CITY OF SHERMAN
CITY COUNCIL REGULAR MEETING AGENDA
COUNCIL CHAMBERS OF THE CITY HALL
220 WEST MULBERRY STREET
SHERMAN, TEXAS
MONDAY, FEBRUARY 6, 2012
5:00 P.M.

A.1 CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN

A.2 PLEDGE OF ALLEGIANCE

A.3 INVOCATION BY COUNCIL MEMBER JOE N. SMITH

A.4 APPROVE MINUTES OF THE REGULAR CITY COUNCIL MEETING OF JANUARY 16, 2012

Special Presentation

A.5 SPECIAL PRESENTATION
Introduction of the Sherman Economic Development Corporation's New President

Public Hearing

B.1 INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5732 AND AN APPLICATION TO DRILL AN OIL AND GAS WELL
Amending Section 8, Subsection (5)(a), Ordinance No. 2280, so as to Grant a Specific Use Permit to Allow the Drilling of an Oil/Gas Well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District at 2300 Skaggs Road, being 120 acres in the Fleming Jennings Survey, Abstract No. 638 and the C.C. Fitch Survey, Abstract No. 1556 (Jack and Patsy Pierce, Mineral Rights Owners; Greg Spalding, Longfellow Energy, LP, Representative; and Sartin & Associates, Inc., Surveyors); Providing that this Specific Use Permit Shall be Granted Subject to Certain Conditions; Providing a Penalty Not to Exceed $2,000.00

B.2 INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5733
Amending Section 12, Ordinance No. 2280, so as to Include Certain Properties within the C-O (Office) District at 2612 West Lamberth Road (Ben Dye, Owner; Nathan Gray, NBS Drafting and Design, Architect; and Sartin & Associates, Inc., Surveyors)

B.3 INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5734
Providing for Permanent "Stop" Signs at the Intersection of Cimmaron Trail and Park Avenue and at the Intersection of Seminole Drive and Tejas Drive within the City Limits of the City of Sherman; Providing for a Penalty Provision

Close Public Hearing and Consider Adoption of Ordinances

B.4 ADOPTION OF ORDINANCES

Consider Adoption of Ordinance Numbers:

(a) 5732
(b) 5733
(c) 5734

B.5 CONSENT AGENDA

Asterisked (*) items are considered to be routine and will be enacted in one motion without discussion unless a Council Member or a citizen requests a specific item be discussed and voted on separately

Resolutions

C.1 RESOLUTION NO. 5650

Authorizing Execution of an Agreement with Jason and Daresa Sofey under the City of Sherman's Central Business District Historic Building Restoration and Improvement Grant Program for Improvements to 116 West Lamar Street

C.2 RESOLUTION NO. 5651

Suspending the March 6, 2012 Effective Date of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company") Requested Rate Change to Permit the City Time to Study the Request and to Establish Reasonable Rates; Approving Cooperation with the Atmos Cities Steering Committee ("ACSC") and Other Cities in the Atmos Mid-Tex Service Area to Hire Legal and Consulting Services and to Negotiate with the Company and Direct any Necessary Litigation and Appeals; Requiring Reimbursement of Cities' Rate Case Expenses; Requiring Notice of this Resolution to the Company and Legal Counsel for the Steering Committee

C.3 ** RESOLUTION NO. 5652*

Awarding Bids to and Authorizing Execution of Contracts with Multiple Vendors for an Annual Supply of Chemicals for the Sherman Water Treatment Plant

Other Business

D.1 ** OTHER BUSINESS*

Consider Longfellow Energy, LP's Application for a Permit to Drill an Oil and Gas Well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District at 2300 Skaggs Road, being 120 Acres in the Fleming Jennings Survey, Abstract No. 638 and the C.D. Fitch Survey, Abstract No. 1556

D.2 ** OTHER BUSINESS*

Approve Quarterly Investment Reports for Period Ending December 31, 2011

D.3 CITIZEN REQUESTS

D.4 MEDIA QUESTIONS

D.5 COUNCIL COMMENTS

D.6 ADJOURNMENT

COUNCIL CALENDAR

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. A.1

CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN

The Honorable Bill Magers, Mayor

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. A.2

PLEDGE OF ALLEGIANCE

The Honorable Joe N. Smith, Council Member

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. A.3

INVOCATION BY COUNCIL MEMBER JOE N. SMITH

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. A.4

APPROVE MINUTES
OF THE REGULAR CITY COUNCIL MEETING OF JANUARY 16, 2012

STATE OF TEXAS §

January 16, 2012

COUNTY OF GRAYSON §

BE IT REMEMBERED THAT A Regular Meeting of the City Council of the City of Sherman, Grayson County, Texas was begun and held in the Council Chambers of City Hall on January 16, 2012.

MEMBERS PRESENT: **MAYOR BILL MAGERS; DEPUTY MAYOR WILLIE STEELE. COUNCIL MEMBERS HOWETH, PLYLER, SMITH, SOFTLY, WACKER.**

MEMBERS ABSENT: **NONE.**

CALL TO ORDER — **CALL TO ORDER**

Mayor Magers called the meeting to order at 5:00 p.m. The Pledge of Allegiance and the Invocation were given by Mayor Bill Magers.

APPROVE MINUTES — **APPROVE MINUTES**

The Council reviewed the Minutes of the Regular City Council Meeting of December 19, 2011. Council Member Smith moved to approve the Minutes as presented; Second by Council Member Plyler. All present voted AYE.
MOTION CARRIED.

INTRODUCTION AND PUBLIC HEARING OF ORDINANCES

Mayor Magers introduced Ordinance 5730 and called for a public hearing: — **ORD 5730 ROOFING BOND**

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AMENDING CHAPTER 3 OF THE CODE OF ORDINANCES, ENTITLED "BUILDING REGULATIONS", ARTICLE 3.02, ENTITLED "BUILDING, LIFE SAFETY AND RESIDENTIAL CODES", SECTION 3.02.002, ENTITLED "AMENDMENTS TO CODES", BY ADDING SUBSECTION (A)(6) TO PROVIDE FOR THE INCLUSION OF REQUIREMENTS FOR A CONTRACTOR ROOFING BOND; PROVIDING FOR INCLUSION IN THE CODE OF ORDINANCES; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER.

No citizens appeared before the City Council to discuss Ordinance 5730.

Mayor Magers introduced Ordinance 5731 and called for a public hearing: — **ORD 5731 R-O-W SAFETY REGULATIONS**

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AMENDING CHAPTER 8 OF THE CODE OF ORDINANCES, ENTITLED "OFFENSES AND NUISANCES", AT ARTICLE 8.03, ENTITLED "OFFENSES INVOLVING PUBLIC PEACE AND ORDER", TO PROVIDE FOR A NEW SECTION 8.03.004 TO BE ENTITLED "RIGHT-OF-WAY SAFETY REGULATIONS"; PROVIDING FOR A PENALTY OR FINE NOT TO EXCEED FIVE HUNDRED DOLLARS ($500.00); PROVIDING FOR AN EFFECTIVE DATE;

PROVIDING FOR INCLUSION IN THE CODE OF ORDINANCES; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER.

No citizens appeared before the City Council to discuss Ordinance 5731.

The Public Hearing was closed.

ADOPTION OF ORDINANCES

Ordinance 5730 **ORD 5730**
ROOFING BOND

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AMENDING CHAPTER 3 OF THE CODE OF ORDINANCES, ENTITLED "BUILDING REGULATIONS", ARTICLE 3.02, ENTITLED "BUILDING, LIFE SAFETY AND RESIDENTIAL CODES", SECTION 3.02.002, ENTITLED "AMENDMENTS TO CODES", BY ADDING SUBSECTION (A)(6) TO PROVIDE FOR THE INCLUSION OF REQUIREMENTS FOR A CONTRACTOR ROOFING BOND; PROVIDING FOR INCLUSION IN THE CODE OF ORDINANCES; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER.

Ordinance 5731 **ORD 5731**
R-O-W SAFETY REGULATIONS

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AMENDING CHAPTER 8 OF THE CODE OF ORDINANCES, ENTITLED "OFFENSES AND NUISANCES", AT ARTICLE 8.03, ENTITLED "OFFENSES INVOLVING PUBLIC PEACE AND ORDER", TO PROVIDE FOR A NEW SECTION 8.03.004 TO BE ENTITLED "RIGHT-OF-WAY SAFETY REGULATIONS"; PROVIDING FOR A PENALTY OR FINE NOT TO EXCEED FIVE HUNDRED DOLLARS ($500.00); PROVIDING FOR AN EFFECTIVE DATE; PROVIDING FOR INCLUSION IN THE CODE OF ORDINANCES; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER.

Mayor Magers thanked Brandon Shelby, City Attorney, for his fast response to this ordinance. Several businesses complained to the City Council regarding "panhandling." While the City is limited by what they can do, he thanked the City Attorney for putting "teeth" in the ordinance and giving the Police Department more to work with.

ACTION TAKEN.

Motion by Council Member Smith to approve Ordinance Nos. 5730 and 5731, as presented. Second by Deputy Mayor Steele.

VOTING AYE: Howeth, Plyler, Smith, Softly, Steele, Wacker.
VOTING NAY: None.
MOTION CARRIED.

CONSENT AGENDA — **CONSENT AGENDA**

Mayor Magers said the City Manager requested that Resolution 5646 be pulled from the Agenda. He verified that no action would be taken and the resolution would be brought back at a future meeting.

The Council reviewed the amended Consent Agenda. Council Member Wacker moved to approve the amended Consent Agenda, as presented. Second by Council Member Softly. All present voted AYE.

RESOLUTIONS

RESOLUTION NO. 5645 – AUTHORIZING EXECUTION OF CONTRACT WITH ESPEY CONSULTANTS, INC. TO PREPARE EMERGENCY ACTION PLANS FOR THE CITY'S THREE FLOOD CONTROL STRUCTURES — **RES 5645 EMERGENCY ACTION PLANS FOR FLOOD CONTROL STRUCTURES**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING EXECUTION OF A CONTRACT WITH ESPEY CONSULTANTS, INC. TO PREPARE EMERGENCY ACTION PLANS FOR THE CITY'S THREE FLOOD CONTROL STRUCTURES.

Council Member Wacker asked if this contract was in conjunction with the floodplain mapping. George Olson, City Manager, said these are the same consultants that are providing the City's Watershed Management Study. Since they are already in Sherman looking at the issue anyway it would be good to utilize the information they already had.

ACTION TAKEN.

Motion by Council Member Wacker to approve Resolution No. 5645, as presented. Second by Council Member Howeth.

VOTING AYE: Howeth, Plyler, Smith, Softly, Steele, Wacker.
VOTING NAY: None.
MOTION CARRIED.

RESOLUTION NO. 5646 – AWARDING BIDS TO AND AUTHORIZING EXECUTION OF CONTRACTS WITH MULTIPLE VENDORS FOR AN ANNUAL SUPPLY OF CHEMICALS FOR THE SHERMAN WATER TREATMENT PLANT — **RES 5646 WATER TREATMENT PLANT ANNUAL CHEMICALS (TABLED)**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AWARDING BIDS TO AND AUTHORIZING EXECUTION OF CONTRACTS WITH MULTIPLE VENDORS FOR AN ANNUAL SUPPLY OF CHEMICALS FOR THE SHERMAN WATER TREATMENT PLANT.

ACTION TAKEN.

Motion by Deputy Mayor Steele to table Resolution No. 5646. Second by Council Member Howeth.

VOTING AYE: Howeth, Plyler, Smith, Softly, Steele, Wacker.
VOTING NAY: None.
MOTION CARRIED TO TABLE.

RESOLUTION NO. 5647 – AUTHORIZING EXECUTION OF AN ENCROACHMENT EASEMENT TO STEEPLE CHASE FARMS SUMMIT, LP FOR THE CONSTRUCTION OF A MONUMENT SIGN IN A UTILITY EASEMENT IN BLOCK W, LOT 2 OF THE ESTATES OF PEBBLEBROOK ADDITION, PHASE I TO THE CITY OF SHERMAN (3621 STEEPLE CHASE DRIVE)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING EXECUTION OF AN ENCROACHMENT EASEMENT TO STEEPLE CHASE FARMS SUMMIT, LP FOR THE CONSTRUCTION OF A MONUMENT SIGN IN A UTILITY EASEMENT IN BLOCK W, LOT 2 OF THE ESTATES OF PEBBLEBROOK ADDITION, PHASE 1 TO THE CITY OF SHERMAN (3621 STEEPLE CHASE DRIVE).

CONSENT AGENDA.

RES 5647 ENCROACHMENT FOR MONUMENT SIGN (3621 STEEPLE CHASE DR.)

RESOLUTION NO. 5648 – RENAMING THE 3600 BLOCK OF CALAIS DRIVE TO NORTH CALAIS STREET

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, RENAMING THE 3600 BLOCK OF CALAIS DRIVE TO NORTH CALAIS STREET.

CONSENT AGENDA.

RES 5648 RENAME 3600 BLOCK CALAIS TO N. CALAIS STREET

RESOLUTION NO. 5649 – APPROVING AND ADOPTING AN AMENDED CAFETERIA PLAN, INCLUDING A DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT AND A HEALTH FLEXIBLE SPENDING ACCOUNT, EFFECTIVE OCTOBER 1, 2010

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, APPROVING AND ADOPTING AN AMENDED CAFETERIA PLAN, INCLUDING A DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT AND A HEALTH FLEXIBLE SPENDING ACCOUNT, EFFECTIVE OCTOBER 1, 2010.

CONSENT AGENDA.

RES 5649 EMPLOYEE CAFETERIA PLAN

REQUEST TO ADVERTISE
PARK RESTROOM CLEANING SERVICES

The City Council approved the request to advertise for the private contract cleaning of eight public park restrooms. The contract would include cleaning and securing the facilities seven days a week for a nine month period at the minimum.

CONSENT AGENDA.

REQ TO ADVERTISE PARK RESTROOM CLEANING SERVICES

CITY RIGHT-OF-WAY AND PROPERTY MOWING

The City Council approved the request to advertise for the annual mowing of City boulevards, islands, street right-of-ways and other City properties. The staff is requesting to contract this mowing in an ongoing effort to increase efficiency and maintenance of City-owned properties.

CONSENT AGENDA.

CITY R-O-W & PROPERTY MOWING

OTHER BUSINESS

RECEIVE QUARTERLY PROGRESS REPORT FROM SHERMAN ECONOMIC DEVELOPMENT CORPORATION BOARD VICE CHAIRMAN JUSTON DOBBS AND SEDCO EXECUTIVE VICE PRESIDENT FRANK GADEK

SEDCO QUARTERLY REPORT

Juston Dobbs, Vice Chairman of the Sherman Economic Development Corporation, presented a quarterly progress report on the Board's activities. SEDCO's mission is to grow and diversify the Sherman and surrounding area economies through the addition of new jobs and investment.

The Board's top accomplishments during the last quarter includes a Joint Board Meeting with the City Council where they presented their Annual Work Plan and Budget, which was approved by Council Members. There are many projects "in the works" but nothing has "closed."

SEDCO has conducted interviews with five candidates for the position of president.

During the next quarter the Board will report on their Work Plan and the status of the projects. The goal is to have a new president in place by March 1, 2012. The field of candidates has been narrowed to two.

Mr. Dobbs added that there is continued activity with Panda Energy. There is nothing significant to announce, but SEDCO continues to receive data from Panda Energy.

He felt that a deal will be closed in the next couple of weeks with a medium sized company. The move to the City's old Youth Center is not currently on the "front burner" with SEDCO but is still in the process.

Mr. Dobbs said SEDCO currently has a strong Board and he felt they would make good decisions for 2012. Mayor Magers said the current Board is very business oriented and very involved. There are some projects in the works.

Mayor Magers confirmed that SEDCO has "walked through" the Youth Center and is viewing the "big picture" as to changes that need to be made.

CITIZENS REQUESTS

CITY USE OF THE PUBLIC INFORMATION ACT

USE OF THE PUBLIC INFORMATION ACT

Christopher Rehmet, 4520 Texoma Parkway, Ste. I, said he had some concerns he would like to voice, but decided he had chosen an inappropriate time or forum or manner to do so. Therefore, at this time, Mr. Rehmet withdrew his request to speak.

WELCOME TO BOY SCOUT TROOP

WELCOME TO BOY SCOUT TROOP

Mayor Magers recognized Boy Scout Troop 66 from Texoma Christian School. The Scouts are working on their "Citizenship in the Community" badge and attended the City Council Meeting.

One of their leaders asked about Panda that was referenced in the report from SEDCO. Mayor Magers explained that Panda Energy is an energy company that plans to relocate to Sherman. It would be the biggest capital investment in Sherman's history at approximately $600 million. They are a natural gas power generating company and would be a high water user for Sherman.

MEDIA QUESTIONS

MEDIA QUESTIONS

There were no media questions.

COUNCIL COMMENTS

WELCOME BACK TO MAYOR

WELCOME BACK TO MAYOR

Deputy Mayor Steele welcomed the Mayor back after his holiday travels.

DR. MARTIN LUTHER KING, JR. DAY EVENT

DR. MARTIN LUTHER KING, JR. DAY

Council Member Softly thanked everyone that participated in the breakfast at Austin College in honor of Dr. Martin Luther King, Jr. Day. This was the eighth year of the event, which was hosted by Austin College and the Rotary Club.

DR. MARTIN LUTHER KING, JR. DAY EVENT

DR. MARTIN LUTHER KING, JR. DAY

Mayor Magers added that there was great attendance at the breakfast in honor of Dr. Martin Luther King, Jr. Day.

AUSTIN COLLEGE IDEA CENTER

AUSTIN COLLEGE IDEA CENTER

Mayor Magers reminded citizens that SEDCO supported Austin College in the construction of an IDEA Center. This is a significant project and SEDCO and the City Council felt it was very important that local companies become involved in the project.

According to Dr. Marjorie Hass, President of Austin College, many local contractors and sub-contractors are involved in the project. Mayor Magers felt the project was great for the community and commended Austin College for fulfilling their commitment to use local contractors.

TRIP TO BRAZIL

TRIP TO BRAZIL

Mayor Magers said his family took a trip to Brazil for the holidays, but it was great to be back in Sherman.

ADJOURNMENT

ADJOURNMENT

On Motion duly made and carried, the meeting adjourned at 5:16 p.m.

MAYOR

CITY CLERK

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. A.5

SPECIAL PRESENTATION
Introduction of the Sherman Economic Development Corporation's New President

Issue
SEDCO's new President

Background
The SEDCO Board recently retained a new President for the Corporation. SEDCO Board Chairman Todd Thompson will take this opportunity to introduce the individual to the City Council, staff, and citizens.

Origination
Mayor Bill Magers

Prepared and Approved by:
George Olson, City Manager

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. B.1

INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5732 AND AN APPLICATION TO DRILL AN OIL AND GAS WELL
Amending Section 8, Subsection (5)(a), Ordinance No. 2280, so as to Grant a Specific Use Permit to Allow the Drilling of an Oil/Gas Well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District at 2300 Skaggs Road, being 120 acres in the Fleming Jennings Survey, Abstract No. 638 and the C.C. Fitch Survey, Abstract No. 1556 (Jack and Patsy Pierce, Mineral Rights Owners; Greg Spalding, Longfellow Energy, LP, Representative; and Sartin & Associates, Inc., Surveyors); Providing that this Specific Use Permit Shall be Granted Subject to Certain Conditions; Providing a Penalty Not to Exceed $2,000.00

Issue
To consider the request of Jack and Patsy Pierce (Mineral Rights Owners), Greg Spalding, Longfellow Energy, LP (Representative), and Sartin & Associates, Inc. (Surveyors) concerning the property located at 2300 Skaggs Road, being 120 acres in the Fleming Jennings Survey, Abstract No. 638 and the C.C. Fitch Survey, Abstract No. 1556, to allow the drilling of an oil/gas well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District

Background
The property is located at 2300 Skaggs Road; between Tuck Street and U.S. Highway 82. The mineral rights owners would like to drill a third oil/gas well on their property inside the city limits of Sherman.

Origination
Jack and Patsy Pierce (Mineral Rights Owners), Greg Spalding, Longfellow Energy, LP (Representative), and Sartin & Associates, Inc. (Surveyors)

Board Recommendation
At the November 22, 2011 regular meeting, the Planning and Zoning Board voted 5/0 to recommend to the City Council that the Specific Use Permit be approved subject to the Staff Review Letter.

