



Travis County Commissioners Court Agenda Request

Meeting Date: August 13, 2013

Prepared By/Phone Number: Juanita Jackson 854-4467

Elected/Appointed Official/Dept. Head: Sherri E. Fleming,
County Executive for Health and Human Services and Veterans Service

Commissioners Court Sponsor: Judge Samuel T. Biscoe

AGENDA LANGUAGE:

Consider and Take Appropriate Action Regarding the Travis County School Lands located in Throckmorton County, Including:

- A. Whether to distribute the money in the Travis County Permanent School Fund in a lump sum to school districts in Travis County;
- B. Whether to negotiate a renewal of the current grazing lease with Spade Ranches, Inc. or issue a public solicitation for offers to lease the land;
- C. Approval of a permit to perform seismic exploration for oil and gas on the land; and
- D. Other related matters.

(This Agenda Item may be taken into Executive Session).

SUMMARY OF REQUEST AND ATTACHMENTS:

At the Court's May 7, 2013, meeting, staff made a presentation to the Commissioners Court regarding the land in Throckmorton County that Travis County holds in trust for Travis County public schools. The Court directed the County Auditor to correspond with the school districts in Travis County to determine which of them would prefer to receive a lump sum distribution of the money in the Travis County Permanent School Fund (PSF), rather than continuing to receive only periodic distributions of the interest earned on that money.

The Court also discussed how to handle current and future leases and lease renewals for the land.

Staff now seeks Court direction on (1) whether to make a lump sum distribution of the PSF, and (2) what process to use for either renewing the current grazing and hunting lease on the land or the granting of a new lease.

BACKGROUND:

Distribution of PSF:

Travis County owns 18,820 acres of land in Throckmorton County. Under the Texas Constitution, this land is held in trust for the benefit of public schools in Travis County. Revenue from the land is deposited in the Travis County Permanent School Fund (PSF). The PSF is a permanent endowment. Interest earned on it is deposited in the Travis County Available School Fund (ASF), which is then periodically distributed to Travis County's independent school districts (ISDs). However, it is also possible for Travis County to make a lump sum distribution of the endowment itself to the ISDs. At the May 7, 2013, Commissioners Court meeting, the Court directed the County Auditor to correspond with the ISDs to determine which of them would prefer to receive a large lump sum distribution of the endowment rather than continuing to receive only small periodic payments of the interest earned on the endowment. The ISDs' responses are outlined in Attachment A. If the Court approves a lump sum distribution, the letter in Attachment B will be sent to the ISDs.

Leases:

Between 1883 and 1983, grazing and hunting leases on the land were awarded by a competitive bidding process. In recent years, the leases were 10 years in duration. In 1983, Spade Ranches, Inc. was awarded the bid. In 1993, an independent monitor suggested that the lease be renegotiated rather than awarded through a new bidding process. In 2003, the current lease was negotiated with Spade Ranches for grazing and hunting. It expires on December 31, 2013. Spade Ranches recently offered to increase the rent in exchange for another 10 year renewal. (See Attachment C.) Staff seeks direction from the Court on whether or not to negotiate a renewal solely with Spade Ranches or to return to a competitive bidding process. If the Court chooses the latter, the Court should direct the Purchasing Department to issue a public solicitation for offers to lease the land.

The land is also subject to four oil and gas leases and a saltwater disposal lease. Travis County has received a request for permission to perform seismic exploration to determine if there are additional oil and gas deposits in commercially viable quantities on the land. (See Attachment E.) Staff has negotiated a seismic permit and recommends the Court approve it. (See

Attachment F.) If oil and gas in paying quantities is discovered, the Court will need to decide whether to negotiate an oil and gas lease with a particular producer or issue a public solicitation for offers to lease the land to determine if a higher royalty and other payments can be obtained.

STAFF RECOMMENDATIONS:

- A. Staff recommends the lump sum distribution of current revenue, per previous Court discussion, and in accordance with the guidelines set forth for consideration by the Travis County Auditor and the Travis County Attorney's Office.
- B. Staff recommends that the Court direct the Purchasing Office to conduct a formal solicitation to award the grazing and hunting lease.
- C. Staff recommends approval of the request for a seismic permit.

FISCAL IMPACT AND SOURCE OF FUNDING:

Under the current lease agreement, Travis County receives an estimated \$131,740 per year for the grazing lease and fifty (50) percent of the income from the hunting and recreation. This income primarily funds an active range conservation program, which includes brush control, fencing and water development.

