



Agenda Commentary

Item Title/ Subject: Ward Petroleum Corporation Bid offer for Oil and Gas

Staff Source: City Clerk Lisa Anders

History/Background Information: In April 2005 Ward Petroleum Corporation leased this property for three years. At the end of that term, the Airport Authority advertised for bids for another three year lease. No bids were received. In August of 2011, the Airport Authority advertised for bids once again and received on bids.

Item/Subject Summary: Grady Stimmel of Reagan Resources has contacted the Airport Authority with an offer to lease this property for a three year term with a two year option to extend.

Price/Cost: None

Recommendation: Given there has been no interest in this property with the last two bid offerings, staff recommends accepting the offer from Reagan Resources.

Lisa Anders

From: Steve Hewitt
Sent: Thursday, July 12, 2012 11:51 AM
To: Lisa Anders; Ryan Meacham
Subject: Fw: Oil and Gas Lease Offer - City of Clinton

From: Grady Stimmel [mailto:gradystimmel@hotmail.com]
Sent: Thursday, July 12, 2012 11:27 AM
To: Steve Hewitt
Subject: RE: Oil and Gas Lease Offer - City of Clinton

Hello Steve,

I hope all is well.

Below is a depth clause that we will add as an addendum to the City's lease as requested by Mr. Rodolph;

Depth Clause: Notwithstanding anything herein to the contrary, this lease shall terminate at the end of the primary term insofar as to all rights deeper than 100 feet below the stratigraphic equivalent of the base of the deepest formation penetrated by any well or wells drilled on the lands covered hereby or on lands with which said lands or portion thereof have been pooled or unitized; provided if the Lessee, its successors or assigns, at the expiration of the primary term, shall be engaged in operations for drilling, deepening, sidetracking, building location, or reworking a well or wells on the leased premises or on land with which said land or a portion thereof has been pooled or unitized, then this lease shall continue in effect as to all formations until such operations have been completed and total depth has been established.

I'm waiting to hear from my Lease Manager regarding another tract the city owns in 7-12N-16W. Mr. Rodolph brought the tract to my attention, and I'm waiting to hear if Ward Petroleum would be interested in leasing in that section - I'll keep you posted.

If there is anything else you need from me prior to your meeting on Tuesday, just say the word.

Best Regards,

Grady

Grady Stimmel
Reagan Resources, Inc.
2601 NW Expressway, Suite 801-W
Oklahoma City, OK 73112
Cell Phone: (479) 685-0358
gradystimmel@hotmail.com

From: steve.hewitt@clintonokla.org
To: gradystimmel@hotmail.com

Lisa Anders

From: Steve Hewitt
Sent: Monday, July 09, 2012 10:25 AM
To: Lisa Anders
Subject: FW: Oil and Gas Lease Offer - City of Clinton

Please look at this and get with me...

Steve A. Hewitt CPM

City Manager
City of Clinton, Oklahoma
580-323-0261 Ph

“Unless someone like YOU cares a whole awful lot, nothing is going to get better. It’s NOT!”

Dr. Seuss

From: Grady Stimmel [<mailto:gradystimmel@hotmail.com>]
Sent: Thursday, July 05, 2012 11:44 AM
To: Steve Hewitt
Subject: Oil and Gas Lease Offer - City of Clinton

Hello Mr. Hewitt,

Ward Petroleum Corporation, a reputable and proven Oklahoma operator since 1964, is interested in leasing the following mineral interest from The City of Clinton, Oklahoma;

Lot #6 (33.91 acres) and Lot #7 (34.09 acres) and the East ½ of Southwest ¼ (a/d/a the Southwest ¼) and the West 1,540 feet of the Southeast ¼ of Section 6, Township 12 North, Range 16 West

As I mentioned over the phone, this tract is 241.330000 acres and was previously leased to Ward Petroleum by The City of Clinton back in 2005 (O&G Book 1274 Page 489 of Oklahoma Public Land Records). Ward Petroleum is prepared to lease this interest from the City at the following terms;

\$700.00 per net mineral acre bonus consideration, for a three (3) year term Oil and Gas Lease, with a two (2) year option to extend and providing for a 3/16th royalty.

If you have any questions, I'm always available via the contact information below. This offer is valid until July 25th, 2012 and is subject to withdrawal without notice.

Best Regards,

Grady

RETURN TO: Reagan Resources, Inc.
2601 NW Expressway Suite 801-W
Oklahoma City, OK 73112

OIL AND GAS LEASE
(PAID UP)

AGREEMENT, Made and entered into this «Day» day of «Month», by and between «Lessor» «Company» of «Address_Line_2», «City», «State» «Zip», party of the first part, hereinafter called lessor (whether one or more), and «Lessee», of «Lessee_addr», party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of Ten and other DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of «FMCounty», State of «St», described as follows, to wit:

«Description»

of Section «Sec», Township «Twn», Range «Rng», and containing «FormattedGrossAc» acres, more or less.

It is the intent to lease all of Lessor's interest in Section «Sec», Township «Twn», Range «Rng».

It is agreed that this lease shall remain in force for a term of «Term» from date (herein call primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor free of cost, in the pipe line to which it may connect its wells, the «royalty» part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises, or used in the manufacture of products therefrom, «royalty» of the gross proceeds received for the gas sold, used off the premises or in the manufacture of products therefrom, but in no event more than «royalty» of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and hereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, «royalty» of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly.

If the lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

Lessee is hereby granted the right at any time and from time to time to utilize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

This lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to lessor, or by placing a release of record in the proper County.

Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing by certified mail of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of 15 days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or a part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

«Requirements»

IN TESTIMONY WHEREOF, we sign this the _____ day of _____ 2012.

«Company»

«Signatory1Text»

«Signatory2Text»

STATE OF «Note_St» (Individual Acknowledgment)
COUNTY OF «Note_Co»

Before me, the undersigned, a Notary Public, in and for said County and State, on this the _____ day of _____ personally appeared «OwnerNotaryText», to me known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that «he» executed the same as «his» free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I hereunto set my official signature and affixed my notarial seal the day and year last above written.

Notary Public

My commission expires: _____

My commission #: _____

Form 88-(Prod. Pooling) (Oklahoma) (840) (Net-Is)
(Paid-Up) (Revised 1998) Form 288-10NG