



City of Evart
5814 100th Avenue
Evart, Michigan 49631
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www.evart.org

*Interim City Manager
Treasurer/Assessor*
Sarah Dvoracek
sarah.dvoracek@evart.org

City Clerk
Heather Pattee
cityclerk@evart.org

*Department of Public Works
Director/Zoning
Administrator/Airport
Manager*
Mark Wilson
mark.wilson@evart.org

Chief of Police
John Beam Jr.
john.beam@evart.org



January 29, 2019

To: Honorable Mayor and Council Members
From: Sarah Dvoracek, Interim City Manager/Treasurer/Assessor

Re: Savoy Energy, L.P. Proposed Oil and Gas Lease

On December 20, 2018, Mark Wilson met with Savoy Energy, L.P. to discuss the oil and gas lease presented to the City of Evart on December 10, 2018.

Attached is the proposed oil and gas lease that was negotiated on December 20, 2018. The net price \$100 per acre and the royalties 1/6 (16.67%) are the same amounts we were receiving with Western Land Services Oil and Gas Lease, their lease expired in March of 2018. Savoy Energy, L.P. is requesting a three (3) year lease. The property is 62.76 acres and is located by our cemetery in Osceola Township. Mr. White has reviewed the lease.

I am requesting authorization to sign the Savoy Energy, L.P. Oil and Gas Lease.

**OIL AND GAS LEASE
(NON-ENTRY – PAID UP)**

THIS AGREEMENT is made as of the _____ day of _____, 2019 by and between the City of Evert, Sarah Dvoracek, Interim City Manager whose address is 5814 100th Avenue, Evert, MI 49631 hereinafter called Lessor (whether one or more), and Savoy Energy, L.P., P.O. Box 1560, Traverse City, MI 49685-1560 and 920 Hastings Street, Suite A, Traverse City, MI 49686, hereinafter called Lessee.

1. Lessor, for and in consideration of Ten Dollars (\$10.00) and other valuable consideration, the receipt of which is hereby acknowledged, does hereby grant, lease and let unto Lessee, the oil and gas mineral rights beneath the land described below, including all interest in such rights the Lessor may acquire by reversion or otherwise, (herein called "said land"), exclusively, for the purposes of exploration for and producing oil and/or gas. **No surface operations of any nature shall be conducted on the leased land, except possible seismic surveys that may be conducted by Lessee, its successors or assigns.** Said land is in the County of Osceola, State of Michigan, and is described as follows:

TOWNSHIP 18 NORTH, RANGE 8 WEST (Osceola Township)

SECTION 35: A PARCEL OF LAND SITUATED IN THE SOUTHWEST QUARTER OF SAID SECTION 35, BEING MORE PARTICULARLY DESCRIBED AS: COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 35; THENCE SOUTH 89 DEGREES 43'59" EAST ALONG THE SOUTH SECTION LINE, 700.00 FEET TO THE POINT OF BEGINNING; THENCE NORTH 00 DEGREES 08'15" EAST, 1069.23 FEET TO THE SOUTHERLY RIGHT OF WAY LINE FOR THE VACATED RAILROAD RIGHT OF WAY; THENCE NORTH 69 DEGREES 49'18" EAST ALONG SAID RIGHT OF WAY LINE, 1410.00 FEET TO A CURVE TO THE RIGHT; SAID CURVE HAVING A RADIUS OF 4620.00 FEET, AND CHORD BEARING AND DISTANCE OF NORTH 71 DEGREES 43'13" EAST, 631.84 FEET, ALONG SAID CURVE A LENGTH OF 632.33 FEET TO THE NORTH-SOUTH QUARTER LINE; THENCE SOUTH 00 DEGREES 22'37" WEST ALONG SAID LINE, 1762.73 FEET TO SAID SOUTH SECTION LINE; THENCE NORTH 89 DEGREES 43'59" WEST AONG SAID LINE, 1914.40 FEET TO THE POINT OF BEGINNING. CONTAINING 62.76 ACRES, MORE OR LESS.

TAX PARCEL ID: 12-035-014-01

Containing 62.76 acres, more or less, and including herein any oil and gas rights owned by Lessor beneath adjacent roadways, lakes, creeks, or rivers.

2. It is agreed that this lease shall remain in force for a primary term of **three (3) years** from the date of this lease, and as long thereafter as oil and/or gas is capable of being produced in commercial quantities from the land or from lands pooled or unitized with said lands.

3. Lessee covenants and agrees to pay the following royalties: one-eighth (1/8th) on oil and/or gas, valued at the wellhead, with no deductions, except Lessor's proportional share of taxes levied by Federal, State, and local governments. Lessor's 1/8th royalty will be calculated for royalty payment purposes in proportion to the fractional interest that Lessor's lands included in the pooled unit bear to the total acreage contained within the pooled unit so declared by Lessee.

4. If this lease covers less than the entire undivided interest in the oil and gas in said land, then the royalties and payments due hereunder shall be proportionately reduced.

5. Lessee is hereby granted the right to pool or unitize said land, or any part of said land, with other lands to establish oil and/or gas development units of not more than approximately 640 acres. Lessee may create, enlarge or reform the unit as provided above at any time when in Lessee's sole opinion it is advisable to do so, including the pooling of after acquired leases.

6. This lease and Lessee's operations shall be subject to the laws, rules, regulation and orders of all governmental agencies having jurisdiction, except that nothing therein shall prevent Lessee from declaring larger development units for the production of oil and/or natural gas based upon Lessee's sole geological evaluations of the oil and/or natural gas reservoir.