REQUIRED AUTHORIZATIONS:

- Leslie Browder, Planning and Budget Office
- Chris Gilmore, Assistant County Attorney
- Tom Nuckols, Assistant County Attorney
- Cyd Grimes, Travis County Purchasing Agent
- Nicki Riley Travis County Auditor
- Sherri Fleming, County Executive – HHS/VS
- Dolores Sandman, Travis County Extension Director

**RESPONSES FROM ISDs REGARDING DISTRIBUTION FROM
TRAVIS COUNTY PERMANENT SCHOOL FUND**

Independent School District	Amount	Yes	No	Comment
Austin Independent School District	\$1,747,497.75	X		
Del Valle Independent School District	\$224,205.49	X		DVISD good with either decision
Dripping Springs Independent School District	\$1,003.11		X	No explanation provided
Eanes Independent School District	\$166,277.57	X		
Elgin Independent School District	\$20,441.09	X		
Hays Consolidated Independent School District	\$534.99		X	Small amount prohibitive to using for permanent improvements or reducing bonded indebtedness
Johnson City Independent School District	\$22.29		X	Insignificant impact to Johnson City ISD - saw no need for change in the current practice
Lago Vista Independent School District	\$25,856.37	X		
Lake Travis Independent School District	\$155,064.24	X		
Leander Independent School District	\$220,059.32	X		
Manor Independent School District	\$166,663.75	X		
Marble Falls Independent School District	\$1,069.98		X	Small amount prohibitive to using for permanent improvements or reducing bonded indebtedness
Pflugerville Independent School District	\$495,492.88	X		
Round Rock Independent School District	\$175,811.17	X		

August 15, 2013

Superintendent
Independent School District
Address
, Texas

Dear ,

The Travis County Commissioners Court has approved a distribution from the Travis County Permanent School Fund (TCPSF) to all school districts in Travis County. As of today, your district's pro rata share of the approved distribution would be \$ _____.

As trustees of the TCPSF, the Court has a duty to ascertain when and how your district will use the money prior to distribution. *See Op. Tex. Atty. Gen. No. JM-355 (1985)*. Under Article VII, Section 6b of the Texas Constitution, your district may use the money it receives to reduce bonded indebtedness or to make public improvements only.

Travis County will distribute the pro rata share to your district upon receipt of a resolution approved by your district's Board of Trustees describing the public improvements or bonded indebtedness to which the money will be applied and stating the date by which the district will disburse the money for that purpose. You can send this resolution to us by U.S. mail to Travis County Auditor's Office, P.O. Box 1748, Austin, Texas 78767, by fax at (512) 854-9164, or by e-mail to nicki.riley@co.travis.tx.us.

The Court recognizes that some districts may not want to receive a distribution at this time. The allocation for those districts will be retained by Travis County in a special account until your Board of Trustees adopts and submits to Travis County a resolution stating when and how it will be used.

Thank you for your assistance in this matter.

Sincerely,

Nicki Riley, CPA
Travis County Auditor

Wesley Welch
4412 74th Street
Suite A-101
Lubbock, TX 79424



Phone: 806-687-6005
Fax: 806-687-5818
Cell: 806-790-8237
E-mail:
wesleyspaderanch@yahoo.com

March 5, 2013

Mr. Christopher Gilmore
Assistant County Attorney
PO Box 1748
Austin, TX 78767

Mr. Gilmore,

As you are aware the current lease between Spade Ranches Ltd as Lessee and Travis County as Lessor will terminate on December 31, 2013. It is the desire of Spade Ranches Ltd to continue leasing the ranch for both grazing and hunting rights for another 10 year term. It would be beneficial for Spade Ranches to begin a dialog sooner rather than later as we are running an ongoing operation on the ranch that requires long-term planning.

As such, I would like to make the following offer to continue leasing the ranch. The current lease structure and lease documents (Hunting Fishing and Camping Lease, Lease for Grazing Purposes, Exhibit A, and Exhibit B) are all satisfactory. I would, however, like to offer an increase in compensation from the current \$7.00/acre (\$131,740/year). The 1993-2003 lease was for \$5.00/acre. Going from \$5 to \$7 (during the 2003-2013 lease term) was a lease rate increase of 40%. I would think a similar increase is in order.

