

FACT SHEET**CITY OF SHREVEPORT, LOUISIANA****TITLE**

A Resolution authorizing a request to be made to the Louisiana Department of Natural Resources, Louisiana State Mineral and Energy Board, to seek public bids for an oil, gas and mineral lease involving the property located in Districts A, F and G and described herein and to execute the lease for certain mineral interests owned by the City of Shreveport; and to authorize the mayor to execute any and all documents related to the intent of this Resolution; and to otherwise provide with respect thereto.

DATE

July 14, 2020

ORIGINATING DEPARTMENT

Office of Engineering
Property Management Section

CITY COUNCIL DISTRICT

A, F & G

SPONSOR**PURPOSE**

To authorize the State Mineral and Energy Board to seek public bids for an oil, gas and mineral lease For City-owned property and to execute a lease for certain mineral interests owned by the City.

BACKGROUND INFORMATION

The Louisiana State Mineral and Energy Board is available, upon the request of the City, to seek public bids for an oil, gas and mineral lease and to execute the lease of the property described herein for oil, gas and other minerals. All rights and authority in connection to any lease *shall be vested in the City* to the same extent as if the City had itself leased the land.

The property is located and identified in Exhibit "A".

TIMETABLE

Introduction: July 14, 2020
Final Passage: July 28, 2020

ATTACHMENTS

Exhibit "A" – Property Description
Exhibit "B" – Proposal Letter

SPECIAL PROCEDURAL REQUIREMENTS

The City should not follow La. R.S. [33:4712](#) for the lease of its minerals; instead it should follow [La. R.S. 30:151](#) et. seq. Pursuant to [La. R.S. 30:153\(A\)](#), the City may direct the State Mineral and Energy Board to lease its land by Resolution.

FINANCES

+ > \$1500.00
Projected Bonus and Annual Delay Rentals
[plus Lease Royalties after production begins.]

SOURCE OF FUNDS

Successful Bidder

ALTERNATIVES

(1) Adopt the Resolution as submitted, or (2) Amend the Resolution, or (3) Reject the Resolution.

RECOMMENDATION

It is recommended the City Council adopt the Resolution.

FACT SHEET PREPARED BY:

Malcolm Stadtlander,
Property Management Administrator

and
Mekisha Smith Creal,
City Attorney

RESOLUTION NO. _____ OF 2020

A RESOLUTION AUTHORIZING A REQUEST TO BE MADE TO THE LOUISIANA DEPARTMENT OF NATURAL RESOURCES, LOUISIANA STATE MINERAL AND ENERGY BOARD, TO SEEK PUBLIC BIDS FOR AN OIL, GAS AND MINERAL LEASE INVOLVING THE PROPERTY LOCATED IN DISTRICTS A, F AND G AND DESCRIBED HEREIN AND TO EXECUTE THE LEASE FOR CERTAIN MINERAL INTERESTS OWNED BY THE CITY OF SHREVEPORT; AND TO AUTHORIZE THE MAYOR TO EXECUTE ANY AND ALL DOCUMENTS RELATED TO THE INTENT OF THIS RESOLUTION; AND TO OTHERWISE PROVIDE WITH RESPECT THERETO.

BY: COUNCILMEMBER

WHEREAS, the City of Shreveport (“City”) may own certain mineral rights underlying the described property in Exhibit “A” (“the property”); and

WHEREAS, every agency [including every municipality] is authorized to lease its land for the development and production of minerals; and

WHEREAS, the City desires to lease its interest in the property for oil, gas and other minerals subject to conditions contained herein; and

WHEREAS, the Louisiana Department of Natural Resources, Louisiana State Mineral and Energy Board, is available upon the request of the City of Shreveport to seek public bids for an oil, gas and mineral lease and to execute the lease of the property described herein in Exhibit “A” for oil, gas and other minerals if requested to do so by the City of Shreveport; and

WHEREAS, this Resolution is authorized pursuant to Louisiana Revised Statutes, Title 30; Subtitle I; Chapter 2; Subpart B. Leases by State Agencies [and Municipalities] (La. R.S. [30:151](#) – [30:159](#)); and