Attachments
Ordinance No. 5732, Location Map, Photograph, Site Plan, P&Z Communication Form, and Staff Review Letter

Prepared by:
Scott Shadden, Development Services Director

Approved by:
George Olson, City Manager

ORDINANCE NO. 5732

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AMENDING SECTION 8, SUBSECTION (5)(A), ORDINANCE NO. 2280, SO AS TO GRANT A SPECIFIC USE PERMIT TO ALLOW THE DRILLING OF AN OIL/GAS WELL (SKAGGS #4) IN AN R-1 (ONE FAMILY RESIDENTIAL) DISTRICT AND C-1 (RETAIL BUSINESS) DISTRICT AT 2300 SKAGGS ROAD, BEING 120 ACRES IN THE FLEMING JENNINGS SURVEY, ABSTRACT NO. 638 AND THE C.C. FITCH SURVEY, ABSTRACT NO. 1556 (JACK AND PATSY PIERCE, MINERAL RIGHTS OWNERS; GREG SPALDING, LONGFELLOW ENERGY, LP, REPRESENTATIVE; AND SARTIN & ASSOCIATES, INC., SURVEYORS); PROVIDING FOR A REPEALER; PROVIDING THAT THIS SPECIFIC USE PERMIT SHALL BE GRANTED SUBJECT TO CERTAIN CONDITIONS; PROVIDING A PENALTY NOT TO EXCEED $2,000.00; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

WHEREAS, the City Planning and Zoning Commission and the City Council, in accordance with the state law and the ordinances of the City of Sherman, have given the required notices and have held the required public hearings regarding this Specific Use Permit; and

WHEREAS, the City Council finds that this use will complement or be compatible with the surrounding uses and community facilities; contribute to, enhance, or promote the welfare of the area of request and adjacent properties; not be detrimental to the public health, safety, or general welfare; and conform in all other respects to all applicable zoning regulations and standards; and

WHEREAS, the City Council finds that it is in the public interest to grant this specific use permit, subject to certain conditions;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS;

SECTION 1. That, from and after the passage of this ordinance, Jack and Patsy Pierce (Mineral Rights Owners), Greg Spalding, Longfellow Energy, LP (Representative), and Sartin & Associates, Inc. (Surveyors) are granted a Specific Use Permit to allow the drilling of an oil/gas well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District at 2300 Skaggs Road, and that Section 8, Subsection (5)(a), Ordinance No. 2280 is hereby amended so as to hereafter include the following described property:

Tract 2

120 acres, more or less out to the Fleming Jennings Survey, A-638 and the C.C. Fitch Survey A-1556, 2½ miles N.E. of the town of Sherman, Texas and described as:

BEGINNING in the Sherman and Bonham public road at the S.E. corner of said Fitch 191 acre survey in the West line of the W.H. Brogden Survey,

THENCE North with the East line of said Fitch Survey and a public road 1077 varas to a stake for a corner;

THENCE West 733 varas to a stake for a corner in the South line of a 20 tract out of the Jennings Survey conveyed by Frank Richards to John Brooks in a recorded in Volume G, Page 400, Deed Records, Grayson County, Texas;

THENCE South 1077 varas to the south line of said Jennings Survey and the North line of the H.C. Atchison Survey;

THENCE East with said North line of the Atchison Survey 633 varas to the place of beginning and being the same land conveyed to Harold Skaggs by the First Trust Joint Stock Land Bank of Chicago dated 14 September, 1936 in Volume 388, page 338, Deed Records, Grayson County, Texas.

SECTION 2. That this specific use permit is granted on the following conditions:

Zoning:

1. All requirements of the Oil and Gas Well Ordinance (Chapter 4, Article 4.10) shall be followed.
2. Provide copy of Railroad Commission Application to drill and copies of requirements of Railroad Commission based on application.
3. Provide name address and phone number of operator of lease and property owner and name and number of contact person for the operator.
4. Provide description of the lease or lands involved and length of time surface operations are expected to occur.
5. Provide a scale drawing showing location of the well, ownership of the land, property lines, structures and offset operators or land owners.
6. Provide the name and address of the drilling contractor.
7. Provide a scaled drawing showing the proposed site and the location, distance to and nature of adjacent land uses.
8. Provide a statement warning of possible hazardous formation conditions that may be encountered during or as a result of the proposed drilling or exploration operation as maintenance of an existing well site.
9. Provide a copy of Operators Spill Prevention Plan.
10. Provide a certificate of insurance that carries a minimum coverage for bodily injury of $500,000 for each occurrence and $1,000,000 aggregate, and for the cost

of controlling a well that is out of control, re-drilling or restoration expenses, seepage or pollution damage as first party recovery for the operator and related expenses, including but not limited to evacuation of residents, in the amount of at least $5,000,000 per occurrence. The lease owner shall carry at all times this minimum limit of insurance until such time the well is out of production and all appurtenances removed from the site. The insurance under all situations and at all times shall list the City of Sherman as additionally named insured.

11. The oil or fuel storage tank or tank battery shall be installed in conformance with the spill prevention control and counter measure plan published by the U.S. Environmental Protection Agency.
12. A tank or tank battery shall not be located nearer than 150' from any residence or dwelling, unless the tank or tank battery existed prior to the residence or dwelling.
13. A tank or tank battery shall not be closer than 30' from any combustible structure.
14. Oil and fuel storage tanks or tank batteries, fences and wall shall be kept well painted and in good repair.
15. If the well(s) associated with an oil storage tank or tank battery is/are plugged, or if the storage tank battery is no longer in use, the storage tank or tank battery and associated pipelines shall be removed and the land restored. This provision includes all associated appurtenances with the wells and or tank batteries. This removal shall occur within six months unless documentation can be provided that the well and or tank battery will be used within the next two years. For the purpose of this provision, the term no longer in user shall mean that the tank or tank battery, while it or they may contain some residue of fuel, has not been pumped into or out of within the past six months.
16. Other oil or fuel storage tanks that receive products from transmission or distribution lines that are not pumped into or out of for a period of six months shall be considered abandoned and/or unused. The leaseholder shall disassemble and completely remove such tanks and all associated appurtenances from the site unless it is shown that there are plans to reuse the storage tanks within the next two years.
17. Within six months after the removal of any oil storage tanks or tank batteries, the permittee shall restore the property to its original state insofar as possible, to include removal and/or restoration of any un-remediated soil.
18. Pumps shall be electrically powered.
19. All surface equipment shall be kept clean, painted, in good repair and properly lubricated in order that they will operate quietly. The noise produced by well jacks or units on a producing well shall not exceed 50 decibels at any boundary of the parcel on which the well is located.
20. All flow lines shall be buried at least (1) one foot under the ground. Depending upon adjacent land uses and proposed streets, roads and highways, the City may require lines to be buried at a greater depth.
21. Upon the removal of the associated tank batteries and/or the plugging of wells associated with such pipelines, the pipelines shall be removed.
22. Any waste oil or water in, on, or around any premises shall be immediately cleaned up and the ground shall be cleaned of any oil bearing dirt.

23. The leaseholder shall proceed with the drilling operations with the highest degree of care so as not to injure adjoining property or persons in any manner by keeping the premises suitably fenced or guarded 24 hours a day in such manner as to avoid trespassing during the drilling and exploratory operations; and to remove all drilling mud upon completion of drilling operations; immediately cleaning the grounds around the well of all drilling mud and/or salt water or water. The area shall be made to conform in appearance to the lands in the neighborhood wherein such drilling, exploration or maintenance operations are so conducted. All pits and contents shall be removed from the premises and the drill site within 30 days after completion of the well. Prior to the commencement of any drilling operations a private road shall be installed to the drill site and the operation site that is at least (10) ten feet wide and has an overhead clearance of at least 14 feet and is surfaced and maintained to prevent dust and mud.
24. Sounds during drilling operations shall not exceed 60 decibels during daytime hours between 7 a.m. and 7 p.m. and 50 decibels during nighttime hours between 7 p.m. and 7 a.m. measured at any occupied structure on a parcel other than the parcel on which the oil or gas well is located.
25. The center of any well at the surface shall be a minimum of 25 feet from any storage tank or source of ignition; 100 feet from any building accessory to the well, public street, road, highway, right-of-way or property line; 300 feet from any water well; 400 feet from any commercial or industrial building and 600 feet from any residence. The minimum distances may be reduced by a waiver granted by the Planning and Zoning Board and the City Council or by written notarized waivers granted by owners of all buildings within the radius being protected from drilling. All waivers must identify the property address, block and lot number, subdivision name (if applicable), and plat volume and page. Such waivers must be filed, at the expense of the operator in the Grayson County Records.
26. Site plan approval is valid for a period of one year, if progress has not been made within that time period; resubmission to the Planning & Zoning Commission is required.

Engineering:

27. All City Ordinances pertaining to drilling oil and gas wells are to be followed.

SECTION 3. That this ordinance shall not become effective until entered upon the official zoning map as provided in Section 8, Subsection (5)(a), Ordinance No. 2280.

SECTION 4. That a person who violates a provision of this ordinance, upon conviction, is punishable by a fine not to exceed $2,000.00.

SECTION 5. That all ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

SECTION 6. That it is hereby officially found and determined that the meetings at which this ordinance was introduced and passed were open to the public and that public notice of the time, place and purpose of said meetings were given all as required by law.

INTRODUCED on this the _____ day of _____, 2012.

ADOPTED on this the _____ day of _____, 2012.

EFFECTIVE DATE on this the _____ day of _____, 2012.

CITY OF SHERMAN, TEXAS

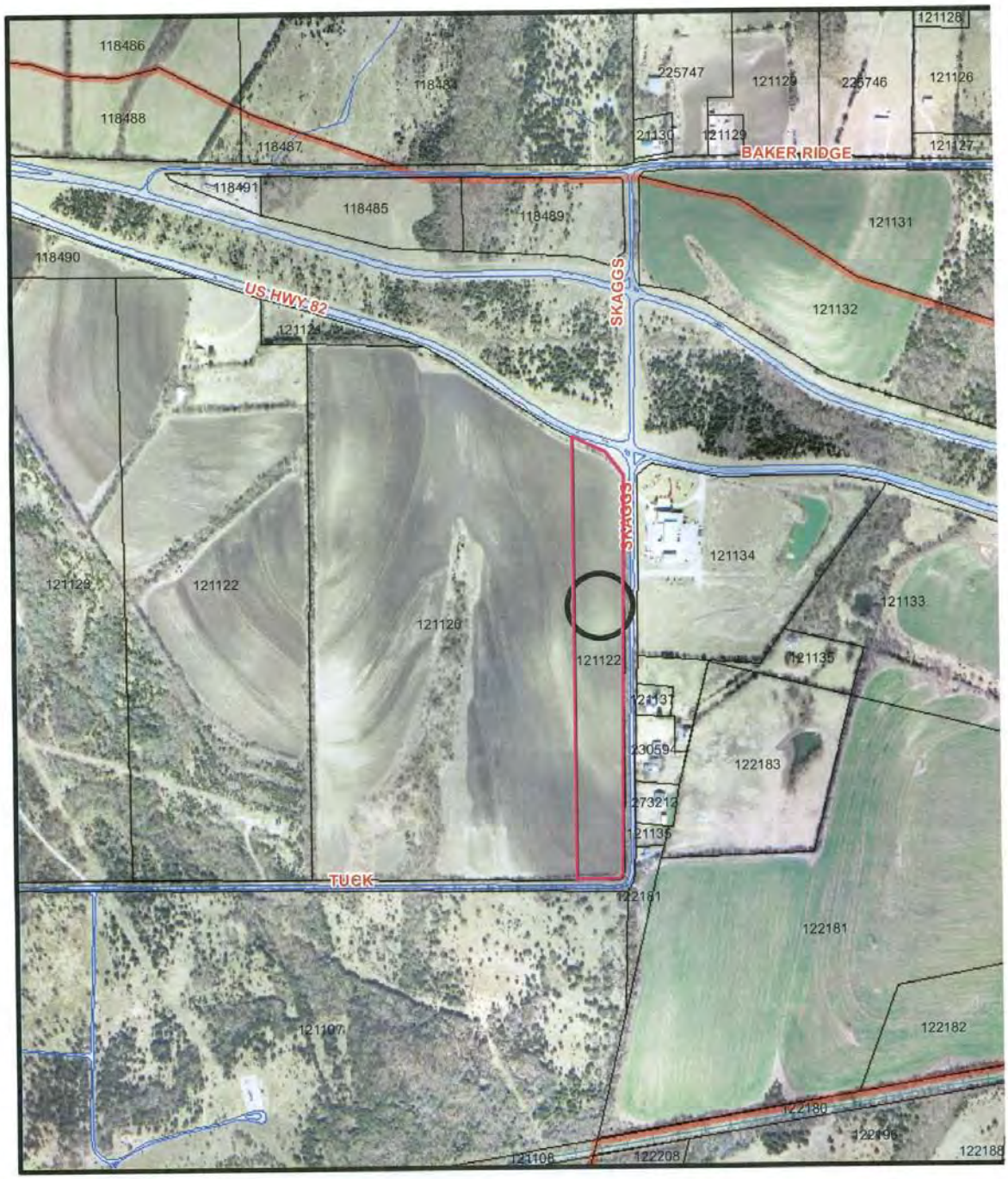
BY: _____
BILL MAGERS, MAYOR

ATTEST:

BY: _____
LINDA ASHBY, CITY CLERK

APPROVED AS TO FORM
AND CONTENT:

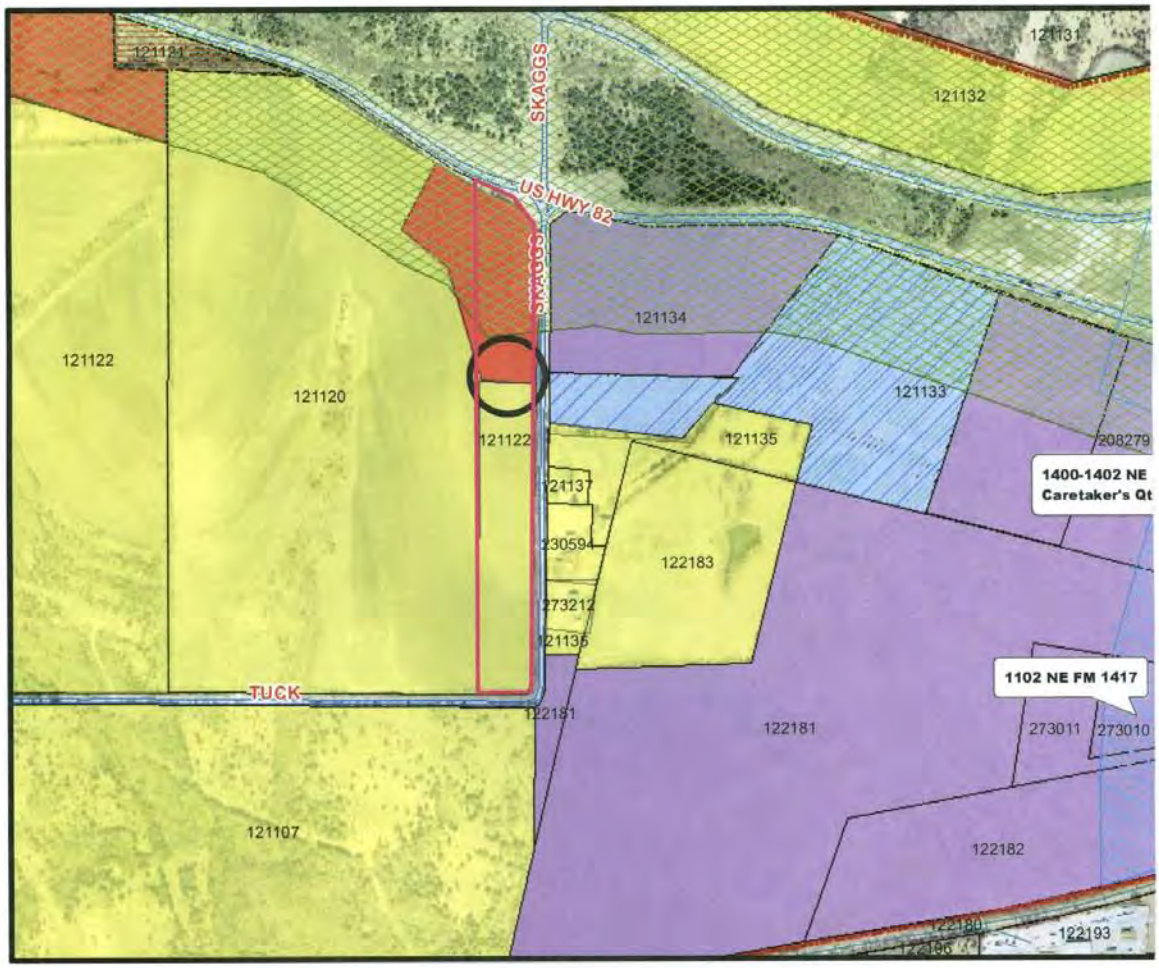
BY: _____
BRANDON S. SHELBY,
CITY ATTORNEY



2300 Skaggs Rd.

City of Sherman, Texas
Developmental Services Department

1 inch = 687 feet



Zoning - 2300 Skaggs Road

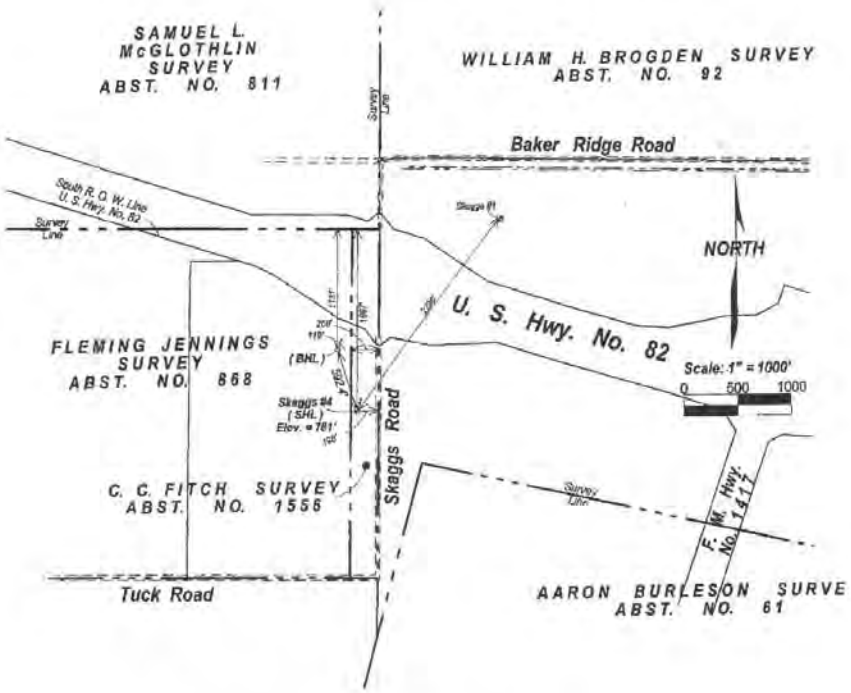
Legend

- C L SHERMAN CITY LIMITS
- O 1 HIGHWAY 75 & 82 OVERLAY DISTRICT
- O 1.1 FM 1417 OVERLAY DISTRICT
- O 1.2 SAM RAYBURN FREEWAY OVERLAY DISTRICT
- C B D DOWNTOWN BUSINESS DISTRICT
- C P O COLLEGE PARK OVERLAY DISTRICT
- A & C ARTS & CULTURAL OVERLAY DISTRICT
- CO Office District
- R-1 One Family Residential District
- R-2 Multi-Family Residential District
- C-1 Retail Business District
- C-2 General Commercial District
- M-1 Light Manufacturing District
- R-A Single Family Agricultural District
- SF-1 Single Family Residential District
- M-1.5 Medium Manufacturing District
- M-2 Heavy Manufacturing District
- MH Manufacturing Housing Distgrict
- Blaylock Commercial District
- BIP Blalock Industrial Park

City of Sherman, Texas
Developmental Services Department

1 inch = 687 feet

2300 Skaggs Rd.



SARTIN & ASSOCIATES, INC.
Registered Professional Land Surveyors
109 S. Travis, P. O. Box 1843 Sherman, Texas 75091 - 1843
Ph.: (903) 892-8003 Fax: (903) 868-2970 Email - msartin@geeciap.com

WELL LOCATION PLAT ------ SKAGGS NO. 4

C. C. FITCH SURVEY, ABSTRACT NO. 1556
& FLEMING JENNINGS SURVEY, ABSTRACT NO. 868
GRAYSON COUNTY, TEXAS

Perpendicular distances from nearest designated lines

198 feet FEL of Survey
1697 feet FNL of Survey

Ground Elevation = 781 feet
Lat. 33 Deg. 39 Min. 31 Sec. N (33.658611)
Lng. -96 Deg. 34 Min. 24 Sec. W (-96.573333)

OPERATOR

LONGFELLOW ENERGY, LP
4801 Gailliardia Parkway, Suite 225, Oklahoma City, OK 73142

WARNING: This plat may not show all crossings of pipelines or cables. Sartin & Associates, Inc. assumes no responsibility to locate pipeline or cable crossings. No claim is hereby made regarding current or actual surface/mineral fee ownership or lessor.

I, Marshall Sartin, Registered Professional Land Surveyor, do hereby certify that the above captioned well location was surveyed on the ground under my supervision.

STATE OF TEXAS REGISTERED MARSHALL SARTIN 3694 PROFESSIONAL LAND SURVEYOR

Marshall Sartin R.P.L.S. # 3694

SKAGGS-2.pcs

AGENDA ITEM #4

City of Sherman

Planning and Zoning Commission

Board of Adjustments

Agenda Communication Form

November 22, 2011

Lawrence Davis, Chairman

Jim Jacobs, Vice Chairman	**Brad Morgan, Commissioner**
Darren Tankersley, Commissioner	**Don Hicks, Commissioner**
Ron Barton, Commissioner	**Richard Barber, Commissioner**
Ryan Michael Kreck, Commissioner	**Vacant, Commissioner**

2300 Skaggs Road
Being 120 aces in the Fleming Jennings Survey, Abstract No. 638
and the C.C. Fitch Survey, Abstract No. 1556
Specific Use Permit & Site Plan

Requested Action/Proposed Use:

Planning and Zoning Board

Specific Use Permit and site plan approval to allow the drilling of an oil/gas well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District.