Spade Ranches considers it a privilege to lease and work this ranch over the years, and wish to continue this relationship for years to come.

Respectfully,

Wesley Welch
President/CEO Spade Ranches, Ltd.

cc: The Honorable Samuel T. Biscoe
Ms. Dolores Sandmann

LAW OFFICE OF
Wesley J. Cooper

500 Main Street, Suite 300
Fort Worth, TX 76102
(817) 916-8131 (p)
(817) 840-5516 (f)
wes@wesleyjcooperlaw.com

March 22, 2013

Wilton Cantrell
VIA FACSIMILE: (940) 849-3220

Re: Travis County School Land; Throckmorton County, Texas

Mr. Cantrell:

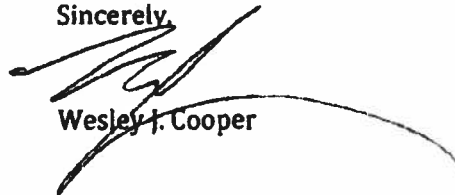
Please find attached two maps showing the area which Cooper Oil & Gas, LLC wishes to seismograph. As discussed, Cooper is agreeable to paying \$25.00 per acre for the option to conduct seismic on block 53, as denoted on the maps.

Should the results of the seismic reflect the possibility of a successful well being drilled, Cooper will offer to lease a minimum of forty (40) acres of block 53. The lease offer shall be for a term of three years, and a bonus of \$250.00 per net mineral acre.

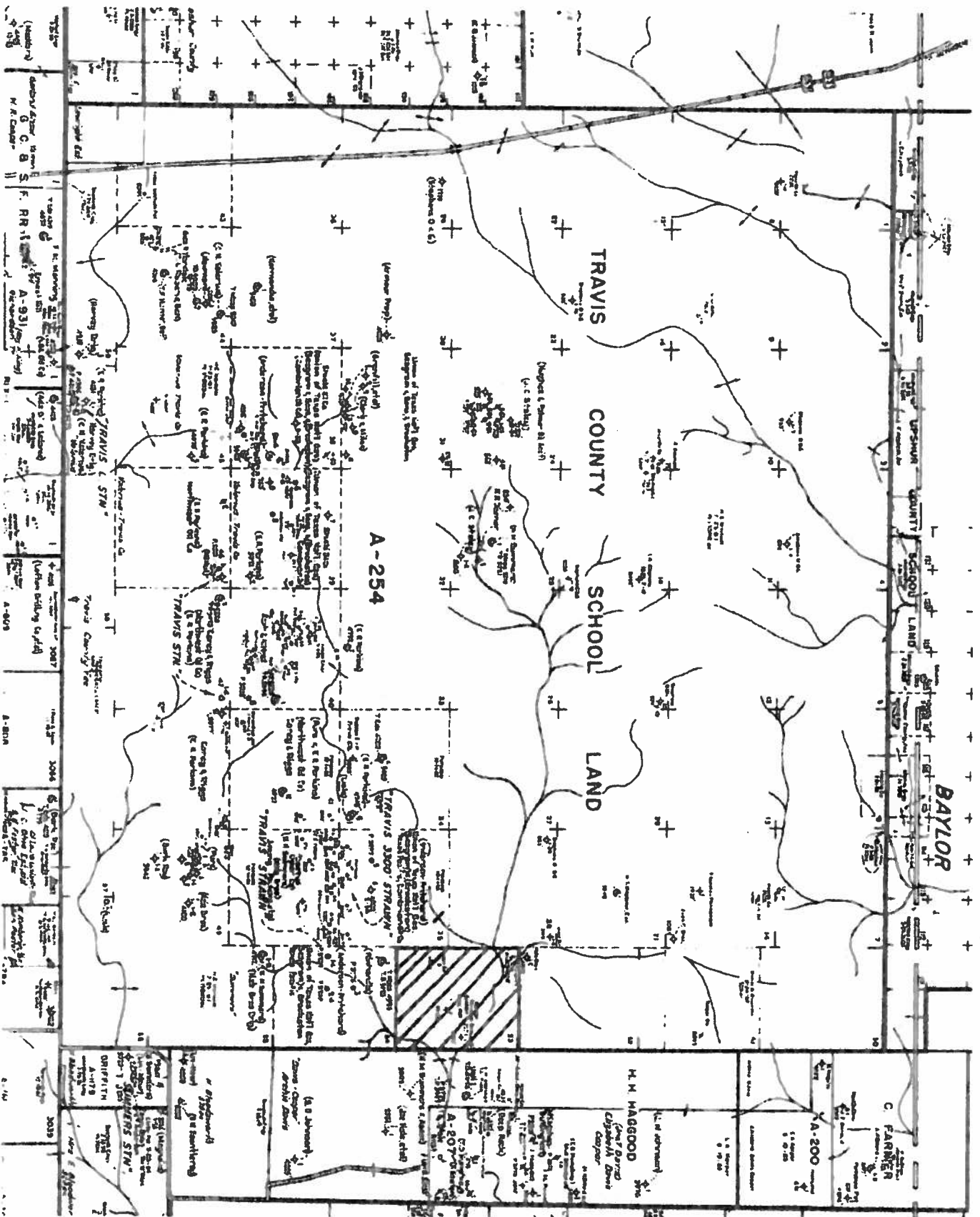
Any surface damages incurred will be paid by Cooper to the current lessee of the surface of block 53.

