Nondevelopment - All inland lake or stream bottomlands
13	2I	LND - Various occurrences of 2A-2H	Lands with likely dispersed occurrences of any of the above
14	2J	LND - Deed or Legal Restrictions	Leaseable Nondevelopment - State lands with deed or other legal restrictions that prohibit surface development. This may include Federal restrictions involving Pittman Robertson or Dingell Johnson Funding or other Federal interest property; Management and Budget, Military Affairs or Dept of Transportation lands where the leasing for mineral exploration or development is at the option of the non-DNR Administering Agency

## Reasons

Reason ID	Code	Reason Name	Reason Description
15	2K	LND - Unusual or valuable block of land	Leaseable Nondevelopment - Blocks of land with significant contiguous acreage which are unusual or valuable for one or more of the following characteristics: 1) limited access by vehicles 2) relatively low level of current development (roads, facilities, etc...) 3) important for maintaining the continuity of wildlife travel corridors 4) important to diverse plant and animal communities by limited isolation and fragmentation of forest- wildlife habitats
16	2L	LND - Building/Surfaces uses	Leaseable Nondevelopment - Buildings, surface uses, or developments of a nature or located so as to preclude the location of a compatible drilling site
17	3A	LDR - Existing Underground Gas Storage Lease	Leaseable Development with Restrictions - This parcel is subject to an existing Underground Gas Storage Lease and any Lease issued for other formations should include Stipulation 23 as well as reason GS – INACTIVE, see Stipulation 23
18	CC	Change of Classification	Change of Classification - see amendment in file. Request is typically made by industry to have an existing O/G Nondevelopment Lease modified to allow a parcel(s) to be reclassified as Development or LDR for installation of the well pad. However, DNR may also request the reverse to occur for a parcel, i. e., classification to be changed to Nondevelopment. Either case results in a Lease Amendment being processed if the reclassification is approved – INACTIVE, not applicable to classification of lands
19	2M	LND - Great Lakes Bottomlands	Leaseable Nondevelopment - Great Lakes Bottomlands – INACTIVE
20	2N	LND - Existing Underground Gas Storage Lease	Leaseable Nondevelopment with Restrictions - This parcel is subject to an existing Underground Gas Storage Lease and any Lease issued for other formations should include Stipulation 23 as well as reason GS - INACTIVE