Background:

The property is located at 2300 Skaggs Road; between Tuck Street and U.S. Highway 82. The mineral rights owners would like to drill a third oil/gas well on their property inside the city limits of Sherman.

Adjacent Zoning:

R-1 (One Family Residential) District and C-1 (Retail Business) District

Origination:

Jack & Patsy Pierce (Mineral Rights Owners), Greg Spalding, Longfellow Energy, LP (Representative) and Sartin & Associates, Inc. (Surveyors)

Master Plan Designation:

Agricultural and Rural – Typically are large parcels that are primarily used for crops or pasture land. These low density regions surrounding the City do not have significant demands on the transportation or utilities network.

Number of notices mailed:

6

Objections Received:

0

Attachments:
Location map
Photographs
Site Plan
Staff Review Letter

Prepared by:
Patsy Reeves,
Developmental Services Secretary

Approved by:
Scott Shadden,
Director of Developmental Services

SHERMAN

STAFF REVIEW LETTER

November 16, 2011

Jack & Patsy Pierce
2001 Skaggs Rd.
Sherman, TX 75090

Greg Spalding
PO Box 1989
Addison, TX 75001

Dear Applicants,

The request for approval of a Specific Use Permit and site plan approval to allow the drilling of an oil/gas well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District for the property at 2300 Skaggs Road has been scheduled to be heard by the Planning and Zoning Board on the day of Tuesday, November 22, 2011 at 5:00 P.M., in the City Council Chambers, City Hall at 220 W. Mulberry.

City staff has reviewed your request with regards to engineering and development guidelines and finds the following items need to be addressed:

Zoning:

1. All requirements of the Oil and Gas Well Ordinance (Chapter 4, Article 4.10) shall be followed.
2. Provide copy of Railroad Commission Application to drill and copies of requirements of Railroad Commission based on application.
3. Provide name address and phone number of operator of lease and property owner and name and number of contact person for the operator.
4. Provide description of the lease or lands involved and length of time surface operations are expected to occur.
5. Provide a scale drawing showing location of the well, ownership of the land, property lines, structures and offset operators or land owners.
6. Provide the name and address of the drilling contractor.
7. Provide a scaled drawing showing the proposed site and the location, distance to and nature of adjacent land uses.
8. Provide a statement warning of possible hazardous formation conditions that may be encountered during or as a result of the proposed drilling or exploration operation as maintenance of an existing well site.
9. Provide a copy of Operators Spill Prevention Plan.
10. Provide a certificate of insurance that carries a minimum coverage for bodily injury of $500,000 for each occurrence and $1,000,000 aggregate, and for the cost of controlling a well that is out of control, re-drilling or restoration expenses, seepage or pollution damage as first party recovery for the operator and related expenses, including but not limited to evacuation of residents, in the amount of at least $5,000,000 per occurrence. The lease owner shall carry at all times this minimum limit of insurance until such time the well is out of production and all appurtenances removed from the site. The insurance under all situations and at all times shall list the City of Sherman as additionally named insured.
11. The oil or fuel storage tank or tank battery shall be installed in conformance with the spill prevention control and counter measure plan published by the U.S. Environmental Protection Agency.
12. A tank or tank battery shall not be located nearer than 150' from any residence or dwelling, unless the tank or tank battery existed prior to the residence or dwelling.
13. A tank or tank battery shall not be closer than 30' from any combustible structure.
14. Oil and fuel storage tanks or tank batteries, fences and wall shall be kept well painted and in good repair.
15. If the well(s) associated with an oil storage tank or tank battery is/are plugged, or if the storage tank battery is no longer in use, the storage tank or tank battery and associated pipelines shall be removed and

the land restored. This provision includes all associated appurtenances with the wells and or tank batteries. This removal shall occur within six months unless documentation can be provided that the well and or tank battery will be used within the next two years. For the purpose of this provision, the term no longer in user shall mean that the tank or tank battery, while it or they may contain some residue of fuel, has not been pumped into or out of within the past six months.

16. Other oil or fuel storage tanks that receive products from transmission or distribution lines that are not pumped into or out of for a period of six months shall be considered abandoned and/or unused. The leaseholder shall disassemble and completely remove such tanks and all associated appurtenances from the site unless it is shown that there are plans to reuse the storage tanks within the next two years.
17. Within six months after the removal of any oil storage tanks or tank batteries, the permittee shall restore the property to its original state insofar as possible, to include removal and/or restoration of any un-remediated soil.
18. Pumps shall be electrically powered.
19. All surface equipment shall be kept clean, painted, in good repair and properly lubricated in order that they will operate quietly. The noise produced by well jacks or units on a producing well shall not exceed 50 decibels at any boundary of the parcel on which the well is located.
20. All flow lines shall be buried at least (1) one foot under the ground. Depending upon adjacent land uses and proposed streets, roads and highways, the City may require lines to be buried at a greater depth.
21. Upon the removal of the associated tank batteries and/or the plugging of wells associated with such pipelines, the pipelines shall be removed.
22. Any waste oil or water in, on, or around any premises shall be immediately cleaned up and the ground shall be cleaned of any oil bearing dirt.
23. The leaseholder shall proceed with the drilling operations with the highest degree of care so as not to injure adjoining property or persons in any manner by keeping the premises suitably fenced or guarded 24 hours a day in such manner as to avoid trespassing during the drilling and exploratory operations; and to remove all drilling mud upon completion of drilling operations; immediately cleaning the grounds around the well of all drilling mud and/or salt water or water. The area shall be made to conform in appearance to the lands in the neighborhood wherein such drilling, exploration or maintenance operations are so conducted. All pits and contents shall be removed from the premises and the drill site within 30 days after completion of the well. Prior to the commencement of any drilling operations a private road shall be installed to the drill site and the operation site that is at least (10) ten feet wide and has an overhead clearance of at least 14 feet and is surfaced and maintained to prevent dust and mud.
24. Sounds during drilling operations shall not exceed 60 decibels during daytime hours between 7 a.m. and 7 p.m. and 50 decibels during nighttime hours between 7 p.m. and 7 a.m. measured at any occupied structure on a parcel other than the parcel on which the oil or gas well is located.
25. The center of any well at the surface shall be a minimum of 25 feet from any storage tank or source of ignition; 100 feet from any building accessory to the well, public street, road, highway, right-of-way or property line; 300 feet from any water well; 400 feet from any commercial or industrial building and 600 feet from any residence. The minimum distances may be reduced by a waiver granted by the Planning and Zoning Board and the City Council or by written notarized waivers granted by owners of all buildings within the radius being protected from drilling. All waivers must identify the property address, block and lot number, subdivision name (if applicable), and plat volume and page. Such waivers must be filed, at the expense of the operator in the Grayson County Records.
26. Site plan approval is valid for a period of one year, if progress has not been made within that time period; resubmission to the Planning & Zoning Commission is required.

Engineering:

27. All City Ordinances pertaining to drilling oil and gas wells are to be followed.

Any other changes made to the site plan prior to the final fulfillment of the conditions of the staff review, must be considered minor by the staff, as to not require resubmission to the Planning and Zoning Commission.

You are hereby notified to be present, either in person or by a legally authorized representative to present your case on the date and time stated above.

If additional information or clarification is needed, do not hesitate to contact Scott Shadden at 903-892-7229 prior to the meeting.

Respectfully,

Scott Shadden
Secretary, Planning and Zoning Board and Board of Adjustment

cc: George Olson, City Manager
Mark Gibson, Director Utilities & Engineering Services
Don Keene, Exec. Dir. of Planning & Public Works
Nathan Huffman, Fire Marshal
Brandon Shelby, City Attorney
Lisa Whitfield, Engineering & Development Coordinator

CITY OF SHERMAN
APPLICATION FOR PERMIT TO DRILL OR DEEPEN

Date: January 21, 2012

Name or Company or Operator

1. Name of Applicant: Longfellow Energy, LP.
2. Permanent Address: 16803 North Dallas Parkway
3. City, State, Zip: Addison, Texas 75001
4. Is applicant an individual, partnership, or corporation?

   o Individual X Partnership o Corporation
5. Principal Office: Addison, Texas

   Address: 16803 North Dallas Parkway State: TX Zip: 75001
6. Names of all partners or officers: Malone Mitchell-Partner, Todd Dutton President.

Description of Lease

1. Block Number: NA (See City Drilling Map)
2. Size of Block: NA square feet
3. Amount of block owned or leased by applicant: NA square feet
4. Names of all owners and lessees in block other than applicant, with number of square feet in block owned by each:

Harold Skaggs Jr.	1/3 of 640 mineral acres more or less see
13600 FM Rd, Austin, TX 78737	attached OGL
Patsy Jane Pierce	1/3 of 640 mineral acres more or less see
2001 Skaggs Rd, Sherman, TX 75091	attached OGL
Anna Keller	1/3 of 640 mineral acres more or less see
1901 Skaggs Rd, Sherman, TX 75091	attached OGL
West Gold Realtors	120.00 acres surface only
4545 Allstate Dr. Riverside, CA 92501	Jennings A-638; Fitch A-1556

5. Names of streets, roads, lanes or alleys surrounding block:

   North: Texas State HWY 82 South: Tuck RD.

   East: Skaggs RD. West: NA, private property
6. Distance from nearest producing well: 2,601 feet. (Skaggs #1)
7. Elevation of proposed location: 781 feet from sea level
8. Distance from nearest hospital, school, church, or public building: 3,042 feet. Direction: East
9. Distance from nearest dwelling: 376 feet Tractor Dealership Direction : East
10. Type of rig; rotary or cable: rotary.

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

11. Source of power: X Diesel o Electric

12. Amount of well casing on hand with diameters: **@50' of 16" 2,650' of 9 and 5/8' and @11,135' of 5 and ½',**

13. Describe proposed arrangement for slush pit if allowed by City Council and arrangement for handling mud and waste if slush pit not allowed:

We are using a closed loop system for oil-based mud no pits necessary.

14. Describe location and type of proposed production tanks, if allowed, and proposed arrangement for disposition of oil and gas produced:

Tank battery to be constructed with 2-3 steel tanks (210-300 bbls each). Proposed disposition of oil is Sunco via truck. Proposed disposition of gas is by SEMGAS via pipeline.

15. Name of surety company to carry bond required: **RLI CORP.**

16. Name of carrier of tort liability insurance required: **ACE American Insurance Company.**

17. Notice of this application was sent by registered mail to all owners and lessees (other than applicant) within the above-described block on **November 23, 2011 and January 25,26, and 27, 2012** .

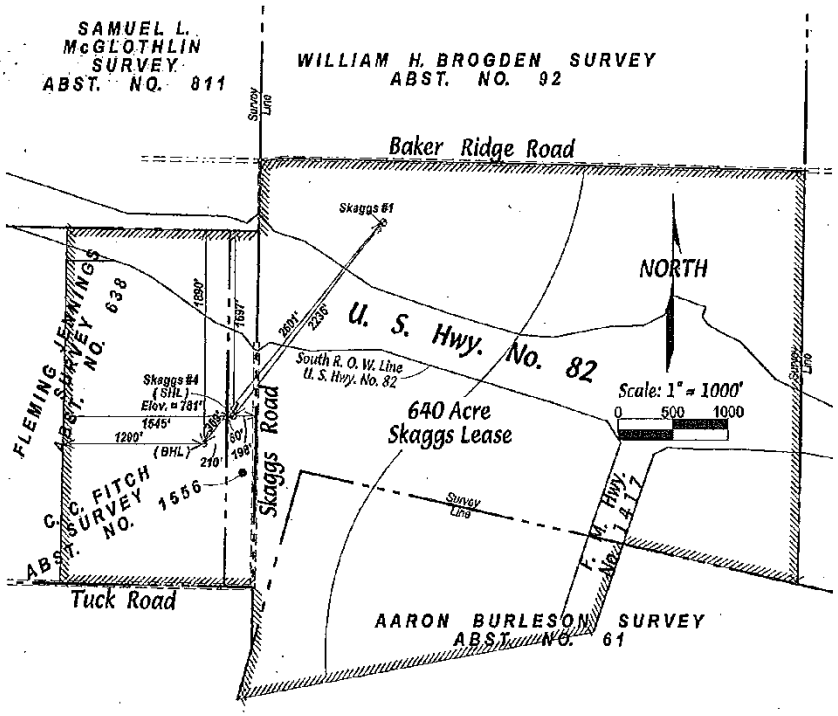
Attached to this application are:

1. Map or plat, scale: 1 inch = 20 feet, of block covered in application showing exact location of the proposed well and all improvements on block.
2. Certified copies of leases or deeds showing ownership of fee or mineral interests in block (or abstracts of title if ownership or application is contested).
3. Copies of Registry receipts on notices mailed to other owners or lessees on same block, and if notice is had by publication, an affidavit of publisher showing dates of publication.

Applicant recognizes that the permit granted hereunder, if any, does not and will not constitute a vested right, and applicant will comply with all provisions of Ordinances of the City of Sherman and any and all subsequent changes or amendments thereto.

Applicant Longfellow Energy , LP

By: _____
Greg Spalding
Skaggs #4



SARTIN & ASSOCIATES, INC.
Registered Professional Land Surveyors

109 S. Travis, P. O. Box 1843 Sherman, Texas 75091 - 1843
Ph.: (903) 892-5003 Fax: (903) 868-2970 Email - msartin@gcecisp.com

WELL LOCATION PLAT ------ SKAGGS NO. 4

C. C. FITCH SURVEY, ABSTRACT NO. 1556
& FLEMING JENNINGS SURVEY, ABSTRACT NO. 638
GRAYSON COUNTY, TEXAS

Perpendicular distances from nearest designated lines

BHL	SHL	
210 feet FEL of Survey	198 feet FEL of Survey	Ground Elevation = 781 feet
1290 feet FWL of Lease	60 feet FWL of Survey	Lat. 33 Deg. 39 Min. 31 Sec. N (33.658611)
1890 feet FNL of Survey/Lease	1697 feet FNL of Survey/Lease	Lng. -96 Deg. 34 Min. 24 Sec. W (-96.573333)
2601' feet From Skaggs #1	1545 feet FWL of Lease	
	2236' feet From Skaggs #1	369' SHL to BHL

OPERATOR

LONGFELLOW ENERGY, LP
16803 Dallas Parkway, Addison, Texas 75001-5212

WARNING: This plat may not show all crossings of pipelines or cables. Sartin & Associates, Inc. assumes no responsibility to locate pipeline or cable crossings. No claim is hereby made regarding current or actual surface/mineral fee ownership or lessor.

I, Marshall Sartin, Registered Professional Land Surveyor, do hereby certify that the above captioned well location was surveyed and staked on the ground under my supervision.

STATE OF TEXAS REGISTERED MARSHALL SARTIN 3694 PROFESSIONAL LAND SURVEYOR

SKAGGS-4B.pcs

Marshall Sartin R.P.L.S. # 3694

ORIGINAL DOCUMENT HAS A SECURITY VOID BACKGROUND AND TOUCH-SENSITIVE MICROPRINTED BORDER. SEE REVERSE SIDE FOR COMPLETE SECURITY FEATURES.

BANK OF AMERICA
HOUSTON, TX

LONGFELLOW ENERGY LP
PO BOX 1989
ADDISON, TX 75001

CHECK NO	CHECK DATE	CHECK AMOUNT
23368	11/11/11	$**********650.00

PAY THIS AMOUNT:
***650 Dollars and No Cents

Security features included. Details on back.

TO THE ORDER OF
CITY OF SHERMAN
220 W MULBERRY
SHERMAN TX 75091

⑈00023368⑈ ⑆111000025⑆ ⑈4680015074 67⑈

LONGFELLOW ENERGY LP PO BOX 1989, ADDISON, TX 75001 405/286-6324

INVOICE	DATE	DESCRIPTION	NET
110911	11/09/11	CITY PERMIT	650.00

City Clerk (903) 892-7204

REF#: 0040532 1/30/2012 4:19 PM
OPR: CCC TERM: 13
REF#: 23368

TRN#: 111-7999 OTHER MISC
LONGFELLOW ENERGY
BARGER 4 OIL WELL
OIL & GAS RENTAL 650.00CR

TENDERED 650.00 CHECK
AMOUNT 650.00-

CHANGE: 0.00

VISIT www.ci.sherman.tx.us
Shirley Bullard (903) 892-7207
Elmer (903) 892-7209
Court (903) 892-7275

VENDOR CITSHE CHECK 23368 DATE 11/11/ 650.00

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
732032	Jan 27, 2012	* 09
API NUMBER 42-181-31493	FORM W-1 RECEIVED Jan 19, 2012	COUNTY GRAYSON
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Directional	ACRES 640
OPERATOR LONGFELLOW ENERGY, LP PO BOX 1989 ADDISON, TX 75001	508409	NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (940) 723-2153
LEASE NAME SKAGGS		WELL NUMBER 4
LOCATION 4 miles E direction from SHERMAN		TOTAL DEPTH 13000

Section, Block and/or Survey

SECTION ← BLOCK ← ABSTRACT ← 638

SURVEY ← JENNINGS, F

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
1697 ft. NORTH 60 ft. WEST	1290 ft.
DISTANCE TO LEASE LINES 1697 ft. NORTH 1545 ft. WEST	DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH	WELL # NEAREST WB	DIST
DENISON, S. (WOODLAKE) SKAGGS	640.00 1290	13,000	4 2601	09

WELLBORE PROFILE(s) FOR FIELD: Directional

RESTRICTIONS: Bottom Hole: BH1
BH County: GRAYSON
Section: Block: Abstract: 827
Survey: MC GLOTHLIN, G W
Lease Lines: 1890.0 F NORTH L
1290.0 F WEST L
Survey Lines: 1890.0 F NORTH L
210.0 F EAST L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.

Groundwater
Advisory Unit

GROUNDWATER PROTECTION DETERMINATION

Date: January 27, 2012

GAU File No.: SC- 2965

***** EXPEDITED APPLICATION *****

API Number: 18100000

Attention: DOREEN LOPEZ

RRC Lease No. 000000

SC_508409_18100000_000000_2965.pdf

LONGFELLOW ENERGY LP
PO BOX 1989
ADDISON TX 75001

P-5# 508409

--Measured--
60 ft FWL
1697 ft FNL

MRL:SURVEY

Digital Map Location:
X-coord/Long 96.57333
Y-coord/Lat 33.65861
Datum 83 Zone

County GRAYSON Lease & Well No. SKAGGS #4 Purpose ND

Location SUR-JENNINGS F.,A-638,--[TD=13000],[RRC 9],

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Texas Railroad Commission recommends:

The interval from the land surface to a depth of 100 feet must be protected. In addition the Woodbine, which is estimated to occur from a depth of 600 feet to 1000 feet, and the Trinity (including the Hosston), which is estimated to occur from a depth of 1475 feet to 2250 feet, must be protected.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. This recommendation is intended for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).

If you have any questions, please contact us at 512-463-2741, gau@rrc.state.tx.us, or by mail.

Sincerely,

John D. Estepp, P.G.

Geologist, Groundwater Advisory Unit
Oil & Gas Division

GEOLOGIST SEAL

STATE OF TEXAS
John D. Estepp
Geology
4191
LICENSED
PROFESSIONAL GEOSCIENTIST

The seal appearing on this document was authorized by John D. Estepp on 1/27/2012
Note: Alteration of this electronic document will invalidate the digital signature.

Client#: 151533 LONGFENE

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 10/21/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
USI Southwest San AngeloCL 133 W. Concho Ave., Ste. 301 San Angelo, TX 76903 325 655-5656	PHONE (A/C, No, Ext): 325 655-5656	FAX (A/C, No): 325 658-4519
	E-MAIL ADDRESS:	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Ace American Insurance Company	22667
INSURER B: AXIS Surplus Insurance Company	26620
INSURER C: Texas Mutual Insurance Company	22945
INSURER D: Certain Underwriters at Lloyds	A85202
INSURER E:	
INSURER F:	

INSURED
Longfellow Energy, L.P.
P.O. Box 1989
Addison, TX 75001-1989

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY	X	X	G23860399004	02/01/2011	02/01/2012	EACH OCCURRENCE	$1,000,000
	X COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence)	$50,000
	CLAIMS-MADE X OCCUR						MED EXP (Any one person)	$5,000
							PERSONAL & ADV INJURY	$1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$2,000,000
	POLICY PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$2,000,000
								$
A	AUTOMOBILE LIABILITY	X	X	HO8303186004	02/01/2011	02/01/2012	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	ANY AUTO						BODILY INJURY (Per person)	$
	ALL OWNED AUTOS / SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS / X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident)	$
								$
A	X UMBRELLA LIAB OCCUR	X	X	G24917034	02/01/2011	02/01/2012	EACH OCCURRENCE	$10,000,000
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$
B	DED X RETENTION $10000	X	X	EAU73891701201	02/01/2011	02/01/2012		$10,000,000
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N		X	TSF0001225904	07/01/2011	05/15/2012	X WC STATU-TORY LIMITS / OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? N/A						E.L. EACH ACCIDENT	$1,000,000
	(Mandatory in NH)						E.L. DISEASE - EA EMPLOYEE	$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - POLICY LIMIT	$1,000,000
D	Control of Well			A0765COC	10/21/2011	10/21/2012	$5,000,000 CSL	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Well Name: Skaggs #2
General Liability and Auto Liability provides a Blanket Waiver of Subrogation and Blanket Additional Insured in favor of the City of Sherman where required by written contract. Workers' Compensation provides a Blanket Waiver of Subrogation in favor of the City of Sherman as required by written contract.
Control of Well coverage includes $200,000 SIR. Evacution Expense is included.