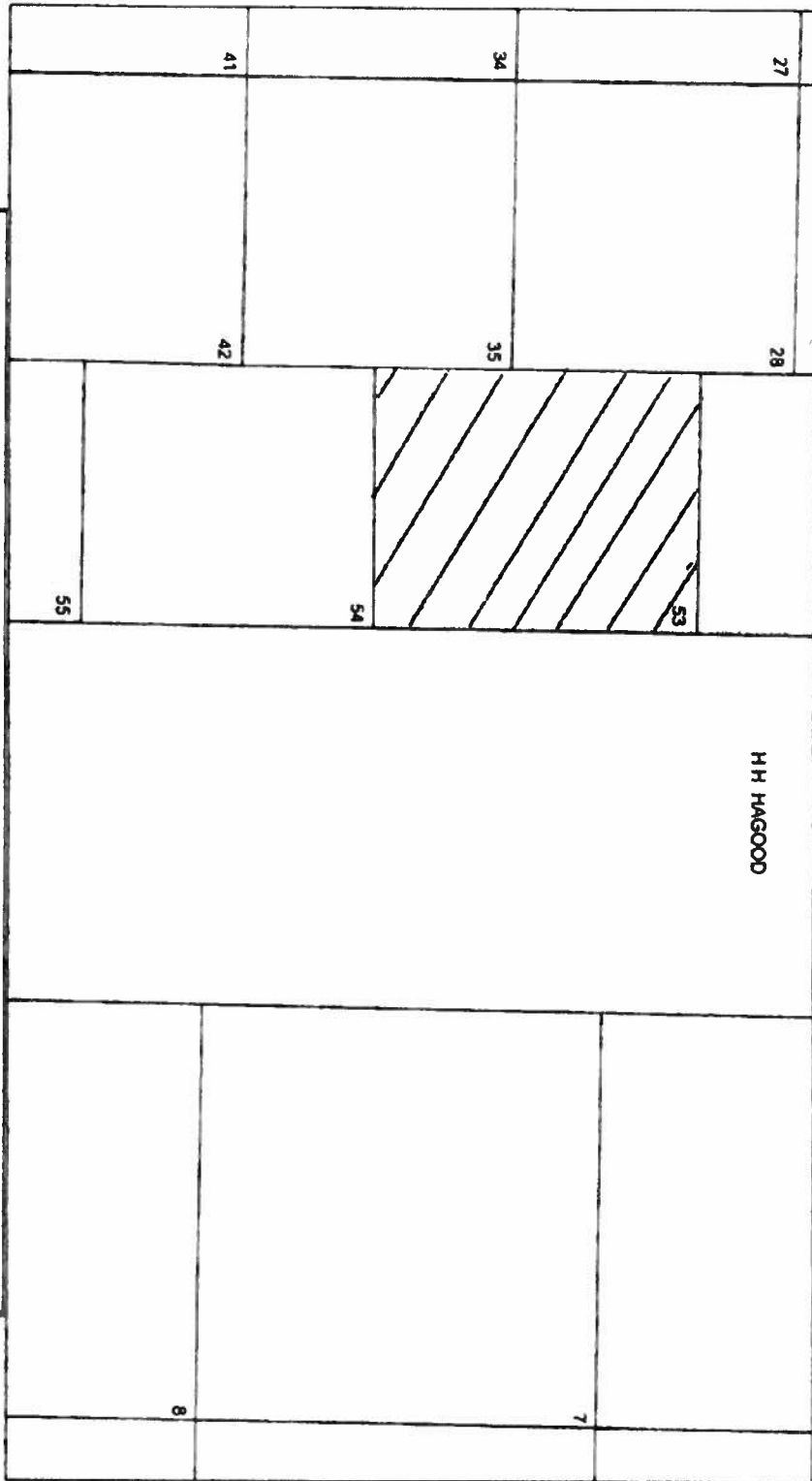
Should you, the Court, or any Commissioner's have any questions regarding this proposal, do not hesitate to contact myself via the letterhead information, or Glenn Cooper (817) 332-7755.

Sincerely,



Wesley J. Cooper





COOPER OIL & GAS, LLC

3-D SEISMIC PROSPECT AREA
THROCKMORTON COUNTY, TEXAS

AUTHOR: C Y E C. W A G N E R, P E T R O L E U M E N G I N E E R	SCALE: 1" = 2000'	DATE: 22 M A R C H, 2013
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PERMIT TO CONDUCT GEOPHYSICAL OPERATIONS

Whereas, Travis County, a political subdivision of the State of Texas, (hereinafter "County" or "Grantor") desires to permit Cooper Oil & Gas, Inc. (hereinafter "Contractor") including its contractors and subcontractors permission to enter upon the following designated part of the Travis County School Land for the sole purpose described below:

140 acres of land, more or less, of the Travis County School Land Survey, Abstract 254, Throckmorton County, Texas, being out of Tract 53 of said Travis County School Land Survey, more specifically described on Exhibit A, hereinafter referred to as the "Subject Property."

Now, therefore in further consideration of the promises contained herein, the parties hereby agree as follows:

1. Contractor through its contractors and subcontractors will conduct geophysical operations or ensure that such operations are conducted in accordance with good standard practices and in a prudent and careful manner.
2. The undersigned, Grantor, is Travis County, Texas, a holder in trust of the Travis County School Land for the schools of Travis County under Article VII, Section 6, Texas Constitution. The intention of this permit ("Permit") is to allow the Contractor through its contractors and subcontractors to go on to the Subject Property to conduct geophysical activity, specifically, the placement of geophones on the Subject Property, and for no other purpose. Said geophysical activity shall take place from September 1, 2013 through March 1, 2014. At the end of the time period, Contractor's permission to go on the Subject Property shall expire. On or before March 1, 2014, Contractor including its contractors and subcontractors shall complete operations on the Subject Property and immediately vacate the Subject Property and leave the Subject Property in the same condition it was in prior to operations or activities under this Permit, except for normal wear and tear. For purposes of this paragraph, "normal wear and tear" does not include holes dug in the ground in connection with placement of the geophones on the Subject Property.
3. Grantor hereby agrees to permit personnel of Contractor and personnel of its contractors and subcontractors to enter upon the Subject Property to place geophones thereon in connection with its seismic survey and geophysical exploration of the Travis County School Land. This Permit does not authorize the seismic survey or geophysical exploration of the Upshur County School

Land. The number and spacing of geophones along each receiver line, line density, energy source, source point spacing and geometry of the source/receiver array will be in accordance with industry standards and will be furnished to County upon written request. If brush removal is necessary, Contractor agrees to grub below the roots bud zone.

4. As consideration for Grantor's permission to enter on to the Subject Property for the purpose described above, Contractor shall pay Grantor twenty five dollars and no cents (\$25.00) per acre covered hereby.

5. Contractor shall indemnify, defend, and hold harmless Grantor from and against any and all personal injury, death, property damage claims or claims for other losses that may result from Contractor's operations on the Subject Property including operations of its contractors and subcontractors, whether the claimant is a person or entity on the Subject Property in connection with this Permit or a person or entity on the Subject Property in connection with any lease or salt water disposal agreement covering the Travis County School Land or a portion thereof. To meet its indemnity obligations under this Paragraph 5, Contractor shall maintain and ensure that its contractors and subcontractors maintain the minimum insurance coverage and limits prescribed in Exhibit B, attached hereto and hereby incorporated by reference herein for all purposes as if fully copied and set forth herein verbatim. The indemnity provisions set forth in this section shall survive the expiration of this Permit.

6. Upon approval of this Permit by the Travis County Commissioners Court, Contractor shall promptly pay County the sum specified above. Before approval of this Permit by the Commissioners Court, Contractor shall submit certificates of insurance meeting the requirements set forth in Exhibit B. In the event the Contractor does not conduct said operations on the Subject Property, Contractor shall not be entitled to a refund of said sum. Contractor is prohibited from placing geophones on the Subject Property until after payment of the sum specified above is received by the County.

7. Travis County as Grantor hereby advises Contractor that Tract 53 of the Travis County School Land is not under mineral development at this time. However, Spade Ranches, Ltd., the grazing lessee, has grazing rights to the entire surface of the Travis County School Land and Contractor represents and Grantor relies upon such representation that Contractor has obtained permission from Spade Ranches, Ltd. to be on the Subject Property. Contractor is responsible for making all arrangements with Spade Ranches, Ltd. regarding any consideration to Spade Ranches, Ltd. for Contractor's use of the Subject Property and any damages to Spade Ranches, Ltd. arising from such use.

8. Grantor does hereby declare that Travis County, Texas, through the Travis County Commissioners Court, has authority to execute this Permit, that the Travis County Judge has authority to sign this Permit and that Travis County

has authority to receive payment of the sum specified above for execution of this Permit. Contractor acknowledges and agrees that it shall pay the above-specified sum directly to County for the benefit of schools and that County will not distribute any part of such sum to any lessee on the Travis County School Land.

9. Contractor represents that: (a) Contractor will bear responsibility for all geophysical operations; and (b) the geophysical operations are for the purpose of evaluating mineral development prospects on the Subject Property.

10. Contractor has inspected or will inspect the Subject Property carefully to determine the existence of any conditions posing unreasonable risks of harm. Before any further geophysical operations, Contractor will take all reasonable precautions to avoid any unreasonable risk of harm.

11. The undersigned is authorized to grant, and hereby grants permission to Contractor including its contractors and subcontractors to enter and conduct the geophysical operations described above on the Subject Property.

12. Contractor agrees to obey all laws, ordinances, orders, rules and regulations, and keep all records applicable to the use, condition, and occupancy of the Subject Property.

13. Contractor agrees to use only existing gates on the Subject Property and keep all gates on the perimeter of the Subject Property closed.

14. Contractor agrees not to: (a) assign this Permit; (b) litter or leave trash or debris on the Subject Property; (c) bring any hunting or fishing equipment on the Subject Property; or (d) bring any dogs on the Subject Property.

15. Any notice will be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage fully prepaid, certified mail, and addressed to the intended recipient at the last known address according to the records of the party delivering the notice. Notice given in any other manner will be effective only if and when received by the addressee. Any address for notice may be changed by written notice delivered as provided here. The address provided below is a valid address unless changed by proper notice.

Grantor's address:

Travis County, Texas
c/o Sherri E. Fleming, County Executive
for Health and Human Services and Veterans Service Travis County
P. O. Box 1748
Austin, Texas 78767

With copy to:

Christopher Gilmore
Assistant County Attorney
P. O. Box 1748
Austin, Texas 78767

Contractor's address:

Cooper Oil & Gas, Inc.
3124 West 5th
Fort Worth, Texas 76107

16. This Permit contains the complete agreement between the parties and cannot be varied except by written agreement signed by the parties.

17. All information and data, but not interpretations thereof, obtained by Contractor in connection with the geophysical operations conducted pursuant to this Permit shall be the joint property of County and Contractor. Contractor will provide all information and data to County within 180 days after the expiration of Contractor's permission to go on the Subject Property expires.

18. Contractor is responsible for making all arrangements with the salt water disposal lessee, Spencer B. Street, Jr. regarding any consideration to Spencer B. Street, Jr. for Contractor's use of the Subject Property and any damages to Spencer B. Street, Jr. arising from such use.

GRANTOR:
Travis County

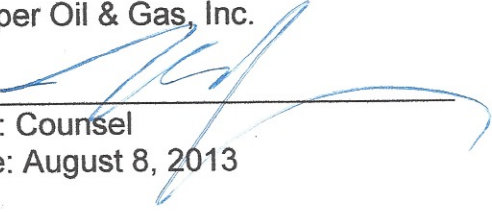
By _____

Samuel T. Biscoe
County Judge

Tax ID Number: 74-6000192

Date: _____

CONTRACTOR:
Cooper Oil & Gas, Inc.

By 
Title: Counsel

Date: August 8, 2013