WHEREAS, pursuant to [La. R.S. 30:153\(A\)](#), any agency [Municipality] may, by Resolution, direct the State Mineral and Energy Board to lease the City’s interest in the property for such purposes; and

WHEREAS, pursuant to [La. R.S. 30:153](#)(A), after the execution of the original lease, all rights and authority in connection therewith shall be vested in the agency [Municipality] to the same extent as if the agency [Municipality] had itself leased the land; and

WHEREAS, pursuant to [La. R.S. 30:153](#)(A) the bonus money, if any, received for the lease shall be transmitted by the State Mineral and Energy Board to the agency [Municipality];

WHEREAS, the City of Shreveport has received a written request from Joe K. McGinty, Jr., on behalf of McGinty-Durham, Inc., that the City seek public bids for an oil, gas and mineral lease covering said described property in Exhibit “A”; and

WHEREAS, the City of Shreveport does not, by way of the instant Resolution, guarantee Joe K. McGinty, Jr., on behalf of McGinty-Durham, Inc., or any other bidding entity, the award of successful bid on the described property in Exhibit “A” (“the property”).

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Shreveport, Louisiana, in due, legal, and regular session convened, that:

1. The City of Shreveport declares it may own certain mineral rights underlying the following described property, to-wit:

See Exhibit “A” – Property Description

2. The Louisiana Department of Natural Resources, State Mineral and Energy Board, be and it is hereby requested and authorized to seek public bids for an oil, gas and mineral lease covering the property described herein above.
3. The Louisiana Department of Natural Resources, State Mineral and Energy Board, be and it is hereby requested and authorized to execute a lease covering the property described herein above.
4. The Mayor, Adrian Perkins, and/or his designee, is hereby authorized to execute, for and on behalf of the City of Shreveport, any and all documents related to the execution and intent of this Resolution.
5. **Any such lease shall contain a NO SURFACE OPERATIONS provision to read the same or substantially the same as the following:**

Lessee, its successors or assigns, may produce oil, gas and other minerals from the leased premises by drilling from a surface location on other lands, but notwithstanding any other provision of this lease, Lessee, its successors or assigns, shall not use the surface of the Lessor's property for

drilling or any other operations without prior written permission of Lessor, which permission may be withheld at Lessor's discretion.

6. **Any such lease shall contain a HORIZONTAL PUGH clause to read the same or substantially the same as the following:**

Notwithstanding anything to the contrary herein contained, at the end of the primary term or any extension thereof by operations, if the Commission of Conservation of the State of Louisiana establishes a drilling unit which includes a part of the land herein leased, the production of oil, gas and other minerals from such unit shall maintain this lease in full force and effect only as to such portions of the leased land embraced in said pooled unit; and this lease shall expire as to that part of the land herein leased not included in such unit; and Lessee, its successors and assigns agrees to relinquish by formal instrument any portion of the leased land not included in a unit created by the Commission of Conservation while this lease is in effect.

7. **Any such lease shall contain a VERTICAL PUGH clause to read the same or substantially the same as the following:**

Upon the expiration of the primary term hereof or any extension thereof by operations, this lease shall automatically terminate and be of no further force or effect except as to all that part of the leased premises then included within the geographical boundaries of a producing unit duly established by governmental agency or authority having jurisdiction, from the surface of the earth to a depth of one hundred (100) feet below the deepest depth from which any well commenced during the primary term hereof on the leased premises or on lands pooled therewith is completed and from which there is production in paying quantities, such depth determination to be made on a unit-by-unit basis. In the absence of units so established, this lease shall terminate except as to forty (40) acres around each producing oil well and one hundred sixty (160) acres around each producing or shut-in gas well located on the leased premises, in as near the form of a square as is practicable, from the surface of the earth down to a depth of one hundred (100) feet below the deepest depth from which said well or wells are completed and from which there is production in paying quantities, such depth determination to be made on a well-by-well basis.

8. **Any such lease shall contain a minimum CASH PAYMENT BONUS provision as follows:** Cash Payment Bonus of not less than one thousand five hundred dollars (\$1500.00) per acre.

