



CITY OF FARMINGTON
800 MUNICIPAL DRIVE
FARMINGTON, NEW MEXICO 87401

**Leasing of Mineral Rights
Bid #08-75504
July 8, 2008
2:00 P.M.**

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Leasing of Mineral Rights
Bid #08-75504
July 8, 2008
2:00 P.M.

ACKNOWLEDGEMENT OF RECEIPT FORM

In acknowledgement of receipt of the **Leasing of Mineral Rights** distribution packet #08-75504, the undersigned agrees that he/she has received a complete copy, beginning with the title page and ending with the Draft Oil & Gas Lease, for a total of 12 Pages.

The acknowledgement of the receipt should be signed and returned to the Buyer no later than July 2, 2008. Only potential Bidders who elect to return this form will receive copies of all future communications, relating to, and including amendments to #08-75504, if issued.

FIRM: _____

REPRESENTED BY: _____

TITLE: _____ PHONE: _____

EMAIL: _____ FAX: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

SIGNATURE: _____ DATE: _____

This name and address will be used for all correspondence related to bid document #08-75504.

Firm **does/does not (circle one)** intend to respond to **Leasing of Mineral Rights, #08-75504**.

If firm **does not** intend to reply, please give a brief reason for not responding: _____

Return to:

Rosalyn Potter
Buyer II
City of Farmington
Central Purchasing
800 Municipal Drive
Farmington, NM 87401
Phone: **505-599-1365**
Fax: (505) 599-1377

Faxed Copies of this form will be accepted.
Faxed BID responses **will not be accepted.**

ARTICLE 1

GENERAL CONDITIONS

The bidder, in submitting this bid, represents that he is an equal opportunity employer, and will not discriminate with regard to race, religion, color, national origin, and sex in the performance of this contract.

Bidder must fill in all information asked for in the blanks provided under each item. Failure to comply may result in rejection of the Bid at the City's option.

The City reserves the right to reject any or all bids or to waive technicalities at its option when in the best interests of the City.

Any bid received after stated closing time will be returned unopened. If bids are sent by mail to the Purchasing Supervisor, the bidder shall be responsible for actual delivery of the bid to the Central Purchasing Department before the advertised date and hour for opening of bids. If mail is delayed either in the postal service or in the internal mail system of the City of Farmington beyond the date and hour set for the bid opening, bids thus delayed will not be considered and will be returned unopened.

Bids deposited with the City cannot be withdrawn prior to the time set for opening Bids. Request for non-consideration of Bids must be made in writing to the Central Purchasing Office and received by the City prior to the time set for opening Bids. After other bids are opened and publicly read, the Bid for which non-consideration is properly requested may be returned unopened. The bid may not be withdrawn after the bids have been opened, and the Bidder, in submitting the same, warrants and guarantees that his bid has been carefully reviewed and checked and that it is in all things true and accurate and free of mistakes and that such bid will not and cannot be withdrawn because of any mistake committed by the Bidder.

After Bids are opened and publicly read, the Bids will be tabulated for comparison. Until final award by the City of Farmington, the City reserves the right to reject any or all Bids, to waive technicalities, and to re-advertise, or proceed to do the work otherwise when the best interests of the City will be realized hereby.

Bids will be considered irregular if they show any omissions, alteration of form, additions, or conditions not called for, unauthorized alternate bids or irregularities of any kind. However, the City reserves the right to waive any irregularities and to make the award in the best interest of the City.

The City reserves the right to reject any or all Bids, and all Bids submitted are subject to this reservation. Bids may be rejected, among other reasons, for any of the following specific reasons:

1. Bids received after the time limit for receiving Bids as stated in the advertisement.
2. Bid containing any irregularities.

Bidders may be disqualified and their Bids not considered, among other reasons, for any of the following specific reasons.

1. Reason for believing collusion exists among the Bidders.
2. Reasonable grounds for believing that any Bidder is interested in more than one Bid for the work contemplated.
3. The Bidder being interested in any litigation against the City.
4. The Bidder is being in arrears on any existing contract or having defaulted on a previous contract.
5. Lack of competency as revealed by a financial statement, experience and equipment, questionnaires, etc.

The successful bidder may not assign his rights and duties under an award without the written consent of the City's Central Purchasing Office. Such consent shall not relieve the assignor of liability in event of default by his assignee.

In case of default of the successful bidder, the City of Farmington may re-bid or otherwise lease its mineral interests and hold the bidder responsible for any excess cost occasioned thereby.

ARTICLE 2

SPECIAL CONDITIONS SUPPLIES

Periodic deliveries will be made only upon authorization of the Purchasing Department and shall be made if, as, and when required and ordered by the City at such intervals as directed by said Purchasing Department.

