



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING



RODNEY A. STOKES
DIRECTOR

August 15, 2011

TO: Rodney A. Stokes, Director

Information: Natural Resources Commission

Transaction: Proposed October 27, 2011, 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 (NREPA)

Auction Method: Oral Auction

Acres Offered: Approximately 123,000 acres

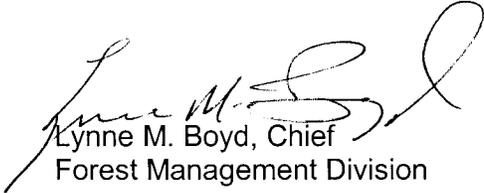
Counties Offered: Alcona, Antrim, Arenac, Cheboygan, Gladwin, Grand Traverse, Jackson, Kalkaska, Lake, Lenawee, Manistee, Midland, Missaukee, Montmorency, Newaygo, Ogemaw, Osceola, Otsego, Sanilac, and Wexford

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

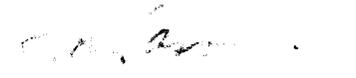
Special Restrictions: Certain parcels proposed to be offered for lease may contain restrictions limiting surface activities where environmental concerns exist. All oil and gas development activities proposed on state-owned surface require separate surface use agreements. Additionally, for any parcels 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, 2012, 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 county newspapers representing the areas where the lands are located. This item will appear on the September 6, 2011 DNR Business Calendar, and is eligible for approval on September 15, 2011.

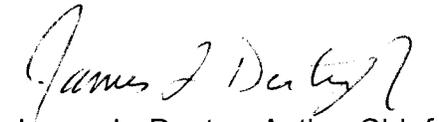
Recommendation: The mineral rights in all the lands being considered to be offered for inclusion in the proposed auction, under the terms and conditions specified.



Lynne M. Boyd, Chief
Forest Management Division



Russ Mason, Ph.D., Chief
Wildlife Division



James L. Dexter, Acting Chief
Fisheries Division



Kelley D. Smith, Ph.D.
Acting Natural Resources Deputy

I approve the staff recommendation.

Rodney A. Stokes
Director

Approval Date