CERTIFICATE HOLDER
City of Sherman
P.O. Box 1106
Sherman, TX 75091

CANCELLATION
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Lewent R. Heard

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DGMHC

City of Sherman
P.O. Box 1106
Sherman, Texas 75091
Phone: (903) 892-7204
Fax: (903) 892-7394

OIL WELL PERFORMANCE BOND

STATE OF TEXAS §
COUNTY OF GRAYSON §
CITY OF SHERMAN §

BOND NO. RLB0013957

KNOW ALL MEN BY THESE PRESENTS:

That we, Longfellow Energy, LP, as principal, and RLI Insurance Company as surety, hereby acknowledge ourselves, bound to the City of Sherman, a municipal corporation, for the benefit of the said City, and all persons, firms and corporations concerned, in the sum of One Hundred Thousand and No/100dollars for the payment of which well and truly to be made, the said principal binds himself, his heirs, executors, administrators and assigns, and the surety does hereby bind itself and its successors, firmly by these presents, all being bound jointly and severally by these presents.

The condition of the above obligation is such that, whereas the above bounden principal has applied to the City of Sherman for a permit to drill an oil well within the City limits and on Drilling Block No. N/A in compliance with the provisions of Article 4.10 of the 2005 recodified ordinances, as amended, and whereas the said ordinances require a bond conditioned that if the permit be granted and if drilling operations be commenced thereunder the applicant and his assigns will comply with the terms and conditions of the said ordinances, and all future amendments and regulations thereunder in the drilling and operation of said well; and that the applicant will restore the streets and sidewalks and other public places of the City which may be disturbed in the operations to their former conditions, and will clear the blocks and lots of all litter, machinery, derricks and buildings erected or used in the drilling or operation of said well whenever the well shall be completed, abandoned or the operations therefor discontinued and that the applicant or his assigns will pay such sums as may be due by them by reason of production of oil, gas or other minerals to all persons, firms or corporations owning lots, blocks or tracts of land in said drilling block or area who have not executed, at the time of filing of such bond, or who shall not execute during the term of said bond and prior to the accrual of liabilities thereunder, leases, drilling contracts, waivers or other form of contract under which the applicant or his assigns is or are authorized to operate the premises of said owner of the development and production of oil and gas in accordance with the provisions of said ordinances.

NOW, THEREFORE, if the above bounden principal, his heirs, executors, administrators, and assigns, shall well and truly keep, do and perform each and every, all and singular the obligations, matters and things required by said Article 4.10 of the 2005 recodified ordinances, as amended, then this obligation shall be null and void; otherwise to be and remain in full force and effect.

IN TESTIMONY WHEREOF witness our hands this 16th day of August, 20 11.

Longfellow Energy, LP
PRINCIPAL

SURETY RLI Insurance Company

Jason T. Kilpatrick, Attorney-in-Fact

AGENT USI Southwest-San Angelo
P. O. Box 1111
ADDRESS San Angelo, TX 76902

PHONE NO 325-486-5130

PRINCIPAL Longfellow Energy, LP
16803 North Dallas Parkway
ADDRESS Dallas, TX 75001

PHONE NO 972-590-9946

RLB0013957

RLI Surety
A division of RLI Insurance Company

POWER OF ATTORNEY
RLI Insurance Company

Know All Men by These Presents:

That the RLI INSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and authorized and licensed to do business in all states and the District of Columbia does hereby make, constitute and appoint: JASON T. KILPATRICK in the City of HOUSTON, State of TEXAS, as Attorney-in-Fact, with full power and authority hereby conferred upon him to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, all of the following classes of documents to-wit:

$100,000.00

Indemnity, Surety and Undertakings that may be desired by contract, or may be given in any action or proceeding in any court of law or equity; policies indemnifying employers against loss or damage caused by the misconduct of their employees; official, bail and surety and fidelity bonds. Indemnity in all cases where indemnity may be lawfully given; and with full power and authority to execute consents and waivers to modify or change or extend any bond or document executed for this Company, and to compromise and settle any and all claims or demands made or existing against said Company.

The RLI INSURANCE COMPANY further certifies that the following is a true and exact copy of a Resolution adopted by the Board of Directors of RLI Insurance Company, and now in force to-wit:

"All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or Agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers-of-Attorney, or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

(Blue shaded areas above indicate authenticity)

IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its PRESIDENT with its corporate seal affixed this

ATTEST:

Jean M. Stephenson

CORPORATE SECRETARY

RLI INSURANCE COMPANY CORPORATE SEAL ILLINOIS

RLI INSURANCE COMPANY

M J Stone

PRESIDENT

State of Illinois)
) SS
County of Peoria)

On this 16 day of August 2011 before me, a Notary Public, personally appeared Michael J. Stone and Jean M. Stephenson, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as President and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Jacqueline M. Bockler

Notary Public

NOTARY PUBLIC STATE OF ILLINOIS

"OFFICIAL SEAL"
JACQUELINE M. BOCKLER
COMMISSION EXPIRES 03/01/14

SPA028 (03/11)

RLI Insurance Company
Peoria, Illinois 61615

TEXAS POLICYHOLDER NOTICE

TEXAS
IMPORTANT NOTICE

To obtain information or make a complaint:

You may call RLI Insurance Company's toll-free telephone number for information or to make a complaint at:

1-800-444-0406

You may also write to RLI Insurance Company at:

RLI Insurance Company
9025 N. Lindbergh Drive
Peoria, Illinois 61615

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

1-800-252-3439

You may also write the Texas Department of Insurance:

P.O. Box 149104
Austin, Texas 78714-9104
Fax Number: (512) 475-1771

Web: http://www.tdi.state.tx.us
E-mail: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim you should contact the agent first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

TEXAS
AVISO IMPORTANTE

Para obtener informacion o para someter una queja:

Usted puede llamar al numero de telefono gratis de RLI Insurance Company's para informacion o para someter una queja al:

1-800-444-0406

Usted tambien puede escribir a RLI Insurance Company:

RLI Insurance Company
9025 N. Lindbergh Drive
Peoria, Illinois 61615

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al:

1-800-252-3439

Puede escribir al Departamento de Seguros de Texas:

P.O. Box 149104
Austin, Texas 78714-9104
Fax Number: (512) 475-1771

Web: http://www.tdi.state.tx.us
E-mail: ConsumerProtection@tdi.state.tx.us

DISPUTAS SOBRE PRIMAS O RECLAMOS:

Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el agente primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI).

UNA ESTE AVISO A SU POLIZA:

Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.

Publisher's Affidavit

THE STATE OF TEXAS
County of Grayson

Personally appeared before the undersigned authority JENNIFER PARKER, CLASSIFIED MANAGER who being sworn says that LONGFELLOW ENERGY, NOTICE was published in the HERALD DEMOCRAT/SHOPPER IN SHERMAN/DENISON, TEXAS on the following dates towit: JANUARY 25-27, 2012

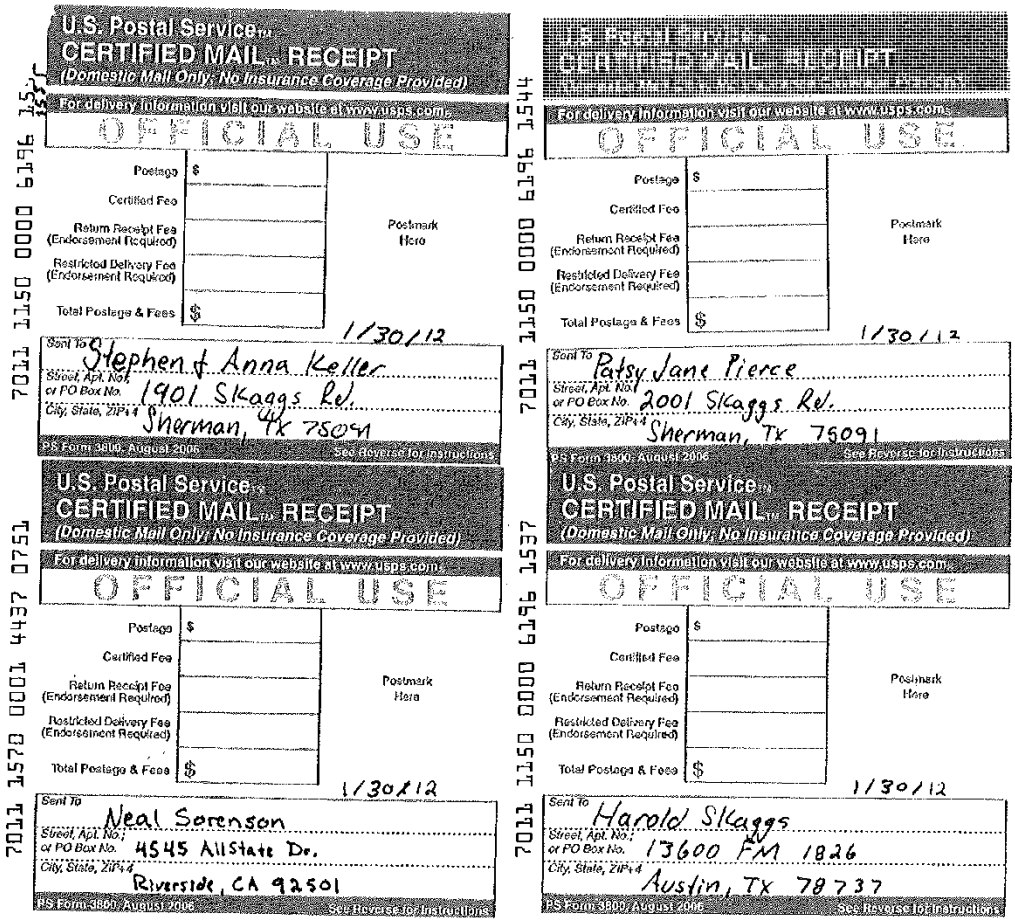
Jennifer Parker

Subscribed and sworn to before me this 27th day of JANUARY, A.D., 2012.

JENNIFER S. JONES
Notary Public, State of Texas
My Commission Expires
MAY 24, 2014

Jennifer S. Jones

Notary Public, Grayson County, Texas



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Total Postage & Fees $
Postmark Here
1/30/12
Sent To Stephen & Anna Keller
Street, Apt. No.; or PO Box No. 1901 Skaggs Rd.
City, State, ZIP+4 Sherman, TX 75091
PS Form 3800, August 2006 See Reverse for Instructions
7011 1150 0000 6196 1544

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Total Postage & Fees $
Postmark Here
1/30/12
Sent To Patsy Jane Pierce
Street, Apt. No.; or PO Box No. 2001 Skaggs Rd.
City, State, ZIP+4 Sherman, Tx 75091
PS Form 3800, August 2006 See Reverse for Instructions
7011 1150 0000 6196 1544

U.S. Postal Service™
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Postmark Here
1/30/12
Sent To Neal Sorenson
Street, Apt. No.; or PO Box No. 4545 Allstate Dr.
City, State, ZIP+4 Riverside, CA 92501
PS Form 3800, August 2006 See Reverse for Instructions
7011 1570 0001 4437 0751

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Restricted Delivery Fee (Endorsement Required)
Total Postage & Fees $
Postmark Here
1/30/12
Sent To Harold Skaggs
Street, Apt. No.; or PO Box No. 13600 FM 1826
City, State, ZIP+4 Austin, TX 78737
PS Form 3800, August 2006 See Reverse for Instructions
7011 1150 0000 6196 1537

LONGFELLOW ENERGY, LP

January 25, 2012

Stephen and Anna Keller
1901 Skaggs Rd.
Sherman, TX 75091

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/12 5:00 pm
Grayson County, Texas

Dear Mr. and Mrs. Pierce,

You executed a Paid Up Oil and Gas Lease dated March 14, 2008 to Grayson County Properties, LLC. which Lease is recorded in Volume 4533, Page 386 of the records of Grayson County, Texas. Grayson County Properties, LLC is a subsidiary company of Longfellow Energy, LP (hereinafter referred to as "Longfellow") headquartered in Addison, Texas.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands that are covered by the Oil and Gas Lease. Paragraph 17 of Exhibit "A" attached to the Lease prohibits any surface or drilling operations on the leased lands without written permission from the Lessor.

Therefore, we respectfully request that you grant us permission to enter the leased lands to conduct additional surveying, construction of a well site and road for the drilling, completion of and operations for the subject well. All damages to the land in conducting these operations will be paid by Longfellow to the surface owner of the land on rates comparable for other drill sites in the area.

Please signify your permission to enter the leased lands by signing the attached copy and returning it to us in the stamped, addressed envelope, which we have enclosed.

The City Council of Sherman will review our application to drill the Skaggs #4 on **February 6, 2012, at 5:00 pm, if** you have any questions or concerns for the City Council you should plan to attend the meeting.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding

Accepted by Stephen and Anna Keller _____,
_____dated_____

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

LONGFELLOW ENERGY, LP

January 25, 2012

Mrs. Patsy Jane Pierce
2001 Skaggs Rd.
Sherman, TX 75091

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/12 5:00 pm
Grayson County, Texas

Dear Mr. and Mrs. Pierce,

You executed a Paid Up Oil and Gas Lease dated March 14, 2008 to Grayson County Properties, LLC. which Lease is recorded in Volume 4533, Page 392 of the records of Grayson County, Texas. Grayson County Properties, LLC is a subsidiary company of Longfellow Energy, LP (hereinafter referred to as "Longfellow") headquartered in Addison, Texas.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands that are covered by the Oil and Gas Lease. Paragraph 17 of Exhibit "A" attached to the Lease prohibits any surface or drilling operations on the leased lands without written permission from the Lessor.

Therefore, we respectfully request that you grant us permission to enter the leased lands to conduct additional surveying, construction of a well site and road for the drilling, completion of and operations for the subject well. All damages to the land in conducting these operations will be paid by Longfellow to the surface owner of the land on rates comparable for other drill sites in the area.

Please signify your permission to enter the leased lands by signing the attached copy and returning it to us in the stamped, addressed envelope, which we have enclosed.

The City Council of Sherman will review our application to drill the Skaggs #4 on **February 6, 2012, at 5:00 pm,** if you have any questions or concerns for the City Council you should plan to attend the meeting.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding

Accepted by Patsy Jane Pierce _____dated_____

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

LONGFELLOW ENERGY, LP

January 25, 2012

Mr. Harold Skaggs, Jr
13600 FM 1826.
Austin, TX 78737

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/12 5:00 pm
Grayson County, Texas

Dear Mr. Skaggs,

You executed a Paid Up Oil and Gas Lease dated March 14, 2008 to Grayson County Properties, LLC. which Lease is recorded in Volume 4533, Page 398 of the records of Grayson County, Texas. Grayson County Properties, LLC is a subsidiary company of Longfellow Energy, LP (hereinafter referred to as "Longfellow") headquartered in Addison, Texas.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands that are covered by the Oil and Gas Lease. Paragraph 17 of Exhibit "A" attached to the Lease prohibits any surface or drilling operations on the leased lands without written permission from the Lessor.

Therefore, we respectfully request that you grant us permission to enter the leased lands to conduct additional surveying, construction of a well site and road for the drilling, completion of and operations for the subject well. All damages to the land in conducting these operations will be paid by Longfellow to the surface owner of the land on rates comparable for other drill sites in the area.

Please signify your permission to enter the leased lands by signing the attached copy and returning it to us in the stamped, addressed envelope, which we have enclosed.

The City Council of Sherman will review our application to drill the Skaggs #4 on **February 6, 2012, at 5:00 pm,** if you have any questions or concerns for the City Council you should plan to attend the meeting.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding

Accepted by Harold Skaggs, Jr. _____dated_____

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

LONGFELLOW ENERGY, LP

January 24, 2012

Mr. Neal Sorenson
West Gold Realtors
4545 Allstate Drive
Riverside, CA 92501-1701

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/2012 5:00 pm, Grayson County, Texas.
Well location: Jennings Survey A-638 and Fitch Survey A-1556.

Dear Mr. Sorenson,

Longfellow Energy, LP (hereinafter referred to as "Longfellow") through its subsidiary company, Grayson County Properties, LLC, acquired Oil and Gas Leases from the mineral owners in part of the above referenced survey. According to the tax rolls of Grayson County, Texas, West Gold Realtors is listed as the owner of the surface of the lands where Longfellow owns mineral leases.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands in the Jennings Survey A-638 and Fitch Survey A-1556. The City Council of Sherman will review our application to drill the Skaggs #4 on February 6, 2012 at 5:00 pm.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding
Landman
cc: addison@addisonterry.com

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. B.2

INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5733
Amending Section 12, Ordinance No. 2280, so as to Include Certain Properties within the C-O (Office) District at 2612 West Lamberth Road (Ben Dye, Owner; Nathan Gray, NBS Drafting and Design, Architect; and Sartin & Associates, Inc., Surveyors)

Issue
To consider the request of Ben Dye (Owner), Nathan Gray, NBS Drafting and Design (Architect), and Sartin & Associates, Inc. (Surveyors) concerning the property located at 2612 West Lamberth Road, being 7.53 acres in the Fielding Bacon Survey, Abstract No. 120 and the Elijah Hartzog Survey, Abstract No. 540**,** for a zone change and site plan approval from an SF-1 (Single Family Residential) District to a C-O (Office) District

Background
The property is located at 2612 West Lamberth Road, between Norwood Drive and Shady Oaks Lane. The owner would like to change the zoning to a C-O (Office) District and construct a 10,500 square foot, 28' tall office building.

Origination
Ben Dye (Owner); Nathan Gray, NBS Drafting and Design (Architect); and Sartin & Associates, Inc. (Surveyors)

Board Recommendation
At the December 20, 2011 regular meeting, the Planning and Zoning Board voted 5/0 to recommend to the City Council that the zone change be approved subject to the Staff Review Letter.

Attachments
Ordinance No. 5733
Location Map
Photograph
Site Plan
P&Z Communication Form
Staff Review Letter

Prepared by:
Scott Shadden, Development Services Director

Approved by:
George Olson, City Manager

ORDINANCE NO. 5733

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AMENDING SECTION 12, ORDINANCE NO. 2280, SO AS TO INCLUDE CERTAIN PROPERTIES WITHIN THE C-O (OFFICE) DISTRICT AT 2612 WEST LAMBERTH ROAD (BEN DYE, OWNER; NATHAN GRAY, NBS DRAFTING AND DESIGN, ARCHITECT; AND SARTIN & ASSOCIATES, INC., SURVEYORS); PROVIDING FOR A REPEALER; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS:

SECTION 1. That, from and after the passage of this ordinance, the following described property shall be in the C-O (Office) District at 2612 West Lamberth Road, and that Section 12, Ordinance No. 2280 is hereby amended so as to hereafter include the following described property:

SITUATED in the County of Grayson, State of Texas, being a part of the Fielding Bacon Survey, Abstract No. 120 and the Elijah Hartzog Survey, Abstract No. 540, being a part of a 112.66 acre tract of land conveyed by George A. O'Hanlon, Trustee to Shafer Plaza XX, Ltd. By deed dated February 15, 2000, recorded in Volume 2891, Page 658, Official Public Records, Grayson County, Texas and being more particularly described by metes and bounds as follows to-wit:

BEGINNING at found ½ inch rebar maintaining the most Southerly Southwest corner of said 112.66 acre tract, the Southeast corner of a 22.734 acre tract of land conveyed by American Bank of Texas to Charles H. Fellenbaum and Rosario C. Fellenbaum by deed dated December 23, 1993, recorded in Volume 2310, Page 397, Real Property Records, Grayson County, Texas, at the center line intersection of the original location of a public road known as Lamberth Road;

THENCE North 12 deg. 48 min. 57 sec. West, with an East line of said 22.734 acre tract, at a distance of 30.12 feet passing a found spike nail maintaining the Southeast corner of a 17.507 acre tract of land previously conveyed out of said 22.734 acre tract by deed from Charles H. Fellenbaum and Rosario C. Fellenbaum to Blue Coral Investments, Ltd., dated September 19, 1966, recorded in Volume 2494, Page 772, Official Public Records, Grayson County, Texas and continuing with an East line of said 17.507 acre tract, at a distance of 94 feet with the center of said Lamberth Road, passing the most Easterly Northeast corner of both said 17.507 acre tract and 22.734 acre tract, the Southeast corner of a 2.000 acre tract of land conveyed by American Bank of Texas to Frank Patrick, et ux by deed dated December 28, 1993, recorded in Volume 2310, Page 912, Real Property Records, Grayson County, Texas and continuing with the East line of said 2.000 acre tract for a total distance of 930.48 feet to a set ½ inch rebar for the most Westerly Southwest corner of a 4.014 acre tract of land dedicated for new location of a portion of said Lamberth Road in Dedicatory Certificate of record in Volume 2816, Page 691, Official Public Records, Grayson County, Texas;

THENCE in a Northeasterly and Southeasterly direction with the South right-of-way line of said new location of Lamberth Road, the following calls and distances:

> **NORTH** 77 deg. 08 min. 15 sec. East, a distance of 25.00 feet to a set ½ inch rebar;
>
> **NORTH** 54 deg. 40 min. 52 sec. East, a distance of 19.10 feet to a set ½ inch rebar; with a curve to the right having a radius of 807.50 feet, (chord bears South 54 deg. 44 min. 48 sec. East, 60.36 ft.), a distance of 60.37 feet to a set ½ inch rebar at the end of said curve;
>
> **SOUTH** 39 deg. 30 min. 40 sec. East, a distance of 224.94 feet to a set ½ inch rebar; with a curve to the left having a radius of 992.50 feet, (chord bears South 52 deg. 42 min. 45 sec. East, 453.33 ft.), a distance of 457.36 feet to a set ½ inch rebar at the end of said curve;
>
> **SOUTH** 11 deg. 49 min. 16 sec. East, a distance of 149.33 feet to a set ½ inch rebar in the center of the original location of Lamberth Road and on the most Southerly South line of said 112.66 acre tract, the North line of a 6.85 acre tract of land conveyed by American Bank of Texas to Dennis Wyatt by deed dated March 31, 1994, recorded in Volume 2327, Page 531, Real Property Records, Grayson County, Texas;

THENCE South 77 deg. 49 min. 58 sec. West, with the center of the original location of said Lamberth Road and with the most Southerly South line of said 112.66 acre tract, the North line of said Wyatt 6.86 acre tract, leaving said Lamberth Road at a turn to the North, passing the Northwest corner of said 6.85 acre tract and continuing for a total distance of 604.43 feet to the **PLACE OF BEGINNING** and containing **7.53 ACRES OF LAND** more or less.....