Deliveries shall be to the location identified in each order within the City of Farmington.

The quantities shown on the bid are estimated quantities only. The City of Farmington reserves the right to purchase more than or less than the quantities shown. In any event, the unit bid prices shall govern.

The Contract will be awarded at the prices bid for a period of time as set forth in the Bid Schedule.

Bidder warrants that all deliveries made under the Contract will be of the type and quality specified; and the City's Purchasing Agent may reject and/or refuse any delivery which falls below the quality specified in the specifications. The City shall not be held to have accepted any delivery until after an inspection of same has been made and an opportunity to exercise its right of rejection has been afforded.

All manufacturers' warranties shall insure to the benefit of the City, and replacement of defective materials shall be made promptly upon request.

Failure by the Contractor to make reasonable delivery as and when requested shall entitle the Purchasing Agent to acquire quantities from alternate sources wherever available, with the right to seek reimbursement from the Contract for amounts, if any, paid by the City over and above the bid price.

All materials delivered shall be free of any and all liens and shall upon acceptance thereof become the property of the City, free and clear of any material man's, supplier's, or other liens.

Regardless of the award of a Contract hereunder, the City retains the right to purchase the same or similar materials or items from other sources should it be determined that doing so would be in the City's best interest, based on cost and quality considerations; however, in such event, the Contractor will be given the first option of meeting or rejecting the proposed alternate sources' lower price or higher quality.

Acceptance by the City of any delivery shall not relieve the Contractor of any guarantee or warranty, express or implied, nor shall it be considered an acceptance of material not in accordance with the Specification thereby waiving the City's right to request replacement of defective material.

ARTICLE 3

**SPECIAL CONDITIONS
EQUIPMENT**

Equipment other than current year models will not be considered as responsive to the Specifications. It is the intention of the City to purchase based on the Specifications, a standard production model. In addition to the equipment set out in the Specifications, the units shall include all equipment set out in the manufacturer's literature as standard equipment. They shall include all exterior moldings, name plates, medallions, series identifications, and chrome of every description that is usual for standard stock models of this series.

Compliance with or variations from the specifications must be noted as to each item on the Specification Sheet. This requirement must be met even though the Purchasing Agent may alter the specifications in the form of an addendum to accommodate variances. A request for a change in the specifications to accommodate a variation must be called to the attention of the Purchasing Agent at least 24 hours before the bid opening date.

All requests for such changes will be considered and the merits weighed. Only those changes in specifications deemed to be in the best interest of the City will be made. In the event of a change in specifications, an addendum will be supplied to bidders.

The unit shall be completely assembled, lubricated, adjusted, with all equipment including standard and extra equipment installed and the unit made ready for operation.

Bidders must fill in all information asked for in the blanks provided under each item. Failure to completely describe the equipment may result in rejection of the Bid. The City reserves the right to evaluate variations from the specifications and its judgment in such matters shall be conclusive.

The Bidder shall attach hereto, as part of this Bid, regularly printed literature published by the factory, which sets forth and describes the equipment he proposes to furnish.

Manufacturer's standard warranty for parts and labor must be included in this Bid.

For bids on more than one unit of equipment, the City reserves the right to make multiple purchases from more than one bidder if it deems such action to be in its best interest.

ARTICLE 4

**SPECIAL CONDITIONS
VEHICLES**

Vehicles other than current year models will not be considered as responsive to the specifications. It is the intention of the City to purchase based on the specifications, a standard production model. In addition to the equipment set out in the specifications, the units shall include all equipment set out in the manufacturer's literature as standard equipment. They shall include all exterior molding, name plates, medallions, series identifications, and chrome of every description that is usual for standard stock models of this series.

Compliance with or variations from the specifications must be noted as to each item on the Specification Sheet. This requirement must be met even though Central Purchasing may alter the specifications in the form of an addendum to accommodate variances. A request for change in the specifications to accommodate a variation must be called to the attention of the Central Purchasing Department at least 24 hours before the bid opening date. All requests for such changes will be considered and the merits weighed. Only those changes in specifications deemed to be in the best interest of the City will be made. In the event of a change in specifications, an addendum will be supplied to bidders.

The units shall be completely assembled, lubricated, adjusted, with all equipment installed and the units made ready for continuous operation with a minimum of five (5) gallons of fuel.

The successful Bidder shall furnish a Manufacturer's Statement of Origin and owner's manual with delivery of each unit.

For bids on more than one unit of equipment, the City reserves the right to make multiple purchases from more than one Bidder if it deems such action to be in its best interest.

