

Mayor and Council Communication

DATE: 06/08/21

M&C FILE NUMBER: M&C 21-0393

LOG NAME: 21CLEAR FORK LIFT STATION, MCCART/MCPHERSON & BIG FOSSIL CREEK

SUBJECT

(CD 4, CD 6, CD 7 and CD 9) Authorize the Execution of Letter Agreement Relative to Limited Deduction of Certain Post-Production Costs and Expenses with TOTAL E&P USA Barnett, LLC and TOTAL E&P USA Barnett 2, LLC Associated with the Lake Worth A TRT Unit and Accept the Conveyance of Fee Simple Interests in Approximately 3.050 Acres and 1.708 Acres of Sewer, Permanent Drainage, Slope, Access, and Temporary Construction Easement Interests from TOTAL E&P USA Barnett, LLC and TOTAL E&P USA Real Estate, LLC, or Affiliates, for the Clear Fork Lift Station and Force Main Project, McCart Avenue/McPherson Boulevard Project and Big Fossil Creek Parallel Relief Sanitary Sewer Main M-402A, Phase 2 Project

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of letter agreement relative to limited deduction of certain post-production costs and expenses with TOTAL E&P USA Barnett, LLC and TOTAL E&P USA Barnett 2, LLC associated with the Lake Worth A TRT Unit;
2. Accept the conveyance of a fee simple interest in approximately 0.961 acres and 0.731 acres of sewer, access, and temporary construction easement interests in land located at 1630 Rogers Road, situated in the William D. Conner Survey, Abstract 288, City of Fort Worth, Tarrant County, Texas, from real property owned by TOTAL E&P USA Barnett, LLC, or affiliates, for the Clear Fork Lift Station and Force Main project (City Project No.100996);
3. Accept the conveyance of a fee simple interest in approximately 2.089 acres and 0.453 acres of permanent drainage, slope, and temporary construction easement interests in land located at 10701 McCart Avenue, situated in the Moses Walters Survey, Abstract 1598, Tract 3H, City of Fort Worth, Tarrant County, Texas, from real property owned by TOTAL E&P USA Barnett, LLC, or affiliates, for the McCart Avenue/McPherson Boulevard project (City Project No. C02505);
4. Accept the conveyance of 0.524 acres of land for a temporary access easement located at 6240 E. Belknap Street, situated in the George Akers Survey, Abstract 30, Tracts 5 & 5C in the Cities of Haltom City and Richland Hills, Tarrant County, Texas, from real property owned by TOTAL E&P USA Real Estate, LLC, or affiliates, for the Big Fossil Creek Parallel Relief Sanitary Sewer Main M-402A, Phase 2 project (City Project No. C02702); and
5. Authorize the City Manager or his designee to execute all documents necessary to accept the conveyances and record the appropriate instruments.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to seek approval to authorize the execution of a letter agreement with TOTAL E&P USA Barnett, LLC and TOTAL E&P USA Barnett 2, LLC, relative to limited deduction of certain post-production costs and expenses with respect to hydrocarbon production from, or attributable to, the Lake Worth A TRT Unit, and accept the conveyance of fee simple and various easement interests in real property located at 1630 Rogers Road for the Clear Fork Lift Station - Force Main project (City Project No.100996), 10701 McCart Avenue for the McCart Avenue/McPherson Boulevard project (City Project No. C02505) and 6240 E. Belknap Street for the Big Fossil Creek Parallel Relief Sanitary Sewer Main M-402A, Phase 2 project (City Project No. C02702) from TOTAL E&P USA Barnett, LLC and TOTAL E&P USA Real Estate, LLC, or affiliates (TOTAL).

Letter Agreement - Limited Deduction of Post-Production Expenses

The agreement will allow TOTAL to deduct certain post-production costs and expenses attributable to hydrocarbon production associated with the Lake Worth A TRT Unit under the following terms:

- Three (3) year initial term with two (2) successive one-year renewal terms, unless terminated by either party 90 days prior to the end of the initial term or renewal term.
- City will bear a proportionate share (25%) of permitted post-production costs only if the average Houston Ship Channel Index Price for any calendar month is greater than \$2.00 per MMBtu and less than \$3.25 per MMBtu.
- The City shall never incur a negative royalty balance for any month as a result of the application of the permitted costs, and TOTAL shall not offset any negative balance against past or future royalty payments.
- TOTAL agrees to spend up to \$600,000 in actual out-of-pocket expenses paid to unaffiliated third parties to perform workover operations on existing wells.