SECTION 2. That this ordinance shall not become effective until entered upon the official zoning map as provided in Section 12, Ordinance No. 2280.

SECTION 3. That all ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

SECTION 4. That it is hereby officially found and determined that the meetings at which this ordinance was introduced and passed were open to the public and that public notice of the time, place and purpose of said meetings were given all as required by law.

INTRODUCED on this the _____ day of _____, 2012.

ADOPTED on this the _____ day of _____, 2012.

EFFECTIVE DATE on this the _____ day of _____, 2012.

CITY OF SHERMAN, TEXAS

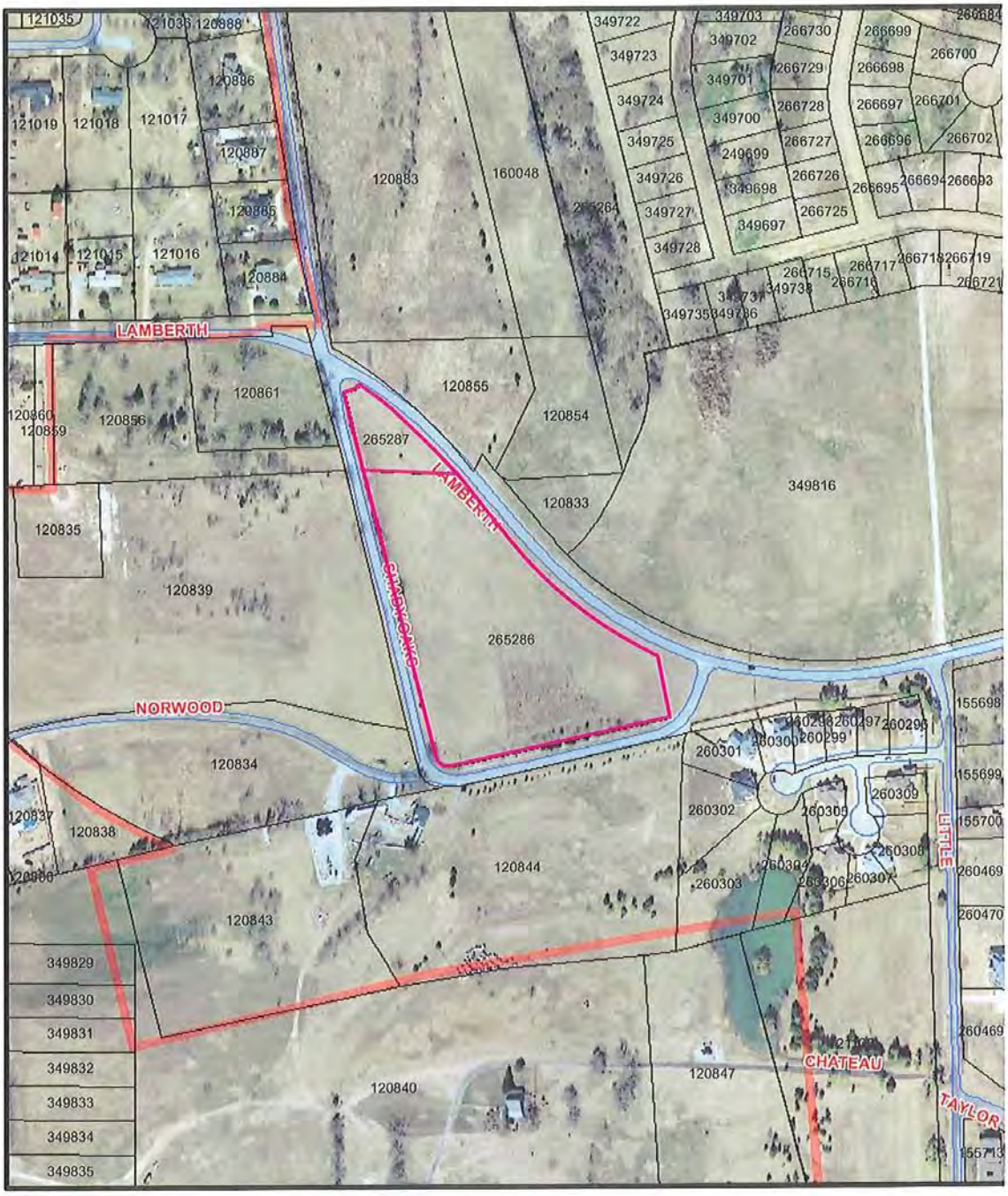
BY: _____
BILL MAGERS, MAYOR

ATTEST:

BY: _____
LINDA ASHBY, CITY CLERK

APPROVED AS TO FORM
AND CONTENT:

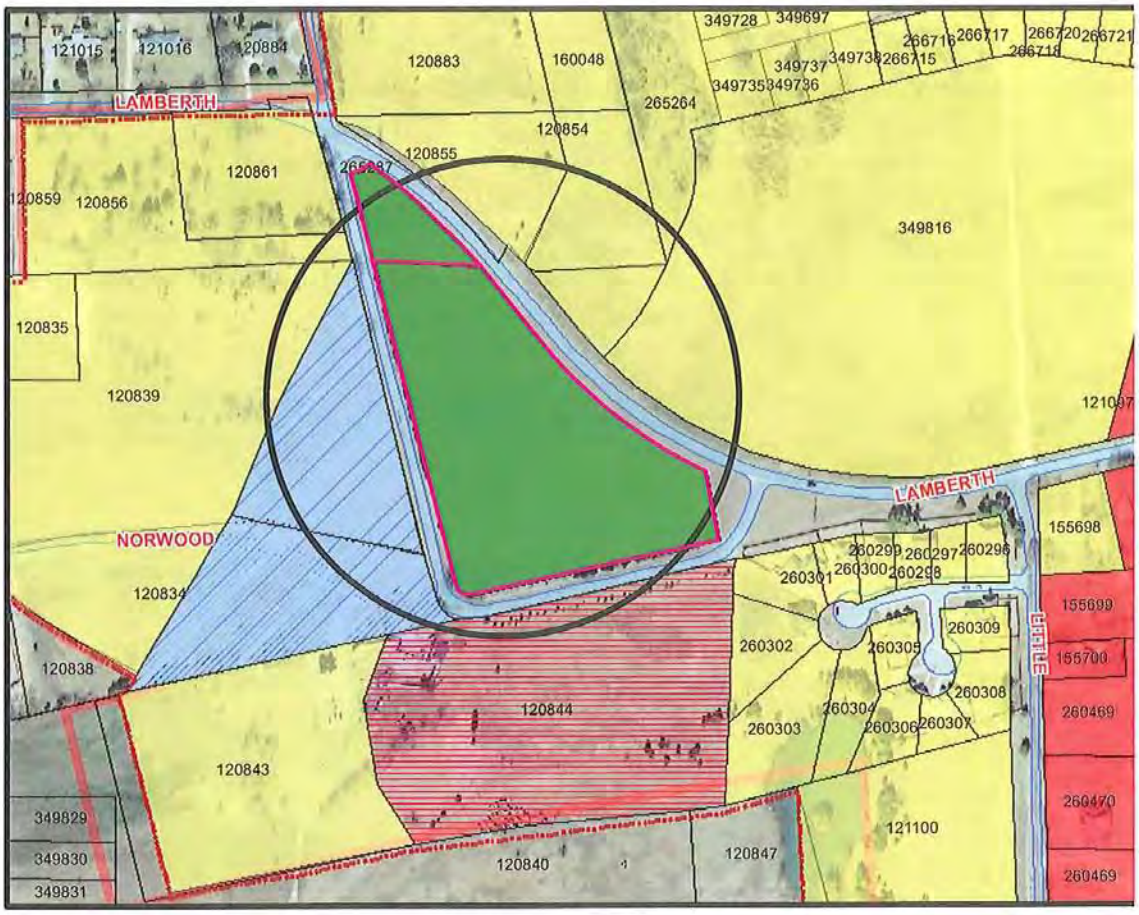
BY: _____
BRANDON S. SHELBY,
CITY ATTORNEY



City of Sherman, Texas
Developmental Services Department

2612 W. Lamberth Rd.

1 inch = 309 feet



Zoning - 2612 West Lamberth

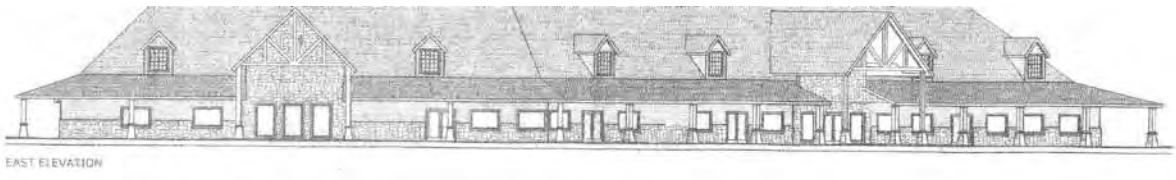
Legend

- C L SHERMAN CITY LIMITS
- O 1 HIGHWAY 75 & 82 OVERLAY DISTRICT
- O 1.1 FM 1417 OVERLAY DISTRICT
- O 1.2 SAM RAYBURN FREEWAY OVERLAY DISTRICT
- C B D DOWNTOWN BUSINESS DISTRICT
- C P O COLLEGE PARK OVERLAY DISTRICT
- A & C ARTS & CULTURAL OVERLAY DISTRICT
- CO Office District
- R-1 One Family Residential District
- R-2 Multi-Family Residential District
- C-1 Retail Business District
- C-2 General Commercial District
- M-1 Light Manufacturing District
- R-A Single Family Agricultural District
- SF-1 Single Family Residential District
- M-1.5 Medium Manufacturing District
- M-2 Heavy Manufacturing District
- MH Manufacturing Housing Distgrict
- Blaylock Commercial Distrist
- BIP Blalock Industrial Park

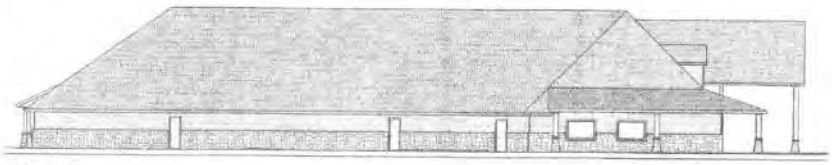
City of Sherman, Texas
Developmental Services Department

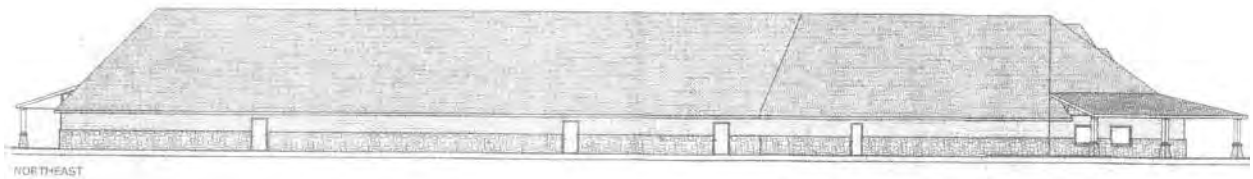
1 inch = 309 feet

2612 W. Lamberth Rd.


EAST ELEVATION

SOUTH
ELEVATION


SOUTHWEST
ELEVATION


NORTHEAST

AGENDA ITEM #4

City of Sherman

Planning and Zoning Commission

Board of Adjustments

Agenda Communication Form

December 20, 2011

Lawrence Davis, Chairman

Jim Jacobs, Vice Chairman	**Brad Morgan, Commissioner**
Darren Tankersley, Commissioner	**Don Hicks, Commissioner**
Ron Barton, Commissioner	**Richard Barber, Commissioner**
Ryan Michael Kreck, Commissioner	**Vacant, Commissioner**

2612 West Lamberth Road
Being 7.53 acres in the Fielding Bacon Survey, Abstract No. 120 and the Elijah Hartzog Survey, Abstract No. 540
Zone Change & Site Plan

Requested Action/Proposed Use:

Planning and Zoning Board

Zone change and site plan approval from an SF1- (Single Family Residential) District to a C-O (Office) District.

Background:

The property is located at 2612 West Lamberth Road; between Norwood Drive and Shady Oaks Lane. The owner would like to change the zoning to a C-O (Office) District and construct a 10,500 square foot, 28' tall office building.

Adjacent Zoning:

R-1 (One Family Residential) District, R-2 (Multi-Family Residential) District and C-2 (General Commercial) District

Origination:

Ben Dye (Owner), Nathan Gray, NBS Drafting and Design (Architect) and Sartin & Associates, Inc. (Surveyors)

Master Plan Designation:

Estate – Estate is a large lot residential use (1-5 acres) with open space and a rural street network (ditches and no sidewalk). These homes are unlikely to have access to full service public utilities, especially sewer service.

Number of notices mailed:

10

Objections Received:

0

Attachments:
Location map
Photographs
Site Plan
Staff Review Letter

Prepared by:
Patsy Reeves,
Developmental Services Secretary

Approved by:
Scott Shadden,
Director of Developmental Services

SHERMAN

STAFF REVIEW LETTER

December 14, 2011

Ben Dye
3200 Versaille Dr., Ste. 300
Sherman, TX 75090

NBS Drafting & Design
122 S. Bryant
Sherman, TX 75092

Sartin & Associates Survey Company
P.O. Box 1843
Sherman, Texas 75090

Dear Applicants,

The request for approval of a zone change and site plan approval from an SF1- (Single Family Residential) District to a C-O (Office) District for the property at 2612 West Lamberth Road has been scheduled to be heard by the Planning and Zoning Board on the day of Tuesday, December 20, 2011 at 5:00 P.M., in the City Council Chambers, City Hall at 220 W. Mulberry.

City staff has reviewed your request with regards to engineering and development guidelines and finds the following items need to be addressed:

Zoning:

1. All aspects of the C-O (Office) District, the Commercial Tree and Landscaping Ordinance and the sign ordinance must be followed. Exterior Facade: Masonry or equivalent shall be required on the sides of all commercial buildings in C-O (Office) District visible from the front street right-of-way. Wall finishes shall be brick, stone, EFIS (Exterior Finish Insulation System) or concrete lap siding unless an exception is granted.
2. Fire lanes shall be coordinated with the Fire Marshal (903-892-7267).
3. Parking is permitted on paved surfaces only.
4. Site plan approval is valid for a period of one year, if progress has not been made within that time period; resubmission to the Planning & Zoning Commission is required.

Engineering:

5. If the parcel is divided in the future, platting will be required.
6. Distance along Lamberth Road shall be shown on the site plan.
7. Escrow in the amount of $34,655.00 to be paid for 280' of frontage access onto Norwood Drive at the time development.
8. When future development accesses Norwood Drive and Shady Oaks Lane, the developer shall pay applicable escrow for the remaining section along Norwood Drive and for Shady Oaks Lane.
9. Detention in accordance with City criteria is required.
10. A utility, grading and drainage plan shall be provided and approved by the City Engineering Department.
11. Sewer and water shall be extended to serve the property.
12. Sidewalks and drive approaches shall be to City of Sherman standards.
13. All aspects of fire protection shall be coordinated with the Fire Marshal (903-892-7267).

Any other changes made to the site plan prior to the final fulfillment of the conditions of the staff review, must be considered minor by the staff, as to not require resubmission to the Planning and Zoning Commission.

2612 W. Lamberth Rd. - P&Z Meeting - December 20, 2011

You are hereby notified to be present, either in person or by a legally authorized representative to present your case on the date and time stated above.

If additional information or clarification is needed, do not hesitate to contact Scott Shadden at 903-892-7229 prior to the meeting.

Respectfully,

Scott Shadden
Secretary, Planning and Zoning Board and Board of Adjustment

cc: George Olson, City Manager
Mark Gibson, Director Utilities & Engineering Services
Clay Barnett, City Engineer
Nathan Huffman, Fire Marshal
Brandon Shelby, City Attorney
Lisa Whitfield, Engineering & Development Coordinator

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. B.3

INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5734
Providing for Permanent "Stop" Signs at the Intersection of Cimmaron Trail and Park Avenue and at the Intersection of Seminole Drive and Tejas Drive within the City Limits of the City of Sherman; Providing for a Penalty Provision

Issue
To consider introducing, seeking public input, and adopting an ordinance providing for permanent "Stop" signs at the intersection of Cimmaron Trail and Park Avenue, stopping southbound traffic on Cimmaron Trail, and at the intersection of Seminole Drive and Tejas Drive, stopping eastbound and westbound traffic on Seminole Drive

Background
Staff received a citizen request for the "Stop" signs and evaluated the request based on the criteria set forth by the Texas Manual of Uniform Traffic Control Devices. The signs have been up for a 90-day trial period with no complaints or issues noted.

Origination
Citizen request and Department of Public Works

Financial Consideration
The City's cost for installing the signs, totaling approximately $340.00 (time and materials)

Staff Recommendation
It is recommended that the City Council adopt the proposed ordinance.

Alternatives
As directed by the Council

Attachments
Ordinance No. 5734
Exhibit (Location Map)

Prepared by:
Don Keene, Director of Public Works

Approved by:
George Olson, City Manager

ORDINANCE NO. 5734

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, PROVIDING FOR PERMANENT "STOP" SIGNS AT THE INTERSECTION OF CIMMARON TRAIL AND PARK AVENUE AND AT THE INTERSECTION OF SEMINOLE DRIVE AND TEJAS DRIVE WITHIN THE CITY LIMITS OF THE CITY OF SHERMAN; PROVIDING FOR A PENALTY PROVISION; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS:

SECTION 1. That, from and after the passage of this ordinance permanent "Stop" signs shall be in place at the following locations within the corporate limits of the City of Sherman, Texas:

> At the intersection of Cimmaron Trail and Park Avenue, stopping southbound traffic on Cimmaron Trail, and at the intersection of Seminole Drive and Tejas Drive, stopping eastbound and westbound traffic on Seminole Drive, as shown by the exhibit attached hereto and incorporated herein for all purposes.

SECTION 2. That the Director of Public Works is directed to designate this action by the appropriate markings and signs.

SECTION 3. That, from and after the erection of the stop signs herein authorized, it shall be unlawful for the driver of any vehicle approaching such stop signs to fail to bring such vehicle to a complete stop at a clearly-marked stop line; but, if none, then at the point nearest the intersecting roadway where the driver has a view of approaching traffic on the intersecting roadway before entering the intersection. Violators of this ordinance shall be subject to fine as provided in Section 1-6 of the Code of Ordinances of the City of Sherman, Texas, codified.

SECTION 4. That the provisions of this ordinance are severable and the invalidity of any word, phrase or part of this ordinance shall not affect the validity or effectiveness of the remainder of the ordinance.

SECTION 5. That all ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

SECTION 6. That it is hereby officially found and determined that the meetings at which this ordinance was introduced and passed were open to the public and that public notice of the time, place and purpose of said meetings were given all as required by law.

INTRODUCED on this the _____ day of _____, 2012.

ADOPTED on this the _____ day of _____, 2012.

EFFECTIVE DATE on this the _____ day of _____, 2012.

