

OIL AND GAS EXPLORATION – ROSE TOWNSHIP

A Recommendation

1. Division and Department: Finance and Administration Division

2. Introduction: In October 2012 Oakland University (University) was approached by representatives from Jordan Development Company, L.L.C. (Jordan), in connection with its interest in exploring for potential oil and gas reserves under the University's Rose Township Property, Oakland County, Michigan (Property).

Jordan is a privately owned exploration and development company founded in 1996 and headquartered in Traverse City, Michigan. They desire to acquire an oil and gas lease covering the property, and discover, develop, produce and operate oil and natural gas wells on the Property. Jordan currently operates over 450 wells in Michigan (see Attachment A). Jordan does not use hydraulic fracturing, "fracking". Jordan has conducted seismic surveys near the Property which indicate that oil and gas reserves may exist in and under the Property.

The University received the Property as a gift in 1984. The Property is comprised of approximately 121 undeveloped acres (see Attachment B), except for one single-family home located on the Property's western boundary, which the University currently rents via a residential lease on a year-to-year basis.

The northern boundary of the Property abuts the Rose Township Superfund Site (Superfund Site), a contaminated area as designated by the United States Environmental Protection Agency (USEPA). In 1992, the Board of Trustees (Board) approved an access agreement with Chrysler Corporation (Chrysler) that granted Chrysler access to a 21 acre parcel at the northern boundary of the Property to perform testing, monitoring and cleanup activities related to the Superfund Site (Access Site). Pursuant to the access agreement, Chrysler erected a fence and installed ten monitoring wells at the Access Site. The access agreement was subsequently extended with Board approval in 1995 and 1996. At the request of the USEPA, a new group known as the Rose Township Group (RTG) assumed responsibility from Chrysler for cleanup activities at the Superfund Site, and in December 2010 the Board approved an access agreement that grants RTG continued access to the Access Site. RTG basically maintains the fence and inspects samples and monitors the monitoring wells. The access agreement with RTG is currently in effect and will terminate only after the USEPA notifies the University and RTG that no further cleanup of the Superfund Site is necessary.

The Property is also subject to a permanent easement over the northwest tip of the Property, which is held by Consumers Energy Company (Consumers Energy) pursuant to a Right of Way granted by the University's donor of the Property in 1951. The permanent easement grants Consumers Energy the right to construct, repair and maintain up to two gas mains within the permanent easement, and Consumers Energy has constructed and operates two gas mains in the permanent easement.

**Oil and Gas Exploration – Rose Township
Oakland University
Board of Trustees Formal Session
December 3, 2012
Page 2**

The Board's Policy and Procedure for Disposal, Acquisition, Lease, and Other Transfer of Real Property Interests relative to oil, gas, and mineral transactions (Policy), requires that:

1. All inquiries with respect to mineral rights and leases shall be made in writing to the President and reported to the Board of Trustees.
2. The President, on behalf of the Board of Trustees, will evaluate each request for a mineral right or lease as to its impact on the University. Upon completion of this review, a report will be presented to the Board of Trustees. The Board of Trustees will determine whether or not the property will be offered for lease or the sale of the mineral rights.
3. When the Board of Trustees has approved a parcel of property for mineral lease, the Office of the Vice President for Finance and Administration will advertise and request bids in the appropriate publications.
 - a. All bids must be in writing and sealed and delivered to the Office of the Vice President for Finance and Administration by a specified date.
 - b. All bids will be presented to the Board of Trustees with a recommendation from the President.
 - c. The Board of Trustees reserves the right to lease to a specified party if it is in the interest of the University. The University shall document in writing the appropriateness of such action and shall establish a fair market value of the lease based upon appraisals.
4. The Board of Trustees will make the final decision on all oil, gas and mineral leases and transactions. These transactions will be reviewed by the General Counsel or a designee of the General Counsel.

Therefore, it is recommended that the Board authorize the University to advertise and request written, sealed bids in the appropriate publications, present the bids to the Board with a recommendation, and otherwise pursue a gas and oil lease for the Property consistent with the foregoing Board Policy.

3. Previous Board Action: On August 29, 1984, the Board accepted a gift of the Property. On October 1, 1992, the Board authorized a three (3) year Access Agreement with Chrysler for the purpose of performing remediation activities at the Rose Township Superfund Site, which was subsequently extended for six (6) months. On April 11, 1996, the Board extended the term of that Access Agreement for an additional two (2) years, which ended in May, 1998. On April 7, 2010, the Board authorized an Agreement Regarding Easement with Consumers expanding an existing utility easement on the Property held by Consumers. On December 9, 2010, the Board authorized a new Access Agreement with the RTG for the purpose of performing continuing remediation activities at the Rose Township Superfund Site.

