

RESOLUTION NO. 2007-124

AUTHORIZING THE GENERAL MANAGER/SECRETARY-TREASURER TO ENTER INTO NON-DRILLING OIL AND GAS LEASE AGREEMENT WITH RESERVE ENERGY EXPLORATION USING THE WOODHILL GARAGE PROPERTY FOR A PRIMARY TERM OF THREE (3) YEARS

WHEREAS, the Greater Cleveland Regional Transit Authority owns the property at 2500 Woodhill Road in Cleveland, Ohio as designated by Cuyahoga County Auditor's Number 126-12-005 containing 17.95 acres; and

WHEREAS, the Greater Cleveland Regional Transit Authority wishes to maximize the revenue from its real property assets; and

WHEREAS, the adjacent property owner of parcel 126-12-003, the Kingdom of Life Assembly has entered into a Surface Drilling Lease with Reserve Energy Exploration; and

WHEREAS, the adjacent property owner of parcel 126-12-004, Cathedral of Praise, has executed a Non-Surface Drilling Lease Agreement with Reserve Energy Exploration; and

WHEREAS, the State of Ohio requires a drilling site to be 20 acres in area and to be at least 300 feet from a non-drilling neighbor; and

WHEREAS, the GCRTA will receive 62.5% of the royalties generated by this well because it is supplying 62.5% of the land; and

WHEREAS, the Reserve Energy Exploration has been in business many decades and holds many such leases within the City of Cleveland and municipal jurisdictions in Cuyahoga County; and

WHEREAS, the offer from Reserve Energy Exploration, 17033 Munn Road, Chagrin Falls, OH 44023 to enter into a Non-Drilling Lease Agreement using the Woodhill property is in the Authority's best interest and is recommended to the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1: That the offer submitted by Reserve Energy Exploration is accepted and increases the revenue-generating potential for the Authority. This lease is contingent upon FTA approval.

Section 2: That the General Manager/Secretary-Treasurer is hereby authorized to enter into the Non-Drilling Surface Lease Agreement for a primary term of three (3) years and to be in effect as long as the well is generating gas and royalties.

Section 3: That GCRTA will receive 62.5% of the royalties generated by the well in accordance to the percentage of property being used to compose the drilling site by the laws of the State of Ohio.

Section 4: That no drilling will occur on RTA property. The well will be on the Kingdom of Life parcel, 126-12-003. The location of the well is identified on the attached map.

Section 5: That the General Manager/Secretary-Treasurer be, and is hereby authorized to enter into the Non-Surface Drilling Lease Agreement with Reserve Energy Exploration for use of the Greater Cleveland Regional Transit Authority property identified above in substantially the form of Attachment A hereto.

Section 6: That this resolution shall become effective immediately upon its adoption.

Attachments: Attachment A: The Lease Agreement
Attachment B: Map
Attachment C: Well Royalties List

Tabled: August 21, 2007

President

Attest: _____
CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: AUTHORIZING THE GENERAL MANAGER/SECRETARY-TREASURER TO ENTER INTO NON-DRILLING OIL AND GAS LEASE AGREEMENT WITH RESERVE ENERGY EXPLORATION USING THE WOODHILL GARAGE PROPERTY FOR A PRIMARY TERM OF THREE (3) YEARS	Resolution No.: 2007-124
	Date: August 16, 2007
	Initiator: Programming & Planning
ACTION REQUEST: <input type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: The entering into a Non-Surface Drilling Lease Agreement with Reserve Energy Exploration GCRTA will capture 62.5 % of the royalties of the drilling activity without taking on the risk of allowing any drilling on its property or within 300 ft of its property. It meets the Board of Trustees Strategic Initiative to increase revenues from its assets.
- 2.0 DESCRIPTION/JUSTIFICATION: Reserve Energy Exploration has entered into a Surface Drilling Agreement and a Non-Surface Drilling Agreement with the adjacent Property owners to the GCRTA Woodhill Facility. Ohio Revised Code requires that each drilling site be composed of 20 acres. By executing this agreement GCRTA contributes 17.95 acres or 62.5% of the total area and the same proportion of the royalties. The well will be located on parcel 126-12-003 adjacent to GCRTA's parcel 126-12-005. The primary term of the Agreement is for three (3) years however; it is in effect as long as the well is producing.
- 3.0 PROCUREMENT BACKGROUND: Under ORC 306.42, leases are exempt from Procurement regulations
- 4.0 DBE/AFFIRMATIVE ACTION BACKGROUND: Does Not Apply
- 5.0 POLICY IMPACT: This is in compliance with the Board of Trustees' Real Estate Policy passed on May 21, 2002 under Resolution No. 2002-098. Board action is required because the term of the licenses of GCRTA's Real property are for more than one year.
- 6.0 ECONOMIC IMPACT: There is no way to estimate the potential for royalties of this well before drilling. Wells in the area have produced royalties ranging from \$5,000-\$16,000 per year. The attached list identifies the location of nearby wells and their royalties. Any funds collected from these agreements will be deposited into the GCRTA General Fund.
- 7.0 ALTERNATIVES: Do not approve the Non-Surface Drilling Lease Agreement thereby creating the no additional revenue stream neither GCRTA nor any of the adjacent property owners.

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8.0 RECOMMENDATION: This item was recommended for approval to the Board of Trustees as a manner to increase revenues to the Greater Cleveland Regional Transit Authority.

9.0 ATTACHMENTS: None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.



CEO/General Manager/Secretary-Treasurer