7. If the estate of either party hereto is assigned, and the privilege of assigning in whole or part is expressly allowed, the covenant and provisions of this lease shall extend to and be binding upon such party's successor and assigns. No assignment by Lessor shall be effective until written notice of the assignment is delivered to Lessee.

8. Lessee agrees to and hereby does defend, indemnify and hold harmless Lessor from and against any demands, claims, and lawsuits made or filed against the Lessor, which arise from Lessee's operations under the terms of this lease.

9. This lease may, at Lessee's option, be extended as to all or part of the lands covered hereby for an additional primary term of **zero (0) years** commencing on the date that the lease would have expired but for the extension. Lessee may exercise its option by paying or tendering to Lessor an extension payment of **\$00.00** per net acre for the land then covered by the extended lease. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date of the lease and continuing from that date to the end of the extended primary term. Lessee's option shall expire at expiration of the initial primary term of this lease.

S.D. _____ C.V. _____

10. ~~Lessor hereby warrants and agrees to defend the title to said land and~~ agrees that Lessee may at any time pay all or part of any land contract, mortgage, taxes, or other liens or charges with respect to said land, either before or after maturity and be subrogated to the rights of the holder thereof, and that Lessee shall be entitled to reimbursement out of any royalty or other monies payable to Lessor hereunder. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor.

11. Notwithstanding anything to the contrary contained in this Lease wherever the fraction one-eighth (1/8th) appears it shall be replaced by one-sixth (1/6th).

EXEMPT from Real Estate Transfer Tax pursuant to MCL 207.505(e) and MCL 207.526(e).

Executed as of the day and year first above written.

LESSOR: **City of Evart**

Sarah Dvoracek, Interim City Manager

STATE OF MICHIGAN)
) ss (Individual Acknowledgment)
COUNTY OF OSCEOLA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2019 by the City of Evart, Sarah Dvoracek, Interim City Manager.

My Commission Expires: January 24, 2023

Charles Vickerman, Notary Public
Notary in Grand Traverse, County, MI
Acting in Osceola, County, MI

Prepared by: Charles Vickerman, PO Box 1560, Traverse City, MI 49685
Return to: Savoy Energy, L.P., PO Box 1560, Traverse City, MI 49685

ORDER FOR PAYMENT FOR OIL AND GAS LEASE

Lease # _____

Lessee shall, subject to its approval of title, make payment as indicated herein by check within 45 days of Lessee's receipt of this Order For Payment and the executed Oil and Gas Lease associated herewith. No default shall be declared for failure to make payment until 10 days after written notice from payee of intention to declare such default. The right to receive this payment shall not be assigned, whether as collateral or otherwise.

If the oil and gas lease referenced herein covers less than the entire undivided interest in the oil and gas or other rights in such land, then the dollar amount listed herein shall be paid to the payee only in the proportion which the interest in said lands covered by the Oil and Gas Lease bears to the entire undivided interest therein. Further, should Lessor own more or less than the net interest defined herein, Lessee shall increase or reduce the dollar amount payable hereunder proportionately.

For collection, the original copy herein must be submitted along with the original executed Oil and Gas Lease. A copy is to be retained by payee. This Order For Payment is hereby recognized by Lessor as consideration paid by Lessee for the Oil and Gas Lease associated herewith.

PAYEE (Lessor): City of Evart
Address: 5814 100th Avenue, Evart, MI 49631
Phone: (231) 734.2181 Cell: ()

This payment is for a three (3) year, Paid-up Oil and Gas Lease dated ____ day of _____, 2019 which covers property located in the County of Osceola, State of Michigan described as follows:

TOWNSHIP 18 NORTH, RANGE 8 WEST (Osceola Township)

SECTION 35: Part of the SW/4.

TAX PARCEL ID: 12-035-014-01

Estimated Gross Ac: 62.76 Estimated Net Ac: 62.76 \$ per Net Ac: 100.00

THE TOTAL PAYMENT SHALL BE BASED UPON THE NET ACRES OWNED AND NOT SUBJECT TO AN EXISTING LEASE AS DETERMINED BY A SEARCH OF RECORDS AT THE REGISTER OF DEEDS IN OSCEOLA COUNTY MULTIPLIED BY THE BONUS \$ PER ACRE STATED ABOVE.

Completed by: _____ Accepted the _____ of _____, 2019 by:

Charles Vickerman

Lessor: City of Evart

Sarah Dvoracek, City Manager

SS#/Tax ID: _____

Lessee: Savoy Energy, L.P. Post Office Box 1560 Traverse City, MI 49685-1560 Ph: 231-941-9552

NOTE: Under the (1987) U.S. Tax Code, we are required by Law to issue I.R.S. Form #1099 (Miscellaneous Income) to you for the consideration above, by January 31st of next year. In order to comply with the law we need to obtain the Federal Tax Identification or Social Security Number of the Payee that the income is to be credited. Please fill in the information requested. "Payments you receive will be subject to backup withholding if you do not furnish your TIN to the requester." This amount is 28% of such payments.
This Order for Payment expires one year from date of issuance unless paid sooner, terminated, or replaced by Lessee.

FOR OFFICE USE ONLY

Date Received: _____

Date Due: _____

Project: _____ Deck # _____
Approved by: _____ Date: _____
Date Paid: _____ Check # _____