



CITY OF GRAND PRAIRIE COMMUNICATION

MEETING DATE: 12/17/2024

PRESENTER: Julie Doshier, Deputy City Attorney

TITLE: Authorize the City Manager to enter into an Oil and Gas Lease Agreement with TotalEnergies E&P USA Barnett 1, LLC to allow underground drilling on approximately 81.5116 acres of City-owned properties. The Lease will be for a three-year primary term, with a \$500 per mineral acre bonus payment and 25% royalties to the City

REVIEWING COMMITTEE: (Reviewed by the City Council Development Committee on 12/17/2024)

PURPOSE OF REQUEST:

TotalEnergies E&P USA Barnett 1, LLC ("TEP Barnett") has sent the City multiple offer letters pursuant to the Mineral Interest Pooling Act, Chapter 102 of the Texas Natural Resources Code ("MIPA") seeking to lease or purchase the City's mineral interest rights on various parcels of land owned by the City.

MIPA allows mineral right owners like TEP Barnett to apply for pooling of separately-owned properties in the same oil field reservoir. Under MIPA, if the mineral right owner and the owners of the separate properties are unable to reach an agreement, the Texas Railroad Commission has the authority to compel the parties to enter into a lease so that the mineral rights on the properties can be pooled. TEP Barnett has submitted an application to pool the City's subject acreage under MIPA. The offer being made to the City is in lieu of the City being forced into the subject drilling lease pools for potentially less royalties and with less favorable terms for the City.

Through negotiations, TEP Barnett has ultimately offered the City a bonus payment and royalties in exchange for the City leasing its mineral interest rights to TEP Barnett on approximately 81.5116 acres of City-owned property. The lease will not include any surface rights, and TEP Barnett would be drilling into the leased properties from existing drill sites. This lease does not include any City-owned properties located at EPIC.

TEP Barnett has offered the City a lease with a three (3) year primary term. The lease continues beyond the primary term only if drilling operations are commenced during the term and remains in effect after the primary term for as long as there is either production in paying quantities or new operations.

In exchange for giving TEP Barnett the right to expand its underground drilling onto the subject City properties, TEP Barnett has offered the City the following:

- 1) a \$500 per mineral acre bonus payment, estimated at \$40,755.80 (This is a one-time, upfront payment that provides for the lease to remain in effect for the stated primary term regardless of whether drilling activities take place or oil and gas is produced); and
- 2) a 25% royalty from oil and gas production, based on a percentage of the production from the well that is proportionate to the City property's area in the lease pool

Staff has determined that the offer from TEP Barnett is reasonable based on current market conditions and what has been offered to other property owners in the recent past.

ATTACHMENTS / SUPPORTING DOCUMENTS:

1. Legal Description of City-owned Properties Subject to Lease