9. **Any such lease shall contain a minimum ROYALTY provision as follows:** Royalty of not less than twenty percent (20%).
10. **Any such lease shall contain a maximum TERM provision as follows:** Primary term of lease shall not exceed three (3) years.
11. Any such lease shall contain a provision expressly stating that any lease granted by the City of Shreveport and accepted by Lessee shall be **WITHOUT WARRANTY OF TITLE** and **WITHOUT RECOURSE AGAINST THE CITY**, whether expressed or implied, even for the return of any monies paid, and further, that City shall not be required to return any payments received or be otherwise responsible to Lessee therefore.
12. Any error in any legal description contained in this Resolution and/or in Exhibit "A" which may be discovered by the State Mineral and Energy Board, or its staff, during its review of the City's application, which are subsequently corrected by the City of Shreveport, provided such irregularities do not materially change the property being herein authorized for lease, shall not affect any authorization granted or conveyed herein and the State Mineral and Energy Board is hereby authorized to advertise and subsequently lease the said property as correctly described.
13. A certified copy of the executed *Lease Agreement* authorized herein and all Exhibits attached thereto, or an extract thereof, shall be filed and recorded in the conveyance records of Caddo Parish, Louisiana.

BE IT FURTHER RESOLVED that if any provision or item of this Resolution or the application thereof is held invalid, such invalidity shall not affect other, provisions, items or applications of this Resolution which can be given effect without the invalid provisions, items or application, and to this end, the provisions of this Resolution are hereby declared severable.

BE IT FURTHER RESOLVED that all resolutions, ordinances or parts thereof in conflict herewith are hereby repealed.

BE IT FURTHER RESOLVED that this Resolution shall become effective in accordance with the provisions of [Shreveport City Charter Section 4.23](#).

THUS DONE AND RESOLVED by the City Council of the City of Shreveport, Louisiana.

APPROVED AS TO LEGAL FORM:

City Attorney's Office

**CITY OF SHREVEPORT, LOUISIANA NOMINATION 1:
(All lands in Sections 1 & 12-17N-15W)**

A certain Tract of land, excluding the beds and bottoms of all navigable waters, belonging to and not presently under mineral lease from City Of Shreveport on October 14, 2020, being more fully described as follows: All lands in Sections 1 and 12, Township 17 North, Range 15 West, being more fully described as follows:

1a) All dedicated highways, roads, streets, alleys, drainage and rights of way located in Sections 1 and 12, Township 17 North, Range 15West, Caddo Parish, Louisiana, containing 90.96 acres, more or less;

1b) That certain tract of land belonging to the City of Shreveport within Section 1, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171501-002-0002-00 containing 1.75 acres, more or less, acquired by City of Shreveport as recorded in Book 390, Page 817, Instrument No. 71755;

1c) That certain tract of land belonging to the City of Shreveport within Section 1, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171501-000-0035-00 containing 43.124 acres, more or less, acquired by City of Shreveport as recorded in Book 390, Page 817, Instrument No. 71755;

1d) That certain tract of land belonging to the City of Shreveport within Section 12, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171512-000-0143-00 containing 29.264 acres, more or less, acquired by City of Shreveport, Louisiana as recorded inBook 1184, Page 221, Instrument No. 456252 and Book 1211, Page 74, Instrument No. 473863;

1e) All tax adjudicated properties in Sections 1 and 12, Township 17 North, Range 15 West containing 0.8382 acres, more or less; the total acreage for Sections 1 and 12, Township 17 North, Range 15 West containing **165.939 acres**, all as more particularly outlined on a plat on file in the Office of Mineral Resources, Department of Natural Resources. The description is based on information provided by the State Agency regarding location and ownership of surface and mineral rights. All bearings, distances and coordinates, if applicable, are based on Louisiana Coordinate System of 1927, (North or South Zone).