As consideration for the City's execution of the letter agreement, TOTAL will convey at no cost to the City certain fee simple and other property interests necessary to facilitate the construction of the following projects:

Clear Fork Lift Station and Force Main (Project No.100996)

Fee simple property rights, sewer, access, and temporary construction easement interests in land located at 1630 Rodgers Road are required to

construct additional wastewater conveyance in order to eliminate repeated sanitary sewer overflows near the intersection of University Drive and Rosedale Street. Flow projections indicate that the existing collection system is undersized in the Clear Fork corridor from the intersection of University Drive and Interstate Highway 30 to 7th Street. The proposed Clear Fork Lift Station will provide additional sanitary sewer capacity and eliminate overflows. This new lift station and force main line will be constructed for public use and funds for this project were included within the Water and Sewer Commercial Paper Fund.

McCart Ave/McPherson Blvd (Project No. C02505)

Fee simple property rights, slope, permanent drainage, and temporary construction easement interests in land located at 10701 McCart Avenue are required to construct public roadway improvements that will extend McCart Avenue from Twin Leaf Drive to N. Crowley-Cleburne Road and McPherson Boulevard from Cleburne Road to the future McCart Avenue. The dedicated land is needed for new travel lanes, storm drainage improvements, sidewalks, and streetlights as necessary. This new arterial will be constructed for public use and funds for this project were included within the 2014 Capital Improvement Program.

Big Fossil Creek Parallel Relief Sanitary Sewer Main RM-402A, Phase 2 (Project No. C02702)

Temporary access easement rights in the land located at 6240 E. Belknap Street are required to access a sanitary sewer easement located on an adjoining property at 6125 E. Belknap Street in the City of Richland Hills. The temporary access easement will provide an ingress and egress route through the subject property for the construction, operation, maintenance, replacement, upgrade and repair of the adjoining sewer line facility as necessary. The new sewer line will be constructed for public use, providing parallel relief for sewer main M-402A, and funds for this project are part of the Water Department's Sanitary Sewer Over Flow Initiative Program.

The land and easement interests being conveyed at 1630 Rogers Road are valued at \$353,200.00 based on an appraisal of the property prepared by Nicole Schechter, Goodrich, Schechter & Associates, LLC. The land and easement interests being conveyed at 10701 McCart Avenue are valued at \$93,023.00 based on an appraisal of the property prepared by Texas Appraisal Team. The temporary access easement being conveyed at 6240 E. Belknap Street is valued at \$14,835.86 based on an appraisal of the property prepared by Colliers International. The real estate taxes will be pro-rated for the fee simple interests with the property owners being responsible for taxes due up to the closing date. Each party will be responsible for its own closing costs associated with the transfer of property interests.

Upon City Council approval, staff will proceed with accepting the following easement and fee simple interests in the properties except for the mineral estate.

CPN	Parcel No.	Interest Owner	Legal Description	Property Interest	Acreage
100996	1-Fee Simple	Total E&P USA Barnett, LLC	William D. Conner Survey, Abstract No. 288, Tarrant County, Texas	Fee Simple	0.961 Acres
100996	1-TCE	Total E&P USA Barnett, LLC	William D. Conner Survey, Abstract No. 288, Tarrant County, Texas	Temporary Construction Easement	0.185 Acres
100996	1-PSFE	Total E&P USA Barnett, LLC	William D. Conner Survey, Abstract No. 288, Tarrant County, Texas	Permanent Sewer Facility Easement	0.328 Acres
100996	1-PAE	Total E&P USA Barnett, LLC	William D. Conner Survey, Abstract No. 288, Tarrant County, Texas	Permanent Access Easement	0.218 Acres
C02505	2-ROW	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Fee Simple	2.089 Acres
C02505	2-DE-1	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Permanent Drainage Easement	0.037 Acres
C02505	2-DE-2	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Permanent Drainage Easement	0.122 Acres
C02505	2-DE-3	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Permanent Drainage Easement	0.104 Acres
C02505	2-DE-4	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Permanent Drainage Easement	0.056 Acres
C02505	2-SE-1	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Slope Easement	0.008 Acres
C02505	2-SE-2	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Slope Easement	0.029 Acres
C02505	2-TCE-5	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Temporary Construction Easement	0.045 Acres

C02505	2-TCE-6	Total E&P USA Barnett, LLC	Moses Walters Survey, Abstract 1598, Tract 3H, Tarrant County, Texas	Temporary Construction Easement	0.052 Acres
C02702	19TAE	Total E&P USA Real Estate, LLC	George Akers Survey, Abstract 30, Tracts 5 & 5C, Tarrant County, Texas	Temporary Access Easement	0.524 Acres

The properties are located in COUNCIL DISTRICT 4, COUNCIL DISTRICT 6, COUNCIL DISTRICT 9 and the Cities of Haltom City and Richland Hills.

The pad sites for the Lake Worth A TRT Unit are located in COUNCIL DISTRICT 7.

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: TOTAL ADR

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of these recommendations will have no material effect on City funds. Any assets recorded on the City's financial statements associated with this conveyance of land will be adjusted upon approval.

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Expedited