

## OIL AND GAS LEASE BID DOCUMENT

The City of Forest Hill, Texas intends to lease property for oil and gas development only, as described below:

See property description attached and incorporated herein as Exhibit "A".

Said lease or leases shall be awarded, at the discretion of the City Council, to the highest and best bidder submitting a bid in accordance with terms as outlined below:

BIDS MAY BE SUBMITTED FOR: 1) A SPECIFIC TRACT OR TRACTS, 2) FOR ALL TRACTS OR 3) FOR BOTH INDIVIDUAL TRACTS AND FOR ALL TRACTS AS A WHOLE INDICATING THE BIDDER'S PREFERENCE FOR POSSIBLE LEASE AWARD.

It is the intention of the Council to award and sell the lease or multiple leases based on the highest and best bid or bids submitted to the City Council at a public hearing that will be held for the Council to consider the bids; provided that, if in the judgment of the Council the bids submitted do not represent the fair market value of such lease(s); the Council will reject any or all of the bids.

No bids will be consider unless submitted by **10:00 a.m., April 16, 2008**. The Council reserves the right to reject any and all bids for such lease(s). However, should any bid be accepted, such lease shall be executed upon a form acceptable to the Council and the Lessee-therein and shall, at a minimum, provide:

1. For a primary term of not more than two (2) years from date of execution.
2. For a royalty to be paid Lessor of not less than one fourth (1/4) of all oil and gas produced from said land;
3. For bonus money as specified in the bid and with the minimum of seventeen thousand dollars (\$17, 000.00) per acre; and
4. At a minimum, the following provisions:

A. LESSEE MUST AGREE TO INDEMNIFY LESSOR AGAINST ANY AND ALL CLAIMS UPON THE PART OF THIRD PERSONS FOR DAMAGES OR INJURIES OF ANY KIND OR CHARACTER WHICH MIGHT ARISE FROM THE LESSEE'S OPERATIONS.

B. Lessor prohibits the disposal of salt water or oil field waste in or on the herein above described tract of land.

C. Lessee must covenant and agree to comply with the Oil and Gas regulations, Ordinance No. 2007104, as amended, of the City of Forest Hill, Texas, as it may be amended.

D. Ingress and egress to the proposed tract must be approved by the City Manager to the extent such access traverses city property.

E. Lessee must satisfy itself as to title and acquire all necessary abstracts and other title information solely at their own expense; the lease form shall contain no general warranty of title by Lessor.

F. NO SURFACE DRILLING/DRILL SITES SHALL BE PERMITTED ON THE LEASED PREMISES. THIS LEASE SHALL BE AWARDED AS A "NO-DRILL" LEASE.

G. The City shall allow the successful bidder to pool the lease, the land or minerals included in the lease with any other land, leases, mineral estates or parts of any of these to form a drilling or spacing unit for the exploration, development and production of oil and gas; provided, however, in the event the successful bidder should exercise its option to pool or utilize on any portion of the leased premises with other lands as herein provided, Lessee shall always include the entire applicable Leased Premises in such pool or unitization.

An oil and gas lease will be negotiated after a successful bidder is selected. The oil and gas lease must be approved by the City Council.

By submitting a bid, each bidder agrees to waive and does hereby waive any claim the bidder has or may have against the City of Forest Hill, Texas, and the City's respective officers, employees and representatives for the award of damages or attorney fees, arising out of or in connection with the administration, evaluation, or recommendation of any bid, waiver, deletion or amendment of any requirements under the Bid Documents or the Lease Documents, acceptance or rejection of any bids, and award of the Bid or lease. By submitting a bid, the bidder specifically waives any right to recover or be paid attorney's fees from the City of Forest Hill, Texas, or any of the City's officers, employees and representatives under any of the provisions of the Texas Uniform Declaratory Judgments Act (Texas Civil Practice and Remedies Code, Section 37.001, et. Seq., as amended).

The bidder acknowledges and agrees that this is the intentional relinquishment of a presently existing known right and that there is no disparity or bargaining power between the bidder and the City of Forest Hill, Texas.

By execution and submission of this bid, the bidder hereby represents and warrants to the City of Forest Hill that the bidder has read and understands the Bid Documents and this bid is made in accordance with the Bid Documents. Bidder acknowledges that it understands all terms within the bid documents, which include the

waiver provisions and that it had the right to consult with counsel regarding all of the above documents.

The City reserves the right to waive, delete or amend any of the requirements connected with this bid. The City further reserves the right, in accordance with Section 253.005 of the Texas Local Government Code, to lease the tracts in the manner and on the terms the City Council determines, for the benefit of the City.

Bids shall be delivered to City Secretary's Office, City of Forest Hill, 6800 Forest Hill Drive, Forest Hill, Texas 76140. Bids shall be placed in a sealed envelope marked "Bid to Lease City Property for Oil and Gas Development". Any bid received after the specified time will not be considered.

Bids shall be submitted on the attached bid form. A SEPARATE BID FORM MUST BE USED FOR EACH TRACT UNLESS THE BID IS SUBMITTED FOR ALL TRACTS. The bidder may attach as many additional pages as it deems necessary.

City staff will publicly open, read and tabulate the bids at 11:00 a.m. on April 16<sup>th</sup>, 2008, City Council Chambers, City of Forest Hill, 6800 Forest Hill Drive, Forest Hill, Texas 76140.

The City Council will receive and consider the bids at a public hearing to be held at the Regular City Council Meeting at 7:00 p.m. on May 6, 2008, in the City Council Chambers, City of Forest Hill, 6800 Forest Hill Drive, Forest Hill, Texas 76140.

