

MINUTES OF SPECIAL MEETING
of the
MSU BOARD OF TRUSTEES
March 13, 1981

Vice President Breslin called the meeting to order in 103 A & B, Kellogg Center, at 7:16 p.m., March 13, 1981.

Present: Trustees Bruff, Fletcher, Howe, Lick, Martin and Sawyer; Vice Presidents Breslin, Cantlon, Stewart and Thompson; Associate Vice President Wilkinson, General Counsel Carr, and Assistant Vice President Keesler.

Absent: Trustees Krolikowski and Reed.

1. Approval of Proposed Agenda

Trustee Fletcher moved approval of the proposed agenda, seconded by Trustee Lick. Approved by a vote of 6 to 0.

2. Purpose of the Meeting

Trustee Bruff stated that the purpose of the meeting was to consider the granting of a drilling lease on the Lake City Experiment Station Property in Reeder Township, Missaukee County.

3. Public Comments

There were no public comments.

4. Action Item: Granting of a Drilling Lease on the Lake City Experiment Station Property in Reeder Township, Missaukee County

At the request of Chairperson Bruff, Vice President Breslin gave a background briefing on the proposal which was before the Board and referenced that at the last Land and Physical Facilities Committee meeting, the Trustees had requested special counsel to advise in the development of a lease agreement and other matters relating to the execution of this agreement. Vice President Breslin then introduced Mr. George Loomis and Mr. James Neal, the attorneys who were engaged to advise the Board on this matter. At the request of Chairperson Bruff, Mr. Loomis summarized their experience in the gas, oil and energy industry, giving a history which began in 1953 to date. In response to questions asked by several Trustees, Mr. Loomis indicated that they had never been engaged by the Dart Oil and Gas Corporation, the firm whose proposal is being considered, and they are of the opinion that they are not in conflict with any other firm or agency in advising the Board on this matter.

Mr. Loomis then presented a written report (copy on file in the Secretary's Office) which summarized their review.

Mr. Loomis stated that it was important that there be an agreed upon philosophy in entering into this type of agreement. Chairperson Bruff and other Trustees stated that they concurred with this opinion but would rely on Mr. Loomis for drafting the final terms of a lease agreement.

In response to several questions raised by the Trustees, Mr. Loomis summarized the procedures used by the State of Michigan in entering into this type of agreement and the procedures currently being reviewed by the State.

The Board then discussed environmental and ecological concerns and the concerns for minimizing disruption to the ongoing research project on this site. It was understood that the final lease agreement would incorporate the intent of the Board on these concerns.

In response to a question from Trustee Fletcher on insurance protection, Mr. Loomis stated that this particular clause must be worked on for incorporation into the final agreement.

Trustee Howe expressed concern about the assignment of lease rights. Mr. Loomis responded that this was a standard practice in the industry, but that the lease agreement could be drafted to protect the Board's interest in precluding the assignment of rights without the formal approval of the Board of Trustees.

This was followed by a discussion on procedures for competitive bidding and public action. In response to several questions, Mr. Loomis indicated that it is difficult to tell if a public auction or competitive bid would result in an increase in the offer since the current wildcatting had created a "fever" in oil and gas exploration at this time.

Public
Comments

Granting of a
Drilling Lease
on the Lake
City Experiment
Station
Property,
deferred

Granting of a
Drilling Lease
on the Lake
City Experiment
Station
Property, cont.

Minutes of the special meeting, cont.

March 13, 1981

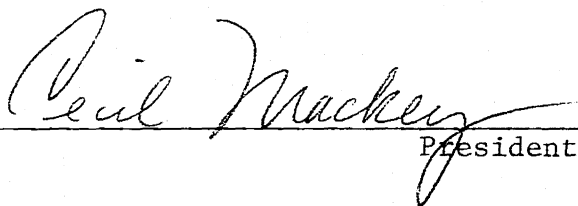
4. Action Item: Granting of a Drilling Lease on the Lake City Experiment Station Property in Reeder Township, Missaukee County, cont.

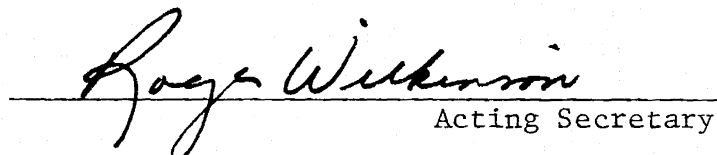
In response to a question by Trustee Fletcher concerning their recommendation, Mr. Loomis stated that they did not have a firm recommendation at this time, that he would be inclined to accept the offer, if he were a Trustee, but recognized the Board's public responsibility in this area. A similar question was asked of Vice President Breslin, and he stated that he would recommend to the Board that it enter into the proposed lease agreement with the Dart Oil and Gas Corporation.

Following further discussion, Chairperson Bruff summarized the various alternatives before the Board that evening. He stated that the Board could approve entering into a lease agreement with the Dart Oil and Gas Corporation or defer action and request that Mr. Loomis explore the possibility of holding a public auction or receiving sealed bids. Chairperson Bruff stated that the Board could then consider the matter at a special meeting, possibly on March 20, and this would permit time for Mr. Loomis to complete the proposed lease agreement with Dart as well as develop background information concerning the questions raised by the Board. Trustee Sawyer inquired as to what a week's delay would do as far as risks, and Mr. Loomis responded that he felt there was no reasonable risk since a chill factor on the "fever" would not occur in this area in the next few weeks.

On motion by Trustee Martin, and supported by Trustee Fletcher, it was moved to defer action and to consider the matter further at a special meeting to be scheduled. Approved by a vote of 6 to 0.

Adjourned at 9:07 p.m.


President


Acting Secretary