



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF NATURAL RESOURCES  
LANSING



KEITH CREAGH  
DIRECTOR

September 13, 2012

To: Keith Creagh, Director

Information: Natural Resources Commission

Transaction: Proposed October 24, 2012 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 196,000 acres

Counties Offered: Allegan, Arenac, Barry, Bay, Emmet, Grand Traverse, Ionia, Iosco, Kalkaska, Kent, Lake, Manistee, Midland, Montmorency, Oakland, Ogemaw, Oscoda, Ottawa, Presque Isle, Saginaw, Tuscola, and Wexford

Lease Terms: Five-year primary term with two one-year extension options, 1/6 royalty rate, expected minimum bid of \$10.00 per acre 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 24, 2013, 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

September 13, 2012

proposed auction also appeared in the county newspapers representing the areas where the lands are located. This item will appear on the September 4, 2012 DNR Business Calendar, and is eligible for approval on September 13, 2012.

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.



William O'Neill, Chief  
Forest Resources Division



James L. Dexter, Chief  
Fisheries Division



Russ Mason, Ph.D., Chief  
Wildlife Division



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

I approve the staff recommendation.

Keith Creagh  
Director

---

Approval Date