CITY OF SHERMAN, TEXAS

BY: _____
BILL MAGERS, MAYOR

ATTEST:

BY: _____
LINDA ASHBY, CITY CLERK

APPROVED AS TO FORM
AND CONTENT:

BY: _____
BRANDON S. SHELBY,
CITY ATTORNEY

BLUE JAY
SEMINOLE
FALCON
PINTAIL
HAWK
CIMMARON
TEJAS
NAVAJO
MOHICAN
PARK
N

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. B.4

ADOPTION OF ORDINANCES
Consider Adoption of Ordinance Numbers: 5732, 5733 and 5734

B.1 INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5732 AND AN APPLICATION TO DRILL AN OIL AND GAS WELL
Amending Section 8, Subsection (5)(a), Ordinance No. 2280, so as to Grant a Specific Use Permit to Allow the Drilling of an Oil/Gas Well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District at 2300 Skaggs Road, being 120 acres in the Fleming Jennings Survey, Abstract No. 638 and the C.C. Fitch Survey, Abstract No. 1556 (Jack and Patsy Pierce, Mineral Rights Owners; Greg Spalding, Longfellow Energy, LP, Representative; and Sartin & Associates, Inc., Surveyors); Providing that this Specific Use Permit Shall be Granted Subject to Certain Conditions; Providing a Penalty Not to Exceed $2,000.00

B.2 INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5733
Amending Section 12, Ordinance No. 2280, so as to Include Certain Properties within the C-O (Office) District at 2612 West Lamberth Road (Ben Dye, Owner; Nathan Gray, NBS Drafting and Design, Architect; and Sartin & Associates, Inc., Surveyors)

B.3 INTRODUCTION AND PUBLIC HEARING OF ORDINANCE NO. 5734
Providing for Permanent “Stop” Signs at the Intersection of Cimmaron Trail and Park Avenue and at the Intersection of Seminole Drive and Tejas Drive within the City Limits of the City of Sherman; Providing for a Penalty Provision

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. B.5

CONSENT AGENDA

Asterisked (*) items are considered to be routine and will be enacted in one motion without discussion unless a Council Member or a citizen requests a specific item be discussed and voted on separately

C.3 **** RESOLUTION NO. 5652***

Awarding Bids to and Authorizing Execution of Contracts with Multiple Vendors for an Annual Supply of Chemicals for the Sherman Water Treatment Plant

D.1 **** OTHER BUSINESS***

Consider Longfellow Energy, LP's Application for a Permit to Drill an Oil and Gas Well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District at 2300 Skaggs Road, being 120 Acres in the Fleming Jennings Survey, Abstract No. 638 and the C.D. Fitch Survey, Abstract No. 1556

D.2 **** OTHER BUSINESS***

Approve Quarterly Investment Reports for Period Ending December 31, 2011

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. C.1

RESOLUTION NO. 5650

Authorizing Execution of an Agreement with Jason and Daresa Sofey under the City of Sherman's Central Business District Historic Building Restoration and Improvement Grant Program for Improvements to 116 West Lamar Street

Issue

Agreement with Jason and Daresa Sofey for a Building Restoration and Improvement Grant for improvements to a historically significant, Central Business District property at 116 West Lamar Street

Background

The City Council has allocated $25,000.00 of the Hotel-Motel Occupancy Tax revenues for the 2011-2012 fiscal year to a Building Restoration and Improvement Grant Program, designed to stimulate substantial, visible, and permanent improvements to ***historically significant*** commercial buildings and to spur interest in vacant and underutilized buildings of ***historical value***, in the Central Business District. Grants under the program are awarded at the ***City Council's sole discretion***, in the maximum amount of $25,000.00 per project. In all cases, applicants are required to provide matching funds at a ratio of four to 1 (4:1). Each grant is packaged as a forgivable loan with a lien placed on the property. The lien is released at the end of five years provided that, ***for the duration***, the business remains open, operative, and free of graffiti and blight; taxes are kept current, and the property remains in compliance with all Development Services Department and Fire Department work orders. Projects must begin within 90 days of permit approval and be completed within twelve months.

This application from Jason and Daresa Sofey is the fourth received under the program. The project is to restore the historic structure established in 1900 and located at the south side of Lamar Street and the square in Downtown Sherman. The lowest bid for the proposed renovation work is $102,500.00; thus the applicants are seeking the maximum reimbursement grant of $25,000.00. ***The applicants have provided proof of the property's historical significance.***

Origination

Applicants Jason and Daresa Sofey

Financial Consideration

The 2011-2012 Hotel-Motel Tax Fund contains an allocation of $25,000.00 for this incentive program for the Central Business District. Grants are at the discretion of the City Council; and any amount up to $25,000.00 may be awarded. No other grants have been requested or awarded by the City Council this fiscal year.

Staff Recommendation

As the application meets the requirements of the program, it is recommended that the City Council consider an award to Jason and Daresa Sofey.

Alternatives

The City Council could deny this request and wait for a project that more closely complements the program and fulfils their objectives.

Attachments

Resolution No. 5650
Agreement
Application and Supporting Documents
Location Map

Prepared by:
Robby Hefton, Assistant City Manager/CFO

Approved by:
George Olson, City Manager

RESOLUTION NO. 5650

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING EXECUTION OF AN AGREEMENT WITH JASON AND DARESA SOFEY UNDER THE CITY OF SHERMAN'S CENTRAL BUSINESS DISTRICT HISTORIC BUILDING RESTORATION AND IMPROVEMENT GRANT PROGRAM FOR IMPROVEMENTS TO 116 WEST LAMAR STREET; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS:

SECTION 1. That the City Manager be and is hereby authorized and directed, subject to all contract documents being properly completed and approved as to form and content by the City Attorney, to execute an agreement with Jason and Daresa Sofey for improvements to 116 West Lamar Street under the City of Sherman's Central Business District Historic Building Restoration and Improvement Grant Program, in accordance with all contract documents attached hereto and made a part hereof for all purposes.

SECTION 2. That it is hereby officially found and determined that the meeting at which this resolution is passed is open to the public and that public notice of the time, place, and purpose of said meeting was given as required by law.

PASSED AND APPROVED on this the _____ day of _____, 2012.

CITY OF SHERMAN, TEXAS

ATTEST:

BY: _____
LINDA ASHBY, CITY CLERK

BY: _____
BILL MAGERS, MAYOR

APPROVED AS TO FORM AND CONTENT:

BY: _____
BRANDON S. SHELBY, CITY ATTORNEY

CITY OF SHERMAN
CENTRAL BUSINESS DISTRICT
HISTORIC BUILDING RESTORATION AND IMPROVEMENT GRANT PROGRAM AGREEMENT

AGREEMENT

THIS AGREEMENT is made and entered into on this the _____ day of _____, 2012, by and between the City of Sherman, a municipal corporation of the State of Texas, hereinafter referred to as "City", and Jason and Daresa Sofey, hereinafter referred to as "Applicants."

WITNESSETH THAT in consideration of the mutual promises and undertaking herein for the purpose of carrying out the restoration of a downtown property, thereby benefiting both the Applicants and the City;

THEREFORE, the Applicants and the City certify and agree to the terms and conditions as set forth below:

I.
TERMS OF AGREEMENT

1. **Ownership and Grant Program.** The Applicants represent and presented documentation that they are the owners of or tenants in good standing of a certain property located at 116 West Lamar Street in the City of Sherman, Grayson County, Texas, hereinafter referred to as "Property," lying within an area where the City is conducting a Central Business District Historic Building Restoration and Improvement Grant Program as described in the Program's "Guidelines and Policies," a copy of which has been provided to the Applicants and is attached hereto as Exhibit "A" and made a part of this Agreement for all purposes, a copy of which has been provided to the Applicants.

2. **Property Description and Eligibility.** The Property is of commercial, retail, service, professional and/or office use, and Applicants' proposed improvements to the Property listed in the Central Business District Historic Building Restoration and Improvement Grant Program Application are eligible improvements as described in the Program's Guidelines and Policies. Applicants state that all of the information contained in the application is truthful and discloses sufficient information so as not to be misleading. The submitted application is attached hereto as Exhibit "B" and incorporated into this Agreement for all purposes.

3. **Compliance with Codes.** All improvements to be undertaken will be consistent with all applicable Zoning and Building Codes.

4. **City Approval for Work.** Only the work that is agreed to by the City and the Applicants, which will be outlined in a formal written notice to proceed to be provided to the Applicants by the City upon Application approval, will be eligible for reimbursement. Any changes to the project that are not approved by the City in writing will not be eligible for reimbursement. Any work that is begun by the Applicants prior to receiving a written notice to proceed from the City will not be eligible for reimbursement.

5. **Rebate/Reimbursement.** The City will rebate a portion of the cost of eligible building improvements as described in the Program Guidelines. Reimbursement claims for all eligible expenses for completed improvements must be accompanied by the following supporting documents: applicable planning and building permits, canceled checks and paid invoices/receipts for eligible work.

6. **Lien.** Upon completion of the work, the City shall record a conditional lien on the property in the full amount of the City's monetary grant to Applicants and the Applicants consent to such lien. The lien shall remain in effect until the terms and conditions in Exhibit "A" have been fully complied with or the lien in favor of the City has been paid in full.

7. **Display of Sign.** After the work has been completed, Applicants shall display a sign or banner (provided by the City) indicating participation in the Central Business District Historic Building Restoration and Improvement Grant Program. The sign shall be displayed either on the exterior or in the front window of the building for a period of thirty (30) days.

8. **City Access to Building.** Applicants agree to allow the City or its agents access to buildings and improvements, when convenient for all parties, for inspection of the Central Business District Historic Building Restoration and Improvement Grant Program work.

9. **Work Payment and Personnel.** In accordance with the terms of this Agreement, the Applicants shall hire all personnel and pay for all labor, materials, tools, transportation, services, City licenses and permits necessary to perform or cause to have performed, and all work as specified in the Application. Applicants are aware of Labor Code Section 3700, which requires worker's compensation insurance or self insurance for employees.

10. **Time Period for Work.** Upon the signing of this Agreement, the Applicants shall have a period of ninety (90) days in which to take out a building permit. Work shall commence within sixty (60) days of the approval date of the building permit and be completed within twelve (12) months thereafter. Extensions, if warranted, may be granted at the discretion of the City. No change to work without the written consent of both the City and Applicants will be permitted.

11. **Notice and Compliance with Laws.** The Applicants shall give all notices required and comply with all applicable laws, ordinances and codes and shall, at their expense, secure and pay all said fees and charges for the performance of the work.

12. **No City Liability.** Applicants understand and agree that the City and their officers, agents, and employees, shall have no responsibility or liability of any failure or inadequacy of performance or defective workmanship or materials in regard to the agreed-upon improvements.

13. **Proper Use of Hotel/Motel Tax Revenues.** Applicants acknowledge that they are aware that the money being provided to them through this agreement comes from the City's Hotel/Motel Tax revenues; and Applicants further acknowledge and agree that they have independently determined that the project contemplated by this agreement and the submitted application complies with the State law regarding the use and application of such money, as set forth in the Texas Tax Code at Chapter 351, Section 351.101 and, in particular, that the project will enhance and promote tourism by attracting visitors from outside the City and the project will enhance the historical restoration, rehabilitation, or preservation of a historic structure. Applicants further acknowledge and agree that, if the project is determined at any time not to comply with Chapter 351 of the Texas Tax Code, any and all money acquired from the City by Applicants for this project shall be immediately and fully reimbursed to the City.

II.
GENERAL TERMS

Assignment of Agreement

No assignment by a party hereto of any rights under or interests in the Agreement will be binding on another party hereto without the written consent of the party sought to be bound and, unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this Agreement.

INDEMNIFICATION

Applicants shall indemnify, release, defend and hold City, their officers, employees and agents, harmless from all claims, losses, liabilities, damages, suits, actions or proceedings by any person including Applicants, theirs employees and agents from personal injury, death or property damage from any cause whatsoever in whole or in part arising out of this Agreement or the activities completed hereunder by this indemnification shall not include the sole negligence or willful misconduct of City, their officers, employees or agents.

Successors and Assigns

City and Applicants each bind themselves, their partners, successors, assigns, and legal representatives to the other parties hereto, their partners, successors, assigns, and legal representatives in respect to all covenants, agreements, and obligations contained in this Agreement.

Severability and Conflict

Any provision or part of the Agreement held to be void or unenforceable under any Law or Regulation shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon City and the Applicants, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

Captions

Section or other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Choice of Law: Venue

This Agreement, the entire relationship of the parties, and any litigation between the parties (whether grounded in contract, tort, statute, law or equity) shall be governed by, construed in accordance with, and interpreted pursuant to the laws of the State of Texas, without giving effect to its choice of laws principles. This Agreement is wholly performable in Grayson County, Texas. Exclusive venue for any litigation between the parties shall be brought in Grayson County, Texas, and shall be brought in the State District Courts of Grayson County, Texas, or in the United States District Court for the Eastern District of Texas. The parties waive any challenge to personal jurisdiction or venue (including without limitation a challenge based on inconvenience) in Grayson County, Texas, and specifically consent to the jurisdiction of the State District Courts of Grayson County, Texas, or in the United States District Court for the Eastern District of Texas, Sherman Division.

Binding Authority

By their signatures below, the individuals represent that they have reviewed this Agreement with their attorney and that the individuals have the express authority to enter into this Agreement.

Entire Agreement

This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporary agreements between the parties and relating to matters in this Agreement, and except as otherwise provided herein cannot be modified without written agreement of both the parties to be attached to and made a part of this Agreement.

IN WITNESS WHEREOF, City and the Applicants have signed this Agreement in duplicate. One counterpart each has been delivered to City and the Applicants. All portions of the Agreement have been signed or identified by City and the Applicants or on their behalf.

EXECUTED on this the _____day of _____, 2012.

CITY OF SHERMAN, TEXAS:

By: _____
George Olson, City Manager

APPLICANTS:

By: _____
Jason Sofey

By: _____
Daresa Sofey

Address: P. O. Box 2904
Sherman, Texas 75091
Phone: 903.815.7710

APPROVED AS TO FORM AND CONTENT:

By: _____
Brandon S. Shelby,
City Attorney

CITY OF SHERMAN
City Manager's Office
220 West Mulberry Street
Sherman, Texas 75090
Tele: (903) 892-7201 Fax: (903) 892-7355

FOR OFFICE USE ONLY	
File #	
Assessment Role Number	Assessed Property Value
Property Address	
Date Application Received	Date Application Completed

CENTRAL BUSINESS DISTRICT HISTORIC BUILDING RESTORATION AND IMPROVEMENT GRANT PROGRAM

Application

The information requested below will be used to process your application under the terms and conditions of the City of Sherman's Historic Building Restoration and Improvement Grant (Forgivable Loan) Program.

I. Applicant Information

1. Applicant(s) name: Jason & Darese Sofey
   Mailing address: PO Box 2904
   City: Sherman State: TX Zip: 75091

   Federal Tax ID or Social Security Number: _____

2. Applicant's daytime telephone number: 903-815-7710
   Cell # (____) _____ Facsimile # (____) _____
   E-mail address: jason@sofeyc-d.com

3. Status of applicant (please check one)
   - ✓ Property owner with vacant facility
   - ____ Property owner with tenant business
   - ____ Property owner/operator of existing business on property

4. Owner of property is a/an (please check one)
   - ✓ Individual
   - ____ Partnership (attach copy of Partnership Agreement)
   - ____ Corporation/profit (attach copy of Articles of Incorporation)
   - ____ Corporation/nonprofit (attach list of officers and directors)
   - ____ Trust (attach copy of Trust Agreement)
   - ____ Other

5. Length of ownership: 0
   Date purchased: 1-26-17

II. Property Information

1. Address of property to be improved:
   116 W. Lamar St.

2. Legal description of subject property:
   OTP Sherman, Block 7 Lot E2, 2 25 × 150 = 3750 sq. ft.

3. Tax Assessor Parcel Number(s):
   163623

4. Year built: 1900 Square footage: 4,900

5. Is this a National Register building? Yes___ No ✓ (check one)
   Is this a building of known historical significance? Yes___ No ✓ (check one)

6. What are the current types of businesses occupying the building?
   None

7. Name and phone number of tenant(s), if applicable: N/A
   (Attach additional names/numbers, if needed)

8. Use of building after construction: Design Center - retail - construction

9. Number of parking spaces provided: 2 Proposed:_____ Total: 2

10. Current zoning: C-1

11. Is a zoning amendment required? Yes___ No ✓ (check one)

12. Attach architectural and elevation renderings.

III. Project Description

1. Description of Proposed Improvements. Please provide a detailed description of your proposed improvements. Attach a copy of your architectural or design plans. Identify the materials to be used, such as the type of paint or stain (i.e., exterior latex, color, etc.). Include details of new signs or awnings, etc. Provide color photos of the subject property and those adjacent prior to and after the improvements are made.

   Please note: Applicants should carefully review the "City of Sherman Central Business District Historic Building Restoration and Improvement Grant Program Guidelines and Policies", and discuss all proposed improvements with the City of Sherman's Developmental Services Department prior to completing this application. It is also recommended that Applicants discuss their proposed improvements and any questions regarding the submission requirements with the Developmental Services Department and the City Manager's Office prior to completing the application form.

Description: Demolition of Mezanine + partitions
Install new plumbing, electrical, HVAC
Install insulation + new windows + doors
refinish wood floors + install new flooring
repair + refinish walls + ceilings
Create new courtyard with outdoor Kitchen + fountains
install new interior + exterior lighting + fans
Construct new ADA Bathroom
Install new stairwell with balcony with iron railing
New sewer + water tap + new electrical service
New Sign + Awning Audio/Video set up

☑ Designs Attached ☑ Before Picture(s) Attached

2. How many jobs will be **retained** once the project is completed? 6

6 Full-time positions _____ Part-time positions

3. How many **new positions** will result from this project? ?

_____ Full-time positions _____ Part-time positions

IV. Work Estimates

Please attach two (2) independent contractor estimates for each component of the proposed improvement. Please note that grant/forgivable loan funding shall be based on the lowest bid. Eligible costs shall be the cost of materials, equipment, and contracted labor to complete eligible improvements. Professional fees such as architects, engineers, and solicitors are not eligible costs. Labor provided by the Applicant or tenant of the building is not an eligible cost.

1. Name/Company and Phone Number of Preferred Contractor:
Soter Construction + Design
Amount: Cost per subs

2. Name/Company and Phone Number of Second Contractor:

Amount:

3. Additional Estimates/Comments: (Please attach additional quotes, as required)

4. Total estimated costs of your improvements: 102,500 ~

5. Estimated completion date for your improvements? 3-26-12

V. Historic Significance

The City's Program for improving the historic buildings of downtown Sherman is being funded through the City's Hotel/Motel Tax revenues, which require that this money may be spent only on historic buildings that would tend to attract tourists. Many factors may indicate a building's historic significance such as age, architectural design, building use, events or significant people. Some of this may be proved through deeds, pictures, books, newspaper articles and the like. Attach to this application all matters that would prove your claim that this is a historic building.

VI. Signature of Owner/Authorized Agent – Affidavit or Sworn Declaration

I/We, Jason + Daresa Sofey, of the City of Sherman, County of Grayson, State of Texas, make oath and say (or solemnly declare) that the information contained in this application is true and that the information contained in the documents that accompany this application in respect of the application is true.

I/We hereby authorize inspections of my/our property to be improved.

I/We acknowledge that any work carried out prior to written confirmation of grant approval may not be eligible.

I/We acknowledge receiving, understanding, and accepting the terms and conditions of the City of Sherman Central Business District Historic Building Restoration and Improvement Grant Program.

Sworn to (or declared before me), Carla J. King, a Notary Public in and for the State of Texas, on this the 12 day of January, 20 12.

CARLA J. KING
MY COMMISSION EXPIRES
March 5, 2014

Applicant

Co-Applicant

Carla J. King
Notary Public, State of Texas
My Commission Expires: 3-5-14

VII. Consent of the Owner to the Use and Disclosure of Personal Information

I/We, Jason + Daresa Sofey,
am the owner of the land that is the subject of this Application and, for the purposes of the Freedom of Information and Protection of Privacy Act, I/we authorize and consent to the use by or the disclosure to any person or public body of any personal information that is collected under the authority of the _____ for the purposes of processing this application.

1-11-12
Date

Signature of Owner(s)

VIII. Authorization for Agent *(complete only if Applicant is not the registered Owner)*

I/We, _____,
the owner of the subject property, hereby authorize _____
(Agent) to act on my behalf with respect to the application.

N/A

_____
Date

_____
Signature of Owner(s)

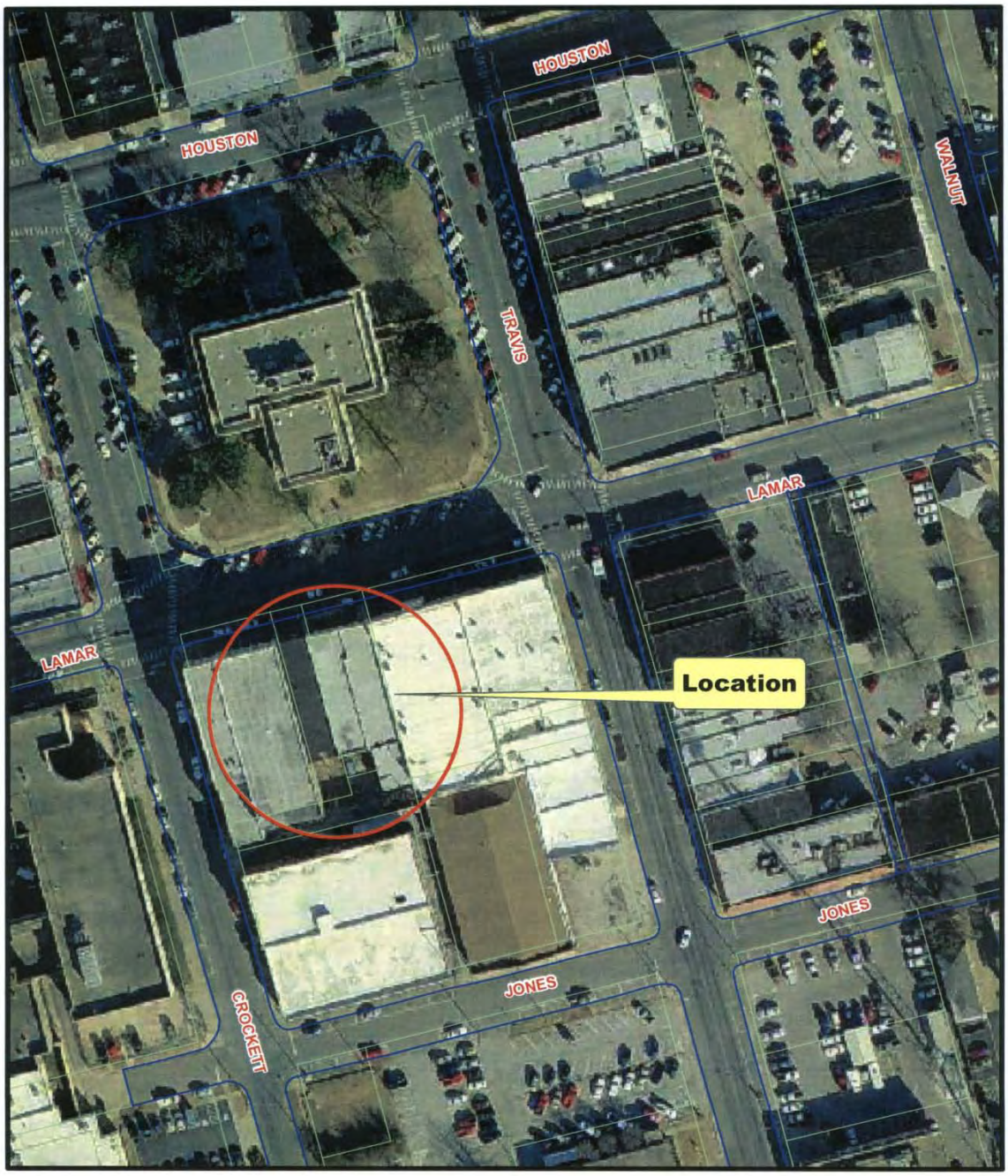
Note: Information provided in this application will become part of a public record.