**CITY OF SHREVEPORT, LOUISIANA NOMINATION 2:
(All lands in Sections 13 & 24-17N-15W)**

Those certain tracts of land, excluding the beds and bottoms of all navigable waters, belonging to and not presently under mineral lease from City of Shreveport on February 12, 2020, being more fully described as follows: 1a) All dedicated highways, roads, streets, alleys, drainage and rights of way located in Sections 13 and 24, Township 17 North, Range 15 West, Caddo Parish, Louisiana, containing **68.591225 acres**, more or less; 1b) That certain tract of land belonging to the City of Shreveport within Section 13, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171513-000-0056-00 containing **34.891 acres**,

more or less, acquired by City of Shreveport as recorded in Book 1482, Page 93, Instrument No. 645649; 1c) That certain tract of land belonging to the City of Shreveport within Section 13, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171513-000-0043-00 containing **21.21 acres**, more or less, acquired by City of Shreveport as recorded in Book 1482, Page 89, Instrument No. 645648; 1d) That certain tract of land belonging to the City of Shreveport within Section 13, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171513-018-0017-00 containing **0.920033 acres**, more or less, acquired by City of Shreveport as recorded in Book 1482, Page 89, Instrument No. 645648; 1e) That certain tract of land belonging to the City of Shreveport within Section 13, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171513-018-0019-00 containing **3.628994 acres**, more or less, acquired by City of Shreveport as recorded in Book 1482, Page 89, Instrument No. 645648; 1f) That certain tract of land belonging to the City of Shreveport within Section 13, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171513-018-0020-00 containing **0.072421 acres**, more or less, acquired by City of Shreveport as recorded in Book 1482, Page 89, Instrument No. 645648; 1g) That certain tract of land belonging to the City of Shreveport within Section 13, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171513-012-0030-00 containing **0.091939 acres**, more or less, acquired by City of Shreveport as recorded in Book 2471, Page 736, Instrument No. 1166363; 1h) That certain tract of land belonging to the City of Shreveport within Section 24, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171524-000-0036-00 containing **1.641850 acres**, more or less, acquired by City of Shreveport as recorded in Book 1238, Page 739, Instrument No. 493138 and Book 1314, Page 172, Instrument No. 542878; 1i) All tax adjudicated properties in Sections 13 and 24, Township 17 North, Range 15 West containing **2.13 acres**, more or less; the total acreage for Sections 13 and 24, Township 17 North, Range 15 West containing **133.38 acres**.

**CITY OF SHREVEPORT, LOUISIANA NOMINATION 3:
(All lands in Sections 25 & 36-17N-15W)**

Those certain tracts of land, excluding the beds and bottoms of all navigable waters, belonging to and not presently under mineral lease from City of Shreveport on February 12, 2020, being more fully described as follows: 1a) All dedicated highways, roads, streets, alleys, drainage and rights of way located in Section 25 and 36, Township 17 North, Range 15 West, Caddo Parish, Louisiana, containing **94.9683 acres**, more or less; 1b) That certain tract of land belonging to the City of Shreveport within Section 25, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171525-037-0004-00 containing **1.992 acres**, more or less, acquired by City of Shreveport et al per survey plat of Cottonwood Subdivision, Unit 2, as recorded in Book 3500, Page 236, Instrument No. 1793768; 1c) That certain tract of land belonging to the City of Shreveport within Section 25, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171536-000-0017-00 containing **5.069743 acres**, more or less, acquired by The City of Shreveport as recorded in Book 1275, Page 511, Instrument No. 517936; 1e) That certain tract of land belonging to the City of Shreveport within Section 36, Township 17 North, Range 15 West, Caddo Parish, Louisiana,

with GEO Identification Number 017-171536-000-0017-00 containing **115.700257 acres**, more or less, acquired by The City of Shreveport as recorded in Book 1275, Page 511, Instrument No. 517936; 1f) That certain tract of land belonging to the City of Shreveport within Section 36, Township 17 North, Range 15 West, Caddo Parish, Louisiana, with GEO Identification Number 017-171536-000-0018-00 containing **5.35 acres**, more or less, acquired by The City of Shreveport as recorded in Book 1275, Page 511, Instrument No. 517936; 1f) All tax adjudicated properties in Sections 25 and 36, Township 17 North, Range 15 West containing **0.925 acres**, more or less; the total acreage for Sections 25 and 36, Township 17 North, Range 15 West containing **223.99 acres**.