All equipment covered by this Bid shall be delivered from point of assembly to the City of Farmington area by railway freight or conveyed by truck. Exceptions to this must be received by the Central Purchasing Department in writing in this Bid form.

ARTICLE 5

SPECIFICATIONS

These specifications are based upon design and performance criteria which have been developed by the City of Farmington as a result of extensive research and careful analysis of the data. Subsequently, these specifications reflect the only type of equipment, material(s) or supplies that is/are acceptable at this time. Therefore, exceptions may be accepted if they are minor, equal, or superior to that which is specified, and provided that they are listed and fully explained on a separate page entitled, "Exceptions to Specifications". The exceptions shall refer to the specification page and paragraph number. The Purchaser shall determine which (if any) exceptions are acceptable and this determination shall be final.

NOTICE TO BIDDERS

Sealed Bids will be received by the City of Farmington, San Juan County, New Mexico, at the Central Purchasing Office, Municipal Annex Building, 805 Municipal Drive, Farmington, New Mexico 87401.

The Bids duly delivered and submitted will be opened and read aloud for supplying the following on the dates and times reflected below:

Leasing of Mineral Rights
Bid #08-75504
July 8, 2008
2:00 P.M.

Any Bid received after stated closing time will be returned unopened. If bids are sent by mail to the Central Purchasing Office, the Bidder shall be responsible for actual delivery of the Bid to the Central Purchasing Office before the advertised date and hour for opening of the Bids. If mail is delayed either by the postal service or the internal mail system of the City of Farmington beyond the date and hour set for the Bid Opening, bids thus delayed will not be considered and will be returned unopened.

Bid documents may be retrieved by accessing the Purchasing page of the City of Farmington website, www.fmtn.org or by calling (505) 599-1373 and requesting Document Number 08-75504. Further details and criteria for award may be obtained at the above referenced Central Purchasing Office address, or by calling (505) 599-1373. The City of Farmington reserves the right to accept or reject any or all bids.

Until the final award by the Farmington City Council, said City reserves the right to reject any and/or all Bids, to waive technicalities, to re-advertise, or to proceed otherwise when the best interest of said City will be realized hereby. Bids will be submitted sealed and plainly marked with the date and time of opening.

City of Farmington, New Mexico

City Clerk

Publication Date: June 25, 2008
Opening Date: July 8, 2008

**INSTRUCTIONS TO BIDDERS
LEASING OF MINERAL RIGHTS
BID #08-75504**

1. The City of Farmington is requesting Bids from qualified Bidder(s) for the lease of its mineral rights located in Township 29 North, Range 13 West, NMPM for the following sections:
 - A. S/2 Section 7, all depths;
 - B. N/2 Section 18, all depths.

Bidders may submit a bid on one or all units listed above.

2. **EXTENT OF CITY'S OWNERSHIP UNKNOWN; NO WARRANTY:** The City has not conducted a title search and does not know the extent of its mineral rights ownership in any of the Sections listed above. It DOES NOT WARRANT the extent of its ownership as it is unknown. It will be the responsibility of the Bidder to research and prepare the descriptions of property to be included in the lease(s), and to defend the extent of the City's interest against any claim.
3. **LEASE AGREEMENT:** The only lease the City will accept will be in the form of the Lease Agreement attached hereto-NO EXCEPTIONS. The term of the lease is three years. The City will be paid a twenty percent (20%) royalty. Other terms will be provided in the attached draft form.
4. **BONUS:** Since the extent of the City's mineral rights is unknown at this time, Bidders will bid the Bonus in dollars per acre. The total of the Bonus to be paid will be the amount of Bonus per acre multiplied by the net mineral acres of the City's interest once it is determined as provided below. A separate Bonus will be bid for each area described in Paragraph 1 above.
5. **AWARD:** The successful Bid for each area will be determined by identifying the highest Bonus in dollars per acre submitted for that area. The successful Bidder for each area will then have up to thirty (30) days to complete title research and notify the City of the total net mineral acres owned by the City in the area. This time period will be extended, if requested by the successful Bidder, for up to an additional 30 days. After such notification, the City will then have up to ten (10) days to concur or disagree with the amount submitted. Should the City agree with the amount submitted, the successful Bidder will prepare a lease on the City's form and present for signature. Should the City disagree with the amount of mineral rights submitted, the City will choose either to accept the amount submitted or require the successful Bidder to use a higher amount and the City will warrant and agree to defend title to the City's interest.