Sofey Construction

Improvements
116 W Lamar
Sherman Tx 75092

Demo	$ 6,000
Sewer tap	$ 2,500
Water tap& new line	$ 3,500
Underground electrical service	$ 3,500
Framing	$ 5,000
Electrical	$ 7,000
Plumbing	$13,000
HVAC	$15,000
Paint	$10,000
Floors	$13,000
Windows	$ 2,000
Fenced in courtyard	$ 2,000
Landscaped courtyard	$ 3,000
Outdoor kitchen	$ 6,000
Indoor kitchen vignette	$ 8,000
Audio / Video system	$ 3,000

Total $102,500


HOUSTON
HOUSTON
WALNUT
TRAVIS
LAMAR
LAMAR
Location
JONES
JONES
CROCKETT

116 W Lamar

N

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. C.2

RESOLUTION NO. 5651

Suspending the March 6, 2012 Effective Date of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company") Requested Rate Change to Permit the City Time to Study the Request and to Establish Reasonable Rates; Approving Cooperation with the Atmos Cities Steering Committee ("ACSC") and Other Cities in the Atmos Mid-Tex Service Area to Hire Legal and Consulting Services and to Negotiate with the Company and Direct any Necessary Litigation and Appeals; Requiring Reimbursement of Cities' Rate Case Expenses; Requiring Notice of this Resolution to the Company and Legal Counsel for the Steering Committee

Issue

To adopt a resolution suspending the March 6, 2012 effective date of Atmos Energy Corp., Mid-Tex Division's ("Atmos Mid-Tex" or "Company") gas utility rate case filing for the maximum period authorized by law

Background

On January 31, 2012, Atmos Mid-Tex filed a statement of intent to increase residential, commercial, industrial, and transportation rates throughout the state, with the exception of the City of Dallas, by $49.0 million or 11.94% (including gas costs) or 13.6% (excluding gas costs), effective March 6, 2012. Unless the City takes action to suspend this effective date, a pro-rata rate increase can be charged to all customers within the city after March 6th.

If approved, the application would change the way rates are collected, by increasing the residential fixed-monthly (or customer) charge from $7.50 to $18.00 and decreasing the consumption charge from $0.25 per 100 cubic feet ("ccf") to $0.07 per ccf.

State law permits our extension of the effective date by up to ninety (90) days. Through adoption of this resolution, we will suspend the March 6, 2012 effective date of the Company's statement of intent to increase rates for the maximum period allowed by law, until June 4, 2012, giving the Atmos Cities Steering Committee ("ACSC") sufficient time to review the filing and decide on the final action needed. We will be informed of ACSC findings, conclusions and recommendations, and provided with draft resolutions and ordinances reflecting those recommendations.

The ACSC General Counsel does not recommend the City take action to deny the request at this time. Suspending the effective date gives cities time to evaluate the Company's filing and develop strategy while the City retains its original jurisdiction.

Origination
Geoffrey Gay, General Counsel to the ACSC, at Lloyd Gosselink Blevins Rochelle & Townsend, P.C.

Financial Consideration
All costs (legal and consulting) incurred by the City will be reimbursed by Atmos Mid-Tex.

Staff Recommendation
It is recommended that Resolution No. 5651 be adopted to suspend for 90 days the effective date of the Company's Statement of Intent to Increase Rates.

Alternatives
None recommended

Attachments
Resolution No. 5651
Memo from ACSC General Counsel dated February 1, 2012
Staff Report in Support of the Resolution
Frequently Asked Questions dated February 1, 2012
List of ACSC cities (154 total)

Prepared by:
Brandon S. Shelby, City Attorney

Approved by:
George Olson, City Manager

RESOLUTION NO. 5651

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, SUSPENDING THE MARCH 6, 2012 EFFECTIVE DATE OF ATMOS ENERGY CORP., MID-TEX DIVISION ("ATMOS MID-TEX" OR "COMPANY") REQUESTED RATE CHANGE TO PERMIT THE CITY TIME TO STUDY THE REQUEST AND TO ESTABLISH REASONABLE RATES; APPROVING COOPERATION WITH THE ATMOS CITIES STEERING COMMITTEE ("ACSC") AND OTHER CITIES IN THE ATMOS MID-TEX SERVICE AREA TO HIRE LEGAL AND CONSULTING SERVICES AND TO NEGOTIATE WITH THE COMPANY AND DIRECT ANY NECESSARY LITIGATION AND APPEALS; REQUIRING REIMBURSEMENT OF CITIES' RATE CASE EXPENSES; REQUIRING NOTICE OF THIS RESOLUTION TO THE COMPANY AND LEGAL COUNSEL FOR THE STEERING COMMITTEE; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

WHEREAS, on or about January 31, 2012, Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), pursuant to Gas Utility Regulatory Act § 104.102, filed with the City of Sherman ("City") a Statement of Intent to change gas rates in all municipalities exercising original jurisdiction within its Mid-Tex Division service area effective March 6, 2012; and

WHEREAS, the City is a regulatory authority under the Gas Utility Regulatory Act ("GURA") and, under Chapter 104 § 104.001, et seq. of GURA, has exclusive original jurisdiction over Atmos Mid-Tex's rates, operations, and services within the City; and

WHEREAS, in order to maximize the efficient use of resources and expertise, it is reasonable for the City to maintain its involvement in the Atmos Cities Steering Committee ("ACSC") and to cooperate with the more than 150 similarly situated city members of ACSC and other city participants in conducting a review of the Company's application and to hire and direct legal counsel and consultants and to prepare a common response and to negotiate with the Company and direct any necessary litigation; and

WHEREAS, Atmos Mid-Tex proposed March 6, 2012 as the effective date for its requested increase in rates; and

WHEREAS, it is not possible for the City to complete its review of Atmos Mid-Tex's filing by March 6, 2012; and

WHEREAS, the City will need an adequate amount of time to review and evaluate Atmos Mid-Tex's rate application to enable the City to adopt a final decision as a local regulatory authority with regard to Atmos Mid-Tex's requested rate increase; and

WHEREAS, the Gas Utility Regulatory Act § 104.107 grants local regulatory authorities the right to suspend the effective date of proposed rate changes for ninety (90) days; and

WHEREAS, the Gas Utility Regulatory Act § 103.022 provides that costs incurred by cities in ratemaking activities are to be reimbursed by the regulated utility;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS:

SECTION 1. That the March 6, 2012 effective date of the rate request submitted by Atmos Mid-Tex on January 31, 2012 be suspended for the maximum period allowed by law to permit adequate time to review the proposed changes and to establish reasonable rates.

SECTION 2. That the City is authorized to cooperate with ACSC and its member cities in the Mid-Tex service area and under the direction of the ACSC Executive Committee to hire and direct legal counsel and consultants, negotiate with the Company, make recommendations to the City regarding reasonable rates, and to direct any necessary administrative proceedings or court litigation associated with an appeal of a rate ordinance and the rate case filed with the City or Railroad Commission.

SECTION 3. That the City's reasonable rate case expenses shall be reimbursed by Atmos Mid-Tex.

SECTION 4. That a copy of this Resolution shall be sent to Atmos, care of David Park, Vice President of Rates & Regulatory Affairs, at Atmos Energy Corporation, Mid-Tex Division, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., P. O. Box 1725, Austin, Texas 78767-1725.

SECTION 5. That it is hereby officially found and determined that the meeting at which this resolution is passed is open to the public and that public notice of the time, place, and purpose of said meeting was given as required by law.

PASSED AND APPROVED on this the _____ day of _____, 2012.

CITY OF SHERMAN, TEXAS

BY: _____

BILL MAGERS, MAYOR

ATTEST:

BY: _____
LINDA ASHBY, CITY CLERK

APPROVED AS TO FORM
AND CONTENT:

BY: _____
BRANDON S. SHELBY,
CITY ATTORNEY

Cloer, Pam

From: Geoffrey Gay [gmg@lglawfirm.com]
Sent: Wednesday, February 01, 2012 11:10 AM
To: Abilene - Place 6 (Odis Dolton) ; Abilene (Daniel Santee); Abilene (Mindy Patterson); Addison (Chris Terry); Addison (Jerry Lewandowski); Addison (Ronald Whitehead); Allen (Kevin Hammeke); Allen (Wes Pierson); Alvarado (Debbie Thomas); Anna (Natha Wilkison); Anna (Philip Sanders); Argyle (Codi Delcambre); Argyle (Lyle Dresher); Argyle,Bedford,Colleyville,Farmers Branch,Grapevine,Hurst,Parker (Matthew Boyle); Arlington - Place 5 (Jay Doegey); Arlington (Mary Bunkley); Bedford (beverly.griffith@bedfordtx.gov); Bedford (david.miller@bedfordtx.gov); Bedford (Mirenda McQuagge-Walden); Bellmead (Ann Smith); Bellmead (Victor Pena); Benbrook - Place 11 (David Ragsdale); Beverly Hills (Donna Hawkins); Blossom (Stacey Prestridge); Blue Ridge (Dan Standeford); Blue Ridge (Nacy Southard); Bowie (James R. Cantwell); Bowie (Tracey Jennings); Boyd (Joy Patterson); Bridgeport (Jesica McEachern); Brownwood (Bobby Rountree); Brownwood (Pat Chesser); Brownwood (Walter Middleton)
Cc: Geoffrey Gay; Georgia Crump; Eileen McPhee; Barbara Kimmell
Subject: Atmos Mid-Tex 2012 Rate Case
Attachments: 2012.01.30 Suspension Resolution (Atmos Mid-Tex 2012 rate case).DOC; 2012.01.30 Model Staff Report Supporting Suspension Resolution (Atmos Mid-Tex 2012 Rate Case).DOC; 2012.02.01 Frequently Asked Questions Regarding ACSC and the RRM Process.DOC; List of ACSC Cities - Updated 03.02.11.DOC

Importance: High

Attached please find four documents that address the rate case filed with Atmos Cities Steering Committee (ACSC) member cities yesterday. The critical portion of the attached package is the two page suspension resolution which should be adopted before March 6, 2012. Suspension recognizes and facilitates the exercise of city jurisdiction. Atmos Mid-Tex agrees that cities should have an opportunity to resolve the rate request with the Company before jurisdiction attaches at the Railroad Commission (RRC) and, therefore, supports the ACSC suspension efforts. Denial of the request, as opposed to suspension, could trigger RRC jurisdiction through an appellate process that would likely lead to litigation which ACSC hopes to avoid.

Please contact me if you have questions regarding the attachments or the ratemaking process.

Geoffrey M. Gay

Lloyd Gosselink Rochelle & Townsend, P.C.
816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800 phone
(512) 322-5875 direct
(512) 472-0532 fax
ggay@lglawfirm.com

If you would like more information about the firm, please visit our website at http://www.lglawfirm.com, or about our **Utilities Practice Group**, please visit *http://www.lglawfirm.com/PracticeAreas_Utility.asp*

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(II) to promote, market or recommend to another party any transaction or matter addressed herein.

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STAFF REPORT SUPPORTING RESOLUTION SUSPENDING ATMOS MID-TEX'S PROPOSED MARCH 6, 2012 EFFECTIVE DATE FOR A RATE INCREASE

The City, along with approximately 153 other cities served by Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC" or "Steering Committee"). On or about January 31, 2012, Atmos Mid-Tex filed with the City a Statement of Intent to increase rates within the City.

Background

In 2003, TXU Gas filed a statewide rate case which became known at the Railroad Commission of Texas ("RRC") as Gas Utilities Docket ("GUD") No. 9400. That same year the Texas Legislature passed legislation referred to as the Gas Reliability Infrastructure Program ("GRIP") which authorized annual piecemeal rate reviews that Texas courts have concluded significantly restrict city jurisdiction, participation, and input. Shortly after GUD No. 9400 was decided in 2004, Atmos Energy purchased TXU Gas and created what is known as Atmos Energy Corp., Mid-Tex Division. The City is within the Atmos Mid-Tex Division.

Atmos Mid-Tex filed four GRIP cases before filing a traditional rate case in September, 2007. As part of Cities' Settlement Agreement with Atmos of the 2007 rate case, ACSC and Atmos created a substitute process for annual piecemeal GRIP cases. That substitute process was called a Rate Review Mechanism ("RRM") and was intended as an expedited but comprehensive rate review that included a number of fixed values and constraints. The RRM was intended as a three-year experiment. Last year, it was extended for a fourth year with some slight modifications to the original formulas. ACSC negotiated with Atmos in the final quarter of last year to further extend the RRM process, but no agreement was reached. Atmos has expressed a desire to reach a settlement of the January 31, 2012 filing that includes a revised RRM process.

Enclosed are frequently asked questions ("FAQ") on ACSC and the RRM ratemaking process.

Discussion and Purpose

Atmos Mid-Tex filed a Statement of Intent on January 31, 2012, seeking to increase system-wide base rates (which exclude the cost of gas) by approximately $49 million or 11.94%. However, the Company is requesting an increase of 13.6%, excluding gas costs, for its residential customers. Additionally, the application would change the way that rates are collected, by increasing the residential fixed-monthly (or customer) charge from $7.50 to $18.00 and decreasing the consumption charge from $0.25 per 100 cubic feet ("ccf") to $0.07 per ccf.

The law provides that a rate request made by a gas utility cannot become effective until at least 35 days following the filing of the application to change rates. Atmos has proposed an effective date of March 6, 2012. The law permits the City to suspend the rate change for 90 days

after the date the rate change would otherwise be effective. If the City fails to take some action regarding the filing before the effective date, Atmos' rate request is deemed administratively approved.

The purpose of the resolution is to extend the effective date of Atmos Mid-Tex's proposed rate increase to give the City time to review the rate-filing package. The resolution suspends the March 6, 2012 effective date of the Company's rate increase for the maximum period permitted by law to allow the City, working in conjunction with the other ACSC cities, to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy to pursue, including settlement and ultimately to approve reasonable rates.

Explanation of "Be It Resolved Paragraphs"

Section 1. The City is authorized to suspend the rate change for 90 days after the date that the rate change would otherwise be effective so long as the City has a legitimate purpose. Time to study and investigate the application is always a legitimate purpose. Please note that the resolution refers to the suspension period as the "maximum period allowed by law" rather than ending by a specific date. This is because the Company controls the effective date and can extend its effective date and, therefore, extend the deadline for final city action to increase the time that the City retains jurisdiction (for example, if necessary to reach settlement on the case). If the suspension period is not otherwise extended by the Company, the City must take final action on Atmos Mid-Tex's request to raise rates by June 4, 2012.

Section 2. This provision recognizes the City's membership in ACSC and authorizes the City to participate with other similarly situated cities served by Atmos Mid-Tex in order to more efficiently represent the interests of the City and its citizens.

Section 3. By law, the Company must reimburse the cities for their reasonable rate case expenses. Legal counsel and consultants approved by ACSC will present their invoices to the City of Arlington which will then seek reimbursement from Atmos Mid-Tex. The City will not incur liability for payment of rate case expenses by adopting a suspension resolution.

Section 4. This section provides that both Atmos Mid-Tex's designated representative and counsel for ACSC will be notified of the City's action by sending a copy of the approved and signed resolution to certain designated individuals.

Section 5. This section merely recites that the resolution was passed at a meeting that was open to the public and that the consideration of the resolution was properly noticed.

Recommendation

The City Staff recommends adoption of the resolution suspending the effective date of Atmos Mid-Tex's proposed rate increase.

August 1, 2011
Revised February 1, 2012

FREQUENTLY ASKED QUESTIONS REGARDING ACSC AND THE RRM RATEMAKING PROCESS

What is the Role of Cities in Ratemaking?

Cities have historically exercised original jurisdiction over the level of gas rates charged within their boundaries. Generally, gas distribution utilities have filed rate cases at the city level and only gone to the Railroad Commission of Texas ("RRC") with an appeal of city action or if they cannot reach a settlement with cities. If a utility and cities reach an agreement, the utility may then file a case at the RRC to implement the same rates approved by cities in areas outside municipal boundaries.

Once a case is at the RRC, the Commission Staff generally expects cities to intervene and do most of the discovery, sponsor opposing witnesses, and do most of the cross-examination and briefing. There is no consumer advocate at the RRC. If cities do not participate in hearings at the RRC, the request of a regulated utility is likely to be rubber-stamped.

What is the background to the creation of the Atmos Cities' Steering Committee?

The Atmos pipeline and distribution systems were built, owned and operated by Lone Star Gas ("LSG") which maintained over 200 rate jurisdictions until it sold its assets to Texas Utilities ("TXU") in the late 1990's. That meant that many cities had their own unique distribution rates and that individual cities had to process rate cases at the local level. LSG-Pipeline served all 200-plus distribution systems and pipeline rates were set by the RRC.

From the early 1980's through the late 1990's, LSG filed no pipeline or system-wide rate case at the RRC. When LSG was finally brought before the RRC to show cause why its rates should not be reduced, approximately 80 cities intervened and created an *ad hoc* group known as the Steering Committee of Cities Served by Lone Star.

TXU purchased the LSG assets in the late 1990's and immediately commenced consolidating 200-plus ratemaking jurisdictions into regions. As regional cases were filed, cities within each region created an *ad hoc* committee to form a common strategy and negotiating position. Once TXU had aggregated the cities into five or six jurisdictions, each with a different rate, Texas Utilities Gas Company filed a system-wide case to bring all of the old LSG territory under one common rate. The different city regional committees then united and formed the Allied Coalition of Cities ("ACC"). While the gas utility assets were owned and controlled by TXU, the Steering Committee transformed itself from an *ad hoc* group that came together only in response to rate filings by the utility into a permanent standing committee.

In Gas Utilities Docket ("GUD") No. 9400 in 2004, TXU's request for a $61.6 million system-wide increase was aggressively opposed by ACC. The Company received only a $2.01

million increase. Unhappy with that result, TXU decided that owning a gas system was neither as fun nor as profitable as the deregulated electric system, and they sold the system to Atmos Energy Corporation ("Atmos" or "Company"). ACC was then transformed into the Steering Committee of Cities Served by Atmos and then renamed Atmos Cities Steering Committee to obtain an easy to remember acronym, "ACSC".

What is the Atmos Cities Steering Committee?

ACSC is a coalition of 154 cities that unite in common purpose to address gas utility rate and franchise issues related to Atmos Energy Corporation. Its objectives are to: (1) ensure that gas utility rates charged to cities and their residents are fair and reasonable; (2) maintain reasonable franchise fee revenues for cities; (3) protect cities' original jurisdiction over rates and services; (4) be a voice for consumers where no state agency assumes such a role; and (5) promote sound ratemaking policy in the public interest.

Cities join the permanent standing committee by passing a resolution and agreeing to support the work of ACSC through modest occasional *per capita* assessments which support ongoing administrative and legislative advocacy and all expenses where cities are not entitled to reimbursement. Each member city designates a representative to ACSC. Member representatives may volunteer to serve on the ACSC Executive Committee or Settlement Committee. The Executive Committee sets policy, hires legal counsel and consultants, directs litigation, establishes a legislative agenda, sets assessments on members as needed and meets quarterly with Atmos executives. The Settlement Committee is directly involved in negotiating resolution of contested matters with Atmos executives.

The list of current members is attached.

What is the benefit of membership in ACSC?

One hundred fifty-four cities speaking as one voice is much more effective in advocacy before the Railroad Commission and legislature than any one city or multiple small groups of cities.

The legislature has given gas utilities a right to an annual increase in rates. Resources (both financial and human) of individual cities are conserved by membership in ACSC. Additionally, membership enhances institutional memory of ratemaking issues, public policy debates, and right-of-way and franchise fee battles.

What has ACSC accomplished recently?

Going into the legislative session, ACSC in December 2010 released a 48-page report, "Natural Gas Consumers and the Texas Railroad Commission." More than 200 television, newspaper and radio news sites posted information on and a link to the report which may be found on ACSC's website, TexasGasConsumers.org.

Earlier in 2010, ACSC representatives visited on several occasions with the Sunset Commission Staff, and several ACSC recommendations for reform were included in the Sunset Commission Report on the Railroad Commission, delivered to the legislature's Sunset Committee prior to public hearings on the agency. Several ACSC member representatives testified before the legislature regarding reforms needed at the Railroad Commission.

