

# MINUTES

Meeting of the Special Called **Telephonic Meeting** of Board for Lease of University Lands

**Tuesday, February 16, 2016**

Ashbel Smith Hall, 9<sup>th</sup> Floor Board Room  
201 W. 7<sup>th</sup> Street  
Austin, Texas

## Board for Lease

### **Present:**

#### **Chairman:**

George P. Bush (Commissioner, General Land Office)

#### **Members:**

Regent Brenda Pejovich (The University of Texas System)

Regent David Beck (The University of Texas System)

Regent Charles Schwartz (The Texas A&M University System)

#### **Secretary:**

Karen Rabon

## **Also Present:**

### **U.T. System**

Houser, Mark

Clark, Carrie

Rabon, Karen

Brantley, Richard

Burks, Sharon

Holtzclaw, James

Kelley, Scott

### **General Land Office**

Havens, Mark

A special called telephonic meeting of the Board for Lease of University Lands (the Board) was held on Tuesday, February 16, 2016 at Ashbel Smith Hall, 9<sup>th</sup> Floor Board Room, 201 West 7<sup>th</sup> street, Austin, Texas.

Chairman George P. Bush, Regent Brenda Pejovich, Regent David Beck, and Texas A&M Regent Charles Schwartz were present. Chairman Bush called the meeting to order at 11:30 a.m.

1. Approval of the Minutes of the December 17, 2015 special called meeting

**On motion by Regent Beck, seconded by Regent Schwartz, the Board approved the Minutes of the December 17, 2015 meeting of the Board.**

2. Discussion and appropriate action regarding sealed bids received online and opened on February 16, 2016, for Oil and Gas Lease Sale No. 126 using Form 46

Mark Houser reported that no action would be needed on this item as no bids were received for Oil and Gas Lease Sale No. 126. Mr. Houser then provided the following statement:

As we had indicated previously, we engaged EnergyNet to conduct an online auction for 9,778 acres in Northern Andrews and Gaines County. According to EnergyNet, response to the online auction had been quite

strong with over 300 different parties reviewing the data. We also had good expressions of interest during the recent NAPE exhibition, which gave strong indications of 2-3 bids on the project. Unfortunately, we received notice right before the sale closed that the interested parties decided, due to the past month's additional downturn in oil prices, not to bid on the project at the minimum bid level of \$10.5 million. Recall that we had received an offer of approximately \$10 million for the leases back in October. But of course we need to go through the standard auction process, and the markets have adjusted.

We do not plan to go back to interested parties at this time and will work to include this acreage in a future Lease Sale.

In response to a question from Chairman Bush regarding timing for a future bid, Mr. Houser said he spoke with EnergyNet and that the timing is still being assessed. He also noted that the next anticipated lease sale will be in August or September 2016, and likely would not be held earlier.

**No action was taken on this item.**

3. Discussion and appropriate action regarding proposed amendments to Board for Lease Rule 2.109 regarding the award of leases and contracts for development

Staff recommended that Board for Lease Rule 2.109 be amended as set forth below in congressional style:

2.109 Acceptance of Bids.

...

- (b) Award of Leases and Contracts for Development. Two members of ~~the~~ Board shall award oil and gas Leases and contracts for development offered by sealed bid or oral auction ~~at a meeting of the Board held within five (5) working days following the opening of bids on a form of lease previously approved by a majority of the Board.~~ Unless the two members of the Board rejects bids under §2.110, the ~~Board~~ two members will award each Lease to the qualified bidder offering the highest bid equal to or in excess of the minimum bid and on the terms adopted by the Board Staff will thereafter prepare appropriate lease documents for execution by the chairman of the Board.

....

Ms. Clark explained the proposed changes to Board for Lease Rule 2.109 to conform the Board for Lease Rules regarding the award of leases and contracts for

development with the statutory authority provided in Section 66.63 of the Texas Education Code. Section 66.63(a) provides that two members of the Board for Lease of University Lands have the power to award leases issued on a form previously approved by a majority of the Board.

Commissioner Bush asked whether, with the proposed amended language, there would still be minimums by which bids could be accepted by the two consenting Board members. Ms. Clark responded affirmatively, stating that all other statutory and Board for Lease Rules would be followed.

Regent Beck asked whether the second sentence of Rule 2.109(b) should refer to the Board as a whole, rather than to two members of the Board. Commissioner Bush indicated his understanding that the recommended amendment was intended to allow two members of the Board to award a lease without the need for the full Board to convene a meeting, and Ms. Clark affirmed that was the intended result of the proposed amendments. Regent Beck said he agreed with that result.

Ms. Rabon suggested a motion to approve the item conditioned on clarification of Regent Beck's point. Accordingly, **Regent Beck moved approval of the proposed amendments to Board for Lease Rule 2.109 conditioned on such clarification. Regent Pejovich seconded the motion, which carried unanimously. Accordingly, Board for Lease Rule 2.109 was amended to read as follows:**

2.019 Acceptance of Bids.

...


- (b) Award of Leases and Contracts for Development. Two members of the Board shall have the power to award oil and gas Leases and contracts for development offered by sealed bid or oral auction on a form of lease previously approved by a majority of the Board. Unless the Board rejects bids under §2.110, each Lease will be awarded to the qualified bidder offering the highest bid equal to or in excess of the minimum bid and, on the terms adopted by the Board, Staff will then prepare appropriate lease documents for execution by the chairman of the Board.

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The meeting was adjourned at 11:42 a.m.



Karen Rabon, Secretary

  
George P. Bush, Chairman