4. **Budget Implications:** No University expenditures would be incurred with this transaction. Potential income from the lease, including royalties, may occur if oil and/or gas are discovered and produced.
5. **Educational Implications:** Potential income could provide funding to support/enhance educational programs.
6. **Personnel Implications:** None.
7. **University Reviews/Approvals:** This recommendation was formulated by the Vice President for Finance and Administration and reviewed by the President.
8. **Recommendation:**

RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration to advertise and request bids in the appropriate publications, and that bids must be in writing and sealed and delivered to the Office of the Vice President for Finance and Administration by a specified date; and, be it further

RESOLVED, that all bids will be presented to the Board of Trustees with a recommendation from the President; and, be it further

RESOLVED, that the Board of Trustees reserves the right to lease to a specified party if it is in the interest of the University, and the University shall document in writing the appropriateness of such action and shall establish a fair market value of the lease based upon appraisals; and, be it further


RESOLVED, that the Board of Trustees will make the final decision on all oil, gas and mineral leases and transactions; and, be it further

RESOLVED, that all prospective (or proposed) agreements shall be reviewed and approved by the Office of the Vice President for Legal Affairs and General Counsel prior to execution, and be in compliance with the law and University policies and regulations, and conform to legal standards and policies of the Vice President for Legal Affairs and General Counsel.

Oil and Gas Exploration – Rose Township
Oakland University
Board of Trustees Formal Session
December 3, 2012
Page 4

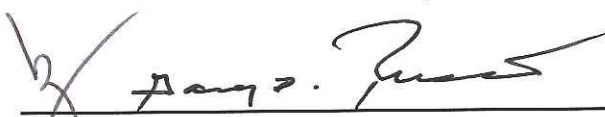
9. Attachments: A. Jordan Development Company, L.L.C. Profile
B. Oakland University, Rose Township Property

Submitted to the President
on 11/21, 2012 by

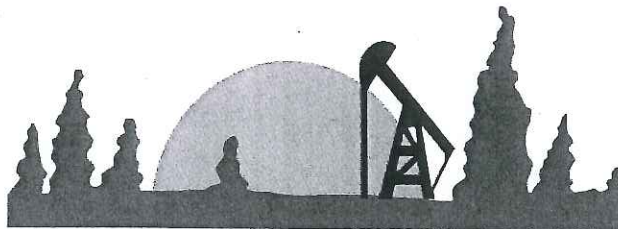


John W. Beaghan
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 11/21, 2012
to the Board of Trustees for Approval



Gary D. Russi
President



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PROFILE

Jordan Development Company, L.L.C. is a privately owned exploration and development company that was founded in 1996. Throughout 1997, key personnel in the areas of Accounting, Engineering, Land and Operations were selected to join the management team at Jordan. As a result, Jordan now has one of the strongest, most talented team of professionals for exploration and development of oil and gas in Michigan.

The Jordan management team has proven that it possesses the skills necessary to implement aggressive and successful programs without compromising the quality of service provided to its partners and stakeholders. Jordan currently operates over 450 oil and gas wells in Michigan. Jordan is striving to expand its presence as an operator in Michigan and other emerging oil and gas plays around the country by establishing broad based relationships with partners that place the company in strategic positions and enhance its negotiating strength.

Jordan's experience extends beyond the successes that have been enjoyed in the Antrim Shale gas and Niagaran reef play in Northern Michigan. Jordan has drilled wells in North Dakota, Mississippi, Texas, Oklahoma, Washington and Indiana. Jordan's top priority is to establish a presence in economic oil and gas plays throughout the country that play to its strengths of implementation, and to provide its partners with the quality of service and low cost operations to which they have become accustomed. They bring values rooted in integrity and hard work and apply them in environments where rewards go to innovative and efficient operators.

The Jordan management team has a history of success and a solid reputation as a team that can be trusted to consistently deliver the highest quality, cost-effective service to its partners. Implementation and administration are what they do best. Jordan's future is in acquiring, discovering, developing and operating oil and natural gas wells, as well as renewable energy sources that will be a river of blessing for Jordan, its partners and surrounding communities in the years to come.

Oakland University
Rose Township Property
December 3, 2012