Bidders may contact the City of Forest Hill's City Manager at (817) 568-3000 for clarifications and questions.

**EXHIBIT "A"**

**TRENTMAN CITY ADDITION:**

5360 Wichita, Block 18 Lot 8  
Shackleford, Block 17 Lot 10

**HORN, MARY SURVEY:**

3511 Horton Road, Abstract 691 Tract 3P  
3415 Horton Road, Abstract 691 Tract 3V  
3459 Horton Road Abstract 691 Tract 3V02

**WATKINS ACRES ADDITION:**

Orchard Avenue, Block 1 lot E1/2 7

**CROW, G. W. SURVEY:**

Crawford Lane, Abstract 298 Tract 29 G,  
Abstract 298 Tract 3A 01 Row, Abstract 298 Tract 3

**FOREST HILL PLACE ADDITION:**

Block 1 South 40' Lot 3

**SARCHET ADDITION:**

3336 Horton Road, Block 1 Lot 1

**PATE INDUSTRIAL ADDITION:**

3615 Horton Road, Block Lot 5  
3619 Horton Road, Block Lot 4  
3701 Horton Road, Block Lot 3  
3705 Horton Road, Block Lot 2  
3709 Horton Road, Block Lot 1

**HERITAGE WEST ADDITION:**

7001 Wichita Street, Block 17 Lot 17

**HERITAGE HEIGHTS ADDITION:**

6800 Forest Hill Drive, Lots A & B  
7004 Forest Hill Drive, Block 5 Tract Commercial C3  
Forest Hill Drive, Block 7 lot C2  
Old Hickory Trail, Block 2 Lot 9

**HANGER ESTATES:**

3217 Shamrock, Block 9 Lot 35  
3415 Horton Road B9 L35

**FOREST OAKS ADDITION:**

3937 Frisco Avenue, Block 5 Lot 10

5813 Spencer Block 2 Lot 22

3937 Frisco Block 5 Lot 10

**SHELBY COUNTY SCHOOL LAND SURVEY:**

Abstract 1375 Tract 42J01A4, Tract 27E01, Tract 42J01, Tract 28C5 Block 43

**COLLETT, JOHN SURVEY:**

Anglin Drive, Abstract 261 Tract 10A02

**COLLEGE OAKS ADDITION:**

Block 12 Lot D2

**FOREST WOOD ADDITION:**

6318 Royal Oaks Drive, Block 19 Lot 20A

**DE LA GARZA, MARCELINE SURVEY:**

5619 Truett, A617 TR27F01

**BID FORM**

\_\_\_\_\_, 2008

This bid is hereby tendered solely for the following property:

Minimum Standards of the Bid:

1. A primary term of not more than two (2) years from date of execution. (If less than two years, specify: \_\_\_\_\_).
2. A royalty to less not less than Twenty-Five Percent (25%) of all oil and gas produced from said land. (If greater than Twenty-Five Percent (25%), please specify: \_\_\_\_\_)
3. Bonus money as specified by bidder, with a minimum of Seventeen Thousand Dollars (\$17,000.00) per net mineral acre.  
  
\_\_\_\_\_ acres X \$\_\_\_\_\_ = total bonus money: \_\_\_\_\_
4. THIS BID IS TENDERED FOR A NO-DRILL LEASE. NO SURFACE DRILLING/DRILL SITES SHALL OCCUR ON THE LEASED PREMISES.
5. This bid is tendered with the understanding that an oil and gas lease will be negotiated once the successful bidder is selected.
6. By submitting a bid, the bidder agrees to waive and does hereby waive any claim the bidder has or may have against the City of Forest Hill, Texas, and the City's respective officers, employees and representatives for the award of attorney fees, arising out of or in connection with the administration, evaluation, or recommendation of any Bid, waiver or any requirements under the Bid Documents, or the Lease Documents, acceptance or rejection of any Bids, and award of the Bid. By submitting a Bid, the bidder specifically waives any right to recover or be paid attorney's fees from the City of Forest Hill, Texas, or any of the City's officers, employees and representatives under any of the provisions of the Texas Uniform Declaratory Judgments Act (Texas Civil Practice and Remedies Code, Section 37.001, et. Seq., as amended).
7. The bidder agrees that this is the intentional relinquishment of a presently existing known right.
8. By execution and submission of this bid, the bidder hereby represents and warrants to the City of Forest Hill that the bidder has read and understands the

Bid Documents and this Bid is made in accordance with the Bid Documents. Bidder acknowledges that it understands all terms within the Bid Documents which include the waiver provisions, and that it had the right to consult with counsel regarding all of the above documents.

9. By submitting a Bid, the bidder agrees to waive and does hereby waive any claim the bidder has or may have against the City of Forest Hill, Texas and the City's officers, employees and representatives arising out of or in any way connected with the following:
  - A. The administration, evaluation or recommendation of any Bid;
  - B. Waiver or deletion of any of the requirements under the Bid Documents or the Lease Documents;
  - C. Acceptance or rejection of any Bids; and
  - D. Award of the Bid or Lease.
10. By submitting a Bid, the bidder acknowledges that the bidder understands all terms of the Bid Documents and consents to the bidding process and the possibility of a negative assessment. By submitting a bid, the bidder acknowledges and agrees that there was and is no disparity of bargaining power between the bidder and the City of Forest Hill, Texas.
11. The bidder agrees that this is the intentional relinquishment of the above listed presently existing rights.
12. The City reserves the right to waive, delete or amend any of the requirements connected with this Bid or to reject any or all bids.

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Certification of Bidder