6. Contacts:

- a. Questions and/or suggestions concerning this lease bid shall be directed to no later than July 2, 2008 at 5:00 p.m.:

Rosalyn Potter
Buyer II
(505) 599-1365
(505) 599-1377 Fax
rpotter@fmtn.org

-OR-

Edward Smylie
Purchasing Officer
(505) 599-1369
esmylie@fmtn.org

- b. Bidders shall not contact any City official, or City employee regarding this bid. The only approved contact shall be telephone contact with the above-referenced City staff. Any Bidders making contact for other information may be disqualified.

**LEASING OF MINERAL RIGHTS
BID #08-75504
BID FORM**

In order to be considered, bids must be on this form and returned to the City of Farmington, Central Purchasing Department, 805 Municipal Drive, Farmington, New Mexico 87401. Forms must be received by 2:00 p.m., July 8, 2008. Bid must be submitted in a sealed envelope with the bid number and opening date clearly indicated on the bottom left hand side of the front of the envelope. **Faxed bids will not be accepted.** Award will be based on the highest cash bonus given per acre, meeting the conditions of this bid. The City has not conducted a title search and does not know the extent of its mineral rights ownership and will not warrant title. The City of Farmington reserves the right to reject any or all bids.

CATEGORY BID

CATEGORY	DESCRIPTION	BONUS AMOUNT PER ACRE (Bid Price)
A	S/2 Section 7, all depths	\$ _____
B	N/2 Section 18, all depths	\$ _____

In U.S. Dollars, cash, check or other form of immediately available funds, to the City of Farmington as a bonus for the City's execution and delivery of an executed Lease Agreement leasing to Bidder all of the City's mineral rights in and relating to Township 29 North, Range 13 West, NMPM in the above referenced Sections on the terms and conditions stated in the City's Instructions to Bidders and the City's form Lease Agreement.

BIDDER NAME: _____

ADDRESS: _____

CONTACT PERSON: _____

PHONE NUMBER: _____

The above-described Bidder hereby binds him/her/itself to pay amount awarded by the Farmington City Council.

CITY OF FARMINGTON
OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this _____ day of _____, 2008, by and between the City of Farmington, New Mexico, a municipal corporation, whose address is 800 Municipal Drive, Farmington, New Mexico 87401, hereinafter called "Lessor," and _____ whose address is _____, hereinafter called "Lessee."

WITNESSETH, that the Lessor, for and in consideration of \$ _____ Dollars, cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, said land being all that certain tract of land situated in the County of San Juan, State of New Mexico, described as follows, to-wit:

All Mineral Rights, if any, owned by the City of Farmington, within the following described property in San Juan County, New Mexico:

Section: *(To be determined after Bid award)*

1. It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease without the parties first entering into a separate written agreement allowing such use upon appropriate conditions and payment of surface damages, if any.

2. It is agreed that this lease shall remain in force for a term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced in paying quantities from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced in paying quantities on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force as long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production in paying quantities thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production in paying quantities or from date of completion of dry hole. If oil or gas shall be discovered and produced in paying quantities as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced in paying quantities from the leased premises or on acreage pooled therewith.

For the purposes of this agreement, the term "production if paying quantities" is defined as production in quantities sufficient to yield a return in excess of operating costs, including the royalties provided for hereunder.

3. This is a paid-up lease. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

4. In consideration of the premises the said Lessee covenants and agrees to pay royalties to Lessor as follows:

(a) one-fifth (1/5) of all oil produced and saved from the leased premises to be delivered at the wells to the credit of Lessor into the pipeline to which the well may be connected; provided that Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline;

(b) the market value at the well of one-fifth (1/5) of the gas (including casing head gas or other gaseous substances) produced from the land and sold;

(c) one-fifth of the amount realized from the sale of any other substances produced from said land with oil and gas.

Notwithstanding anything to the contrary set forth herein, the royalties to which Lessor is entitled shall not be reduced by gathering, compression, de-hydration, processing, transportation or marketing fees or charges.

5. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners \$10 per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made it will be considered that gas is being produced within the meaning of this lease.

6. If said Lessor owns a less interest in the above-described land than the entire and undivided fee simple therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the

obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division.

9. In order to comply with statutory or regulatory well spacing and/or proration unit requirements, Lessee, at its option is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only in the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit.

10. All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated, in whole or in part, nor shall Lessee be held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

11. The parties agree that Lessee has had ample opportunity to conduct an examination of the county records pertaining to Lessor's title to the mineral rights under the lands herein described, and Lessor does not warrant or agree to defend such title. It is specifically agreed that Lessee has made its own determination as to the mineral interests of Lessor and does not and has not relied on any representation or information supplied by Lessor in regard to such ownership or title. Lessee shall, however, have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof.

12. All the provisions of this lease shall inure to the benefit of and be binding on the heirs, successors and assigns of Lessor and Lessee.