**CITY OF SHREVEPORT, LOUISIANA NOMINATION 4:
(All lands in Section 13-18N-15W)**

Those certain tracts of land, excluding the beds and bottoms of all navigable waters, belonging to and not presently under mineral lease from City of Shreveport on February 12, 2020, being more fully described as follows: 1a) All dedicated highways, roads, streets, alleys, drainage and rights of way located in Section 13, Township 18 North, Range 15 West, Caddo Parish, Louisiana, containing **19.181 acres**, more or less; 1b) All tax adjudicated properties in Sections 13, Township 18 North, Range 15 West containing **4.50 acres**, more or less; the total acreage for Section 13, Township 18 North, Range 15 West containing **23.68 acres**.

Exhibit B

McGINTY-DURHAM, INC.

Energy Land Services
(318) 445-0054 FAX (318) 445-0804

Post Office Box 7979
Alexandria, Louisiana 71306-0979

1326 Jackson Street
Alexandria, Louisiana 71301

June 15, 2020

The Honorable Adrian Perkins, Mayor
CITY OF SHREVEPORT, LOUISIANA
505 Travis Street, Suite 200
Shreveport, LA 71101

Re: Nomination of City of Shreveport Acreage
For Oil, Gas & Mineral Lease
Townships 17 & 18 North, Range 15 West, Caddo Parish, Louisiana

Dear Mayor Perkins:

McGinty-Durham, Inc. desires to obtain Oil, Gas and Mineral Lease coverage for approximately 538.54 acres located in Sections 1, 12, 13, 24, 25 & 36 of Township 17 North, Range 15 West and Section 13 of Township 18 North, Range 15 West, Caddo Parish, Louisiana. In order to obtain said lease coverage, the City Council of the City of Shreveport needs to enact a Resolution authorizing the State Mineral Board of the State of Louisiana to advertise and receive sealed bids in an upcoming State Lease Sale. Please note that the acreage to be nominated is virtually the same as that which was previously approved by the City and which appeared in the March 11, 2020 State Lease Sale. The only difference is that for some reason, the previous Resolution enacted November 22, 2019 failed to include our nomination No. 4 covering 23.68 acres. We now request that, should the City Council again agree to approve these nominations, that the Resolution will correctly include and approve all four (4) nominations.

The schedule of upcoming State Lease Sales indicates that the approving resolution must be received by the State Mineral Board prior to a **July 27, 2020 deadline** in order to make the October 14, 2020 State Lease Sale; therefore, we respectfully request that this issue be included on the agenda for the next possible meeting of the City Council. The resolution should authorize the State Mineral Board to act on behalf of the City of Shreveport and should be delivered to the Office of Mineral Resources; Petroleum Lands Division; P.O. Box 2827, Baton Rouge, LA 70821-2827. Since additional plats, descriptions and checks must accompany the Resolution, we would suggest that we pick up said Resolution once it has been prepared, provide the checks and additional information requested, then complete the process. According to the rules promulgated

by the State Mineral Board, this acreage within multiple sections has been compiled into four (4) separate nominations. Included herewith is a map of each of the four (4) proposed nominations and the descriptions of the City-owned acreage within each nomination. These nominations include both fee lands owned by the City along with roadbed minerals acquired by the City through various statutory dedications. Also included for your convenience is a copy of the previous Resolution issued by the City and approved on November 22, 2019. Once again, please note that the November, 2019 Resolution failed to include our Nomination No. 4.

Finally, I feel it is advisable to point out that no bids were received for this acreage in the March 11, 2020 Lease Sale. It is my understanding that the only reason no bids were submitted by my client is because of the minimums that were included in these nominations (which per the Resolution were \$1,250 per acre bonus and 25% royalty.) Because of the state of the oil and gas industry at this time (which is considerably worse than when the March, 2020 State Lease Sale occurred), the insistence of these minimums by the City Council might possibly meet with the same circumstance. We would then encourage the Council to either require no minimums whatsoever in the Resolution or to at least reduce the royalty minimum to 20%.

Should you have any questions or comments whatsoever, please do not hesitate to contact me at the above address/telephone number. We thank you very much for your cooperation and assistance in this matter.

Very truly yours,

Joe K. McGinty, Jr.

Joe K. McGinty, Jr.

/jkm

Encl: