



**RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 2
AGENDA DATE: Thu 10/27/2005
PAGE: 1 of 2**

SUBJECT: Approve a resolution authorizing the City Manager to take all action necessary to lease the City's undivided 50 percent interest in 551.49 acres of land in Franklin Lewis League, A-64, the S. P. Brown League, A-22 and the J. M. Hensley League, A-54, Fayette County, Texas for mineral interest development, including publication of a notice of intent to lease land for mineral development.

AMOUNT & SOURCE OF FUNDING: Revenue producing contract.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Austin Energy
DEPARTMENT:

**DIRECTOR'S
AUTHORIZATION:** Juan Garza

FOR MORE INFORMATION CONTACT: Michael McCluskey, Senior Vice President, 322-6295

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: Recommended by the Electric Utility Commission.

PURCHASING: N/A

MBE / WBE: N/A

The City owns an undivided 50% interest, including any underlying minerals, in approximately 4,000 acres of land surrounding the Fayette Power Project in Fayette County, Texas. The Lower Colorado River Authority (LCRA) owns the other undivided 50% interest in these and is expected to take this leasing opportunity to its Board for approval in October 2005.

Recently, a representative of Patterson Petroleum LP expressed an interest in leasing the deep mineral rights in 551.49 acres of land (described above) that are not already leased for mineral development. Producing wells at shallower depths already exist on these lands. The Texas Natural Resources Code Subtitle F (Land of Political Subdivisions), Chapter 71 (Lease for Mineral Development), Subchapter A (Leases by Political Subdivisions) states that the governing body of a political subdivision, which is vested by law with management, control, and supervision of the political subdivision, may lease land owned by it for mineral development. Under the law the City Council of the City of Austin has the authority to lease these lands. Before a lease is made under the Natural Resources Code, however, notice must be given and a public hearing must be held for consideration of bids. Under the law, after City Council determines that it is advisable to lease land belonging to the City, it must give notice of the intention to lease the land.

Should a successful well or wells be drilled on the lands leased, a rough approximation of the annual royalties that might be paid to the City is \$25,000-\$50,000. Accordingly, we are recommending that you (1) determine that it is advisable to lease the lands described above, and (2) authorize publication of a Notice of Intention to Lease Land for Mineral Development containing such items as are required by law.

If City Council believes the bids submitted do not represent the fair value of the lease, under the law the City Council may reject the bids, give notice, and call for additional bids.