During the most recent legislative session, lobbying efforts by ACSC were critical in killing two gas utility bills that would have undermined traditional regulation, deprived cities of certain rights, and led to even greater rate increases.

ACSC has resolved a major issue involving franchise fees. Atmos unilaterally, without notice, ceased inclusion of franchise fees in the calculations of gross receipts regardless of whether specific franchises included such payments. Several cities were willing to pursue the matter through litigation. However, counsel for ACSC was able to negotiate a resolution that allowed each member city to determine whether it desired an increase in franchise fee payments based on inclusion of franchise fees in the calculation of gross receipts. If a city opted for inclusion of fee-on-fee revenues, it had the further option of retroactive payments back to the point in time that Atmos decided to curtail fee-on-fee payments. Each member had these options regardless of the wording of the then valid franchise agreement. This resolution spared significant litigation costs and anxiety and was only possible because of the clout of the ACSC membership.

One of the most significant accomplishments of ACSC occurred in 2007 via a settlement of the then pending system-wide rate case. Approximately 50 ACSC city representatives showed up in Arlington for a meeting with Atmos executives who were shocked at the vocal opposition to Atmos practices, the unfairness of annual Gas Reliability Infrastructure Program ("GRIP") rate filings that precluded city and citizen review, and the Company's lack of coordination with cities. That meeting led to the creation of the Rate Review Mechanism ("RRM") process and greater ongoing communication between the Company and ACSC.

In 2010, ongoing communications between ACSC and the Company led to a workable solution to the need to replace steel service lines in a manner that accommodated city needs to control their rights-of-way, while moderating the rate impact and focusing first on the riskiest service lines based on leak repair histories. This compromise precluded a more onerous (from a city and consumer perspective) program threatened by the RRC.

What is a RRM case?

The concept of a RRM proceeding emerged as a three-year experimental substitute for GRIP cases as part of the settlement of Atmos Mid-Tex's 2007 system-wide rate case. In 2003, the Texas Legislature added Section 104.301, Interim Adjustment for Changes in Investment, to the Gas Utility Regulatory Act. While not identified as such in the law, § 104.301 was referred to as the Gas Reliability Infrastructure Program or GRIP. The GRIP adjustments allowed gas companies to recover changes to invested capital without a review of whether increased revenues or declining expenses offset the invested capital costs. Both Atmos Pipeline and Atmos Mid-Tex filed GRIP cases as soon as the RRC adopted rules to implement the interim adjustments. As

explained below, it quickly became apparent that the GRIP adjustments were terrible public policy.

As an alternative to GRIP, ACSC entered into a negotiated agreement with Atmos in 2007 to establish the RRM process. Unlike GRIP, the RRM provided for an annual review of all portions of Mid-Tex's cost of service. It fixed an authorized rate of return on equity for the three-year period at 9.6% (which was less than what the RRC would have authorized) and set caps on the extent to which expenses or investments could increase from one year to the next. More importantly, it allowed cities to make a comprehensive evaluation of all aspects of the utility business—investment, operation and maintenance expenses and revenues—unlike GRIP which only allows consideration of changes to invested capital.

Why is RRM superior to GRIP?

The GRIP cases are one-sided guarantees of a rubber-stamp of the utility's rate request. ACSC attempted to participate in the first two GRIP proceedings filed by both Atmos Pipeline and Atmos Mid-Tex at the RRC. Not only were cities' motions to intervene denied, but also, ACSC's comments were ignored. At the city level, ACSC consultants determined that Atmos was not only including items such as artwork, chairs, computers and meals in interim rate adjustments that were allegedly intended to promote pipeline safety, but also the Company was over-earning its previously authorized rate of return. ACSC attacked the Commission's rule in court because it denied city participation, denied a hearing on a contested matter, and denied cities' recovery of any expenses associated with resisting GRIP rate increases. The courts have not been helpful to cities and the Texas Supreme Court has affirmed the denial of cities' right to participate in GRIP cases at the RRC.

Cities have contended that GRIP is terrible public policy since it authorizes what would from a history of public interest regulation be regarded as unlawful—piecemeal ratemaking. GRIP allows rates to increase if the utility's invested capital net of depreciation increases year-over-year. An increase in rates is mandated under GRIP if investment increases, even if increasing revenues and declining expenses more than offset the costs associated with increased investment.

The RRM process negotiated by ACSC solves the piecemeal ratemaking problem by providing for a comprehensive review of Atmos' expenses and revenues. Furthermore, RRM benefits ACSC by: (1) allowing cities participation that would be denied under GRIP; (2) allowing cities to recover, at utility shareholder expense, all their ratemaking costs; and (3) avoiding both litigation and RRC jurisdiction.

The legislature has functionally authorized annual increases in gas utility rates through the GRIP process. Since consumers are otherwise stuck with annual rate increases, it is better to have cities participating in the comprehensive RRM process than unable to participate in a piecemeal process.

What has been the history of the RRM efforts?

In 2010, ACSC, in settling the third RRM proceeding, agreed to a slight modification and extension of the process. A settlement of the fourth annual RRM is now pending before ACSC members. The results of the four RRM proceedings are as follows:

RRM Filing	Year	Atmos Request	ACSC Settlement
#1	2008	$33.5 million	$20 million
#2	2009	$20.2 million	$2.6 million
#3	2010	$70.2 million	$27 million
#4	2011	$15.7 million	$6.6 million

These results are better for cities and consumers than would have been authorized by the RRC under the GRIP process.

What is the future of the RRM process?

The settlement of the fourth RRM filing anticipated ACSC and Atmos working between August and December to refine the RRM process. A settlement perpetuating the RRM process was not reached by the end of 2011 which has led to the filing of the January 31, 2012 traditional rate case. Discussions regarding the future of the RRM process will continue as we attempt to resolve the rate case by settlement.

If you have other questions please contact me at (512) 322-5875 and/or ggay@lglawfirm.com.

Geoffrey Gay
ACSC, General Counsel

ACSC Cities (154 Total)

Abilene
Addison
Allen
Alvarado
Angus
Anna
Argyle
Arlington
Bedford
Bellmead
Benbrook
Beverly Hills
Blossom
Blue Ridge
Bowie
Boyd
Bridgeport
Brownwood
Buffalo
Burkburnett
Burleson
Caddo Mills
Carrollton
Cedar Hill
Celeste
Celina
Cisco
Cleburne
Clyde
College Station
Colleyville
Colorado City
Comanche
Coolidge
Coppell
Corinth
Corral City
Crandall
Crowley
Dalworthington Gardens
Denison
DeSoto
Duncanville
Eastland
Edgecliff Village
Emory
Ennis
Euless
Everman
Fairview
Farmers Branch
Farmersville
Fate
Flower Mound
Forest Hill
Fort Worth
Frisco
Frost
Gainesville
Garland
Garrett
Grand Prairie
Grapevine
Haltom City
Harker Heights
Haskell
Haslet
Hewitt
Highland Park
Highland Village
Honey Grove
Hurst
Iowa Park
Irving
Justin
Kaufman
Keene
Keller
Kemp
Kennedale
Kerrville
Killeen
Krum
Lakeside
Lake Worth
Lancaster
Lewisville
Lincoln Park
Little Elm
Lorena
Madisonville
Malakoff
Mansfield
McKinney
Melissa
Mesquite
Midlothian
Murphy
Newark
Nocona
North Richland Hills
Northlake
Oak Leaf
Ovilla
Palestine
Pantego
Paris
Parker
Pecan Hill
Plano
Ponder
Pottsboro
Prosper
Quitman
Red Oak
Reno (Parker County)
Richardson
Richland
Richland Hills
River Oaks
Roanoke
Robinson
Rockwall
Roscoe
Rowlett
Royse City
Sachse
Saginaw
Seagoville
Sherman
Snyder
Southlake
Springtown
Stamford
Stephenville
Sulphur Springs
Sweetwater
Temple
Terrell
The Colony
Trophy Club
Tyler
University Park
Venus
Vernon
Waco
Watauga
Waxahachie
Westlake
Whitesboro
White Settlement
Wichita Falls
Woodway
Wylie

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. C.3

**** RESOLUTION NO. 5652***

Awarding Bids to and Authorizing Execution of Contracts with Multiple Vendors for an Annual Supply of Chemicals for the Sherman Water Treatment Plant

Issue

To consider awarding contracts to multiple vendors for an annual supply of chemicals to be used at the Sherman Water Treatment Plant

Background

In accordance with Texas purchasing laws, the City solicited bids from various chemical vendors for the annual supply of chemicals for our water operations. This year, the City received bids from thirteen (13) vendors. In order to gain maximum benefit for the City, each type of chemical is considered separately for awarding purposes; thus, the staff will recommend awarding contracts to seven (7) different vendors based on the lowest price for each of the commodities. Attached is a summary of the chemical vendors' pricing by commodity.

Origination

Department of Utilities & Engineering

Financial Consideration

Funding is available in the water production budget for fiscal year (FY) 2011-2012 for the purchase of these chemicals.

Staff Recommendation

It is recommended that the Council award the contracts for chemicals to the vendors as identified in the attached pricing summary.

Alternatives

As may be directed by the City Council

Attachments

Resolution No. 5652
Chemical Bid Tabulation

Prepared by:
Mark Gibson, Director of Utilities & Engineering

Approved by:
George Olson, City Manager

RESOLUTION NO. 5652

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AWARDING BIDS TO AND AUTHORIZING EXECUTION OF CONTRACTS WITH MULTIPLE VENDORS FOR AN ANNUAL SUPPLY OF CHEMICALS FOR THE SHERMAN WATER TREATMENT PLANT; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS:

SECTION 1. That bids are hereby awarded to Chemrite, Inc., DPC Industries, Inc., General Chemical Performance Products, LLC., F2 Industries, LLC., Airgas Specialty Products, Harcros Chemicals, Inc., and KA Steel Chemicals, Inc., for the annual supply of chemicals to be used at the Sherman Water Treatment Plant in accordance with the City's specifications; and that the City Manager be and is hereby authorized and directed, subject to all contract documents being properly completed and approved as to form and content by the City Attorney, to execute contracts of sale with Chemrite, Inc., DPC Industries, Inc., General Chemical Performance Products, LLC., F2 Industries, LLC., Airgas Specialty Products, Harcros Chemicals, Inc., and KA Steel Chemicals, Inc. for said supply of chemicals to be used at the Sherman Water Treatment Plant, in accordance with the terms and provisions of the contract documents to be attached hereto and incorporated herein for all purposes.

SECTION 2. That it is hereby officially found and determined that the meeting at which this resolution is passed is open to the public and that public notice of the time, place, and purpose of said meeting was given as required by law.

PASSED AND APPROVED on this the _____ day of _____, 2012.

CITY OF SHERMAN, TEXAS

ATTEST:

BY: _____ **BY:** _____
LINDA ASHBY, CITY CLERK **BILL MAGERS, MAYOR**

APPROVED AS TO FORM AND CONTENT:

BY: _____
BRANDON S. SHELBY, CITY ATTORNEY

City of Sherman

Chemical Bid Tabulation

December 14, 2011; 10 AM

Bidder	1 Liquid Chlorine: (150-lb Cylndrs)	2 Liquid Chlorine: (1-Ton Contnrs)	3 Liquid Ammonia,26 Be (29.4 wt%) (Bulk Shipments)	4 Potassium Permanganate Free Flowing (55 lbs Drums)	5 Hydrochloric Acid, 22 °Be (36 wt%) (Bulk Shipment)	6 Sodium Hydroxide, 25 wt% (Bulk Shipment)	7 Aluminum Sulfate (Alum) 50 wt% (Bulk Shipment)	8 Fluorosilicic Acid, 24 wt% (Bulk Shipment)	9 Liquid Copper Sulfate (55-Gallon Drum)	10 Sodium Chloride, 99wt% Food Grade (100 lb Bags)	C
GEO Specialty Chemicals, Inc.							1.36571				
Shannon Chemical Corporation											
DPC Industries, Inc.	81.51	592				1.025					
F2 Industries, LLC				2.15							
Pencco, Inc.								3.71			
Chemrite, Inc.				2.25					4.24		
K.A. Steel Chemicals, Inc.						0.88					
Harcros Chemicals, Inc.				4.2	2.85	1.15		3.2825			
Southwest Chemical Services, Inc.	98		1.25					4.1			
General Chemical Performance Products LLC							0.5643				
Airgas Specialty Products			1.12								
Carus Corporation											
Chameleon Industries, Inc.							0.605				
Naico Company- NO BID											

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. D.1

**** OTHER BUSINESS***

Consider Longfellow Energy, LP's Application for a Permit to Drill an Oil and Gas Well (Skaggs #4) in an R-1 (One Family Residential) District and C-1 (Retail Business) District at 2300 Skaggs Road, being 120 Acres in the Fleming Jennings Survey, Abstract No. 638 and the C.D. Fitch Survey, Abstract No. 1556

Issue

Longfellow Energy, LP has filed an application with the City of Sherman to drill an oil/gas well at 2300 Skaggs Road. The public hearing on the application is scheduled for this meeting.

Background

Longfellow Energy, LP has provided the necessary paperwork for the application, including an Oil Well Performance Bond in the amount of $100,000; Liability Insurance in the amount of $1,000,000; a list of citizens notified by registered mail of the public hearing; a Publisher's Affidavit stating that the notice was advertised in the *Herald Democrat* on three separate occasions; a permit from the Railroad Commission; and certification from the Texas Commission on Environmental Quality.

Origination

The application originated with Longfellow Energy, LP.

Financial Consideration

There is no financial consideration to the City of Sherman.

Staff Recommendation

The staff recommends approval of the oil well permit.

Alternatives

The City Council could choose not to approve the application or issue a permit.

Attachments

Copies of the application; the plat; the Liability Insurance; the Oil Well Performance Bond; the Railroad Commission permit; certification from the Texas Commission on Environmental Quality; the Publisher's Affidavit for the public hearing notice that was published in the *Herald Democrat*; and a list of citizens notified by registered mail of the public hearing

Prepared by:
Linda Ashby, City Clerk

Approved by:
George Olson, City Manager

CITY OF SHERMAN
APPLICATION FOR PERMIT TO DRILL OR DEEPEN

Date: January 21, 2012

Name or Company or Operator

1. Name of Applicant: Longfellow Energy, LP.
2. Permanent Address: 16803 North Dallas Parkway
3. City, State, Zip: Addison, Texas 75001
4. Is applicant an individual, partnership, or corporation?

   o Individual X Partnership o Corporation
5. Principal Office: Addison, Texas

   Address: 16803 North Dallas Parkway State: TX Zip: 75001
6. Names of all partners or officers: Malone Mitchell-Partner, Todd Dutton President.

Description of Lease

1. Block Number: NA (See City Drilling Map)
2. Size of Block: NA square feet
3. Amount of block owned or leased by applicant: NA square feet
4. Names of all owners and lessees in block other than applicant, with number of square feet in block owned by each:

Harold Skaggs Jr.	1/3 of 640 mineral acres more or less see
13600 FM Rd, Austin, TX 78737	attached OGL
Patsy Jane Pierce	1/3 of 640 mineral acres more or less see
2001 Skaggs Rd, Sherman, TX 75091	attached OGL
Anna Keller	1/3 of 640 mineral acres more or less see
1901 Skaggs Rd, Sherman, TX 75091	attached OGL
West Gold Realtors	120.00 acres surface only
4545 Allstate Dr. Riverside, CA 92501	Jennings A-638; Fitch A-1556

5. Names of streets, roads, lanes or alleys surrounding block:

   North: Texas State HWY 82 South: Tuck RD.

   East: Skaggs RD. West: NA, private property
6. Distance from nearest producing well: 2,601 feet. (Skaggs #1)
7. Elevation of proposed location: 781 feet from sea level
8. Distance from nearest hospital, school, church, or public building: 3,042 feet. Direction: East
9. Distance from nearest dwelling: 376 feet Tractor Dealership Direction : East
10. Type of rig; rotary or cable: rotary.

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

11. Source of power: X Diesel o Electric

12. Amount of well casing on hand with diameters: **@50' of 16" 2,650' of 9 and 5/8' and @11,135' of 5 and ½',**

13. Describe proposed arrangement for slush pit if allowed by City Council and arrangement for handling mud and waste if slush pit not allowed:

We are using a closed loop system for oil-based mud no pits necessary.

14. Describe location and type of proposed production tanks, if allowed, and proposed arrangement for disposition of oil and gas produced:

Tank battery to be constructed with 2-3 steel tanks (210-300 bbls each). Proposed disposition of oil is Sunco via truck. Proposed disposition of gas is by SEMGAS via pipeline.

15. Name of surety company to carry bond required: **RLI CORP.**

16. Name of carrier of tort liability insurance required: **ACE American Insurance Company.**

17. Notice of this application was sent by registered mail to all owners and lessees (other than applicant) within the above-described block on **November 23, 2011 and January 25,26, and 27, 2012** .

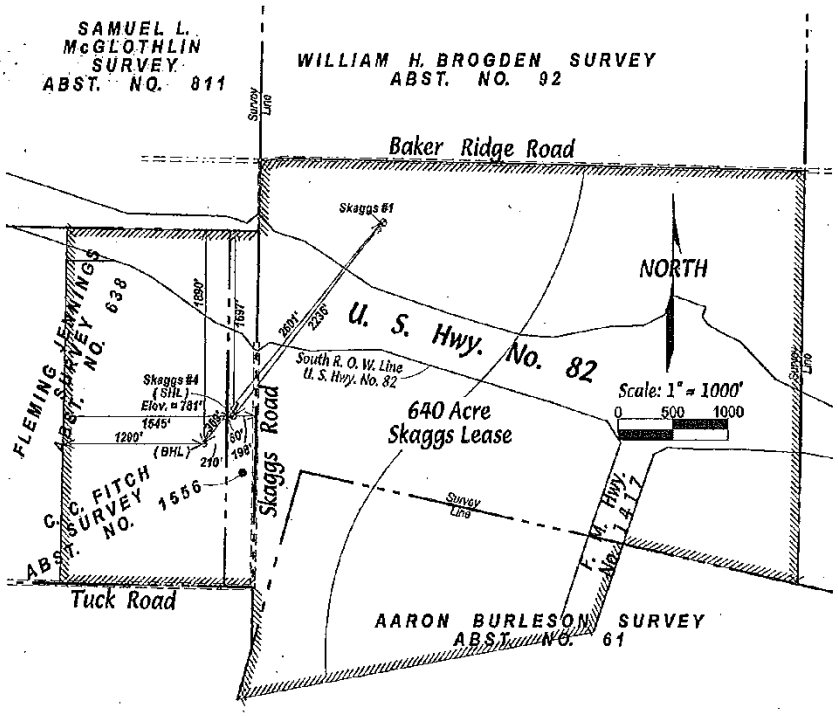
Attached to this application are:

1. Map or plat, scale: 1 inch = 20 feet, of block covered in application showing exact location of the proposed well and all improvements on block.
2. Certified copies of leases or deeds showing ownership of fee or mineral interests in block (or abstracts of title if ownership or application is contested).
3. Copies of Registry receipts on notices mailed to other owners or lessees on same block, and if notice is had by publication, an affidavit of publisher showing dates of publication.

Applicant recognizes that the permit granted hereunder, if any, does not and will not constitute a vested right, and applicant will comply with all provisions of Ordinances of the City of Sherman and any and all subsequent changes or amendments thereto.

Applicant Longfellow Energy , LP

By: _____
Greg Spalding
Skaggs #4



SARTIN & ASSOCIATES, INC.
Registered Professional Land Surveyors

109 S. Travis, P. O. Box 1843 Sherman, Texas 75091 - 1843
Ph.: (903) 892-5003 Fax: (903) 868-2970 Email - msartin@gcecisp.com

WELL LOCATION PLAT ------ SKAGGS NO. 4

C. C. FITCH SURVEY, ABSTRACT NO. 1556
& FLEMING JENNINGS SURVEY, ABSTRACT NO. 638
GRAYSON COUNTY, TEXAS

Perpendicular distances from nearest designated lines

BHL	SHL	
210 feet FEL of Survey	198 feet FEL of Survey	Ground Elevation = 781 feet
1290 feet FWL of Lease	60 feet FWL of Survey	Lat. 33 Deg. 39 Min. 31 Sec. N (33.658611)
1890 feet FNL of Survey/Lease	1697 feet FNL of Survey/Lease	Lng. -96 Deg. 34 Min. 24 Sec. W (-96.573333)
2601' feet From Skaggs #1	1545 feet FWL of Lease	
	2236' feet From Skaggs #1	369' SHL to BHL

OPERATOR

LONGFELLOW ENERGY, LP
16803 Dallas Parkway, Addison, Texas 75001-5212

WARNING: This plat may not show all crossings of pipelines or cables. Sartin & Associates, Inc. assumes no responsibility to locate pipeline or cable crossings. No claim is hereby made regarding current or actual surface/mineral fee ownership or lessor.

I, Marshall Sartin, Registered Professional Land Surveyor, do hereby certify that the above captioned well location was surveyed and staked on the ground under my supervision.

STATE OF TEXAS REGISTERED MARSHALL SARTIN 3694 PROFESSIONAL LAND SURVEYOR

SKAGGS-4B.pcs

Marshall Sartin R.P.L.S. # 3694

ORIGINAL DOCUMENT HAS A SECURITY VOID BACKGROUND AND TOUCH-SENSITIVE MICROPRINTