

Date: November 14, 2011

Division: Finance

Subject: Call for Proposals to Lease Mineral Rights at Harmon and Killough Campuses

Background Information:

- In 2007 LISD leased its minerals for three years. The lease expired before any wells could be drilled. Due to the strong feelings in the community associated with gas drilling in a heavily populated area the district has declined several opportunities to renew its mineral leases.
- Two energy companies, Titan and Williams, both are seeking to drill gas wells near LISD property. Both companies have filed Rule 37 requests for exceptions to the state law that would restrict the distance the wells could come to LISD property. This exception, if granted, would allow the gas to be extracted very close to the LISD property line.
- To date, LISD has filed protests against the Rule 37 requests of the two companies. Hearings may be scheduled later in December.
- Staff is requesting permission to advertise for proposals for mineral leases for the Harmon and Killough campuses only.

Administrative Consideration:

- Absent a significant legal fight, there is little LISD can do to prevent the proposed gas wells from being drilled by the respective gas companies. And, if the Rule 37 exception were to be granted by the Railroad Commission, the companies would drill right to the district property line (although the actual pipe would be some 8000 feet below ground) and very likely impact some of the minerals owned by LISD.
- Staff is requesting the opportunity to seek proposals for the minerals for these two campuses as a method to determine both the value of the asset as well as an opportunity to negotiate some safeguards to the students on those campuses through the lease contract. Those restrictions could include: restricting the distance from LISD property in which a well could be drilled (the wells being planned are in the City of Lewisville; the cities in the area govern the well location by ordinance but LISD could, by agreement, extend those distances) and testing regularly for air quality in the schools.
- Proposals would be solicited for these two campuses only. If approved the district would advertise for three weeks and open the proposals on Wednesday, December 7, 2011. The results would be considered at the December 12th Board meeting.

Recommendation:

- That staff be authorized to solicit proposals for mineral leases for the Harmon and Killough campuses only.

Timeline/Report:

- Results of the solicitation will be presented at the December Board meeting.

14

Subject:

Call for Pro

Backgro

ound Inform

• In

n 2007 LISD dr

rilled. Due t p

opulated are

• Two T

energy c pr

roperty. Bo re

estric the di al

llow the gas

• To T

date, LISD may m

be sched

• S

taff is reque Killough K

cam

Adminis

strative Con

• Absent A

a sign fr

rom being dr gr

ranted by th li

ine (although so

ome of the m

• S

staff is requested a
method to develop a
safeguards to con-
sider include wells w
being proposed by
city ordinance qu
ality in the

- **P**

proposals would ad-
vertise for that would w
be con-

Recommendation:

- That T
staff be ca-
mpuses only

Timeline

Findings/Report:

- Results R
of the
4, 2011

proposals to Le

mation: D leased its m to the strong ea the distric companies, T th companie stance the w to be
extrac D has filed p dued later in sting permis mpuses only.

nsideration: nificant legal rilled by the e Railroad C h the actual p minerals own sting the opp
determine bo the students e: restricting

lanned are in but LISD co schools. ould be solici three weeks nsidered at th
authorized t ly.
e solicitation

Division

Harmon and

The lease e nity associat pportunities h are seeking quests for ex D property. SD property 37 requests

oposals for m

D can do to es. And, if t nies would d 00 feet below

sals for the m t as well as a ough the lea D property in

; the cities in end those dis

uses only. If

on Wednesd meeting.

mineral lease

e December

n: Finance

ease Mineral

l Rights at H

Killough Ca

ampuses

minerals for

three years.

expired befor

re any wells g feelings in

the commun

ted with gas

drilling in a t has decline

ed several op

to renew its

mineral lea Titan and W

illiams, both

g to drill gas

s wells near L es have filed

Rule 37 req
xceptions to t

the state law wells could co

ome to LISD
This excepti

ion, if grante cted very clo

ose to the LIS

y line. protests again

nst the Rule
of the two c

companies. H n December. ssion to adve

ertise for pro
mineral lease
es for the Ha
l fight, there
is little LISD
prevent the

proposed ga respective g

gas compani
the Rule 37

exception w Commission,

, the compan
drill right to t

the district p pipe would b

be some 800
w ground) an

nd very likely ned by LISD

D. opportunity to
seek proposals
for minerals for the

value of the asset
and an opportunity

to negotiate through
these contracts.

from LISD
which are we

in Lewisville;
in the area going

to the extent, exten-
sions) and
testing regu-
lated for these
two campuses
if approved then

the proposals
day, December

on 12th Board
to solicit propo-
sals for minerals

these two campuses and the value

to negotiate on those campuses

Those restrictions the distance

could be done in the City of

over the weekend, by agreement

the district would and open the

on 7, 2011. the December

s for the Har
rmon and Ki
n will be pres
sented at the
Board meeti
ing.

s could be a heavily
ses. LISD w that would ed, would
Hearings
armon and

as wells were to be property

y impact
ampuses as ate some ictions drilled (the ell location ularly for air
ould

The results
illough

ab

Lewiavill:

School Diatri LI S D Indcpcmicnl

School Diatrici.

COMMITTED TO EXCELLENCE