

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: April 14, 2015		DATE SUBMITTED: March 26, 2015	
DEPARTMENT OF ORIGIN: Economic Development		SUBMITTED BY: Frank Clark	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:	STRATEGIC INITIATIVE:
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> STATUTORY		<input checked="" type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input type="checkbox"/> INFRASTRUCTURE
			<input type="checkbox"/> QUALITY OF LIFE
AGENDA ITEM DESCRIPTION: Authorize the Mayor to sign a consent to assign an interest in the leasehold document with Anadarko E&P Onshore LLC (Anadarko) concerning an Oil and Gas Lease dated July 31, 1990, between the City of Bryan, Lessor, to Coastal Management Corp., Lessee, Memorandum Recorded V. 1206, P. 719; 1,279.293 Acres of Land, Brazos County, Texas.			
SUMMARY STATEMENT: The City has received notice that Anadarko recently reached an agreement with Admiral A Holding L.P., TE Admiral A Holding L.P., and Aurora C-I Holding L.P. to assign to them a forty percent (40%) working interest in these leases. Anadarko will retain a sixty percent (60%) interest in said leasehold. Anadarko will continue to be the responsible party for all royalty payments to the City of Bryan.			
<p>On July 31, 1990, the City of Bryan (City) entered into a leasehold agreement with Coastal Management Corporation. On February 9, 1993, the Mayor of the City of Bryan executed the transfer of the lease to Union Pacific Resources Company (UPRC), Torch Energy Associates, and Nuevo Energy Company. Anadarko acquired all the rights of UPRC through a merger in the early 2000's. Three (3) surface wells have been drilled on the leased property since leasing in 1990 and the following amounts are the revenues received from Anadarko in the last three (3) years:</p>			
Well Name:	FY13	FY14	FY15 YTD
Bryan Cooling Lake Unit	\$149,284	\$165,151	\$55,201
Fazzino-Lake Unit	\$75,969	\$61,6656	\$ 19,288
McLaughlin-Lake Unit	\$61,448	\$55,695	\$3,062
STAFF ANALYSIS AND RECOMMENDATION: Credibility reports were run thru Dunn and Bradstreet Credibility Corporation (D&B) on the three (3) holding companies that are to be the limited partnerships receiving 40% of the working interest. D&B had limited data and insufficient information to determine credibility of the three (3) entities wholly owned by KKR Energy Income and Growth Fund I L.P. (EIGF): Admiral A Holding L.P., TE Admiral A Holding L.P., and Aurora C-I Holding L.P. Kohlberg Kravis Roberts & Co. L.P. (KKR) is a global investment firm that represents \$2.0 billion in the development of North American oil and gas resources that operates out of Houston and New York.			
Anadarko will continue to be the responsible party for all royalty payments to the City of Bryan and assignment of 40% of the oil and gas mineral rights will not affect royalty payments being made to the City of Bryan. Staff recommends authorizing the Mayor to sign the consent letter.			
Denying the assignment could affect future drilling for oil and gas in the Eaglebine formation and thus affect future			

royalty payments to the City of Bryan.
OPTIONS (In Suggested Order of Staff Preference):
<ol style="list-style-type: none"> 1. Approve the re-assignment authorization, 2. Deny the re-assignment and provide direction to staff.
ATTACHMENTS: (attachments in one separate pdf file)
<ol style="list-style-type: none"> 1. Anadarko letter for Mayor's approval for signature 2. Maps showing location of the 1,279 acres and wells 3. Memorandum and Amendment of Oil and Gas Lease Dated July 31, 1990 4. KKR ownership confirmation letter
FUNDING SOURCE: na (the lease is a potential revenue source)
APPROVALS: Hugh R. Walker, 04/06/2015
APPROVED FOR SUBMITTAL: CITY MANAGER Kean Register, 04-06-2015
APPROVED FOR SUBMITTAL: CITY ATTORNEY Janis K. Hampton, 04-06-2015

Revised 04/2013