



MEMORANDUM

To: **Mayor and City Council**

Through: Douglas G. Faseler, City Manager

From: Andy Quittner, City Attorney *AQ*

Date: February 9, 2016

Re: Resolution approving Oil, Gas and Mineral Lease

Last year Cobra Exploration performed seismic tests over and around the City's old municipal landfill located off Highway 123 just south of the intersection of Highway 123 Business and Highway 123 Bypass. The seismic investigation must have yielded information that Cobra found useful as shortly thereafter they began arranging leases in the general area.

The Cobra representatives have indicated that they believe a shallow pool lies under and near the City's property and that they are ready to drill a shallow well (relatively speaking) to produce oil in the area. Cobra would like to lease the City's land to add to their pooled resources in that area. The City would receive a signing bonus of \$150 per net mineral acre (approximately \$7,500) plus a royalty interest of 1/5 of the oil produced from the land. It is a standard 3 year lease (with renewal options).