



CITY COUNCIL COMMUNICATION

October 12, 2010

SUBJECT: AUTHORIZE MAYOR TO EXECUTE AN AGREEMENT FOR THE LEASE OF CITY OWNED PROPERTY WITH PEREGRINE PIPELINE COMPANY, L.P. OUT OF A PORTION OF THE KITTY HOUSE SURVEY, ABSTRACT 678, FORT WORTH, TARRANT COUNTY, TEXAS

SUBMITTED BY: Mike Collins, Director of Economic Development and Administrative Services

REFERENCE NO:

ACTION REQUESTED:

Motion to approve authorization for the Mayor to execute an Agreement for the lease of city owned property with Peregrine Pipeline Company, L.P. out of a portion of the Kitty House Survey, Abstract 678, Fort Worth, Tarrant County, Texas.

ALTERNATIVES:

1. Approve the request – *simple majority*
2. Approve the request with modifications – *simple majority*
3. Deny the request – *simple majority*

SUMMARY OF SUBJECT:

The City of Euless owns a 10.337 acre tract of land out of the Kitty House Survey, Abstract No, 678. While the City of Euless controls the surface rights, the previous owner reserved the subsurface mineral rights. The subject property is located immediately adjacent to the Texas Star Golf Course, west of hole #15.

The City of Euless entered into a Surface Use Agreement with XTO Energy, Inc. to utilize approximately 2.4 acres of this 10.337 acre tract of land for a gas drilling pad site. Barnett Gathering, L.P., a subsidiary of XTO Energy, was authorized by the City Council in November of 2009 to install 404 feet of pipe that terminates in the northeast corner of their pad site. Peregrine will tie into the Barnett Gathering pipeline at this location, and will create a metering station on approximately 779 square feet of property abutting the XTO pad site. Peregrine will establish a 4,295 square foot access

easement to the metering station and pipeline that they will enter from the XTO pad site. The combined square footage of the metering station and access easement is 5,074.

Rather than establish permanent easements encompassing the metering station and access easement, the city negotiated a long term lease of the 5,074 square feet for the following terms: an initial 25 year lease at a rate of \$1.00 per foot per year, paid annually; three (3) additional five (5) year renewal periods. The first renewal (years 26 thru 30) - \$1.13 per foot/\$5,733.62 annual; the second renewal (years 31 thru 35) - \$1.28 per foot/\$6,494.72; the third renewal (years 36 thru 40) - \$1.47 per foot/\$7,458.78. Thereafter, Peregrine will pay the city an annual payment of \$8,000.00.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Lease of City Owned Property Agreement
- Exhibit "A"
- Exhibit "B"

APPROVED BY:

_____ **LG** _____

City Manager's Office

_____ **SC** _____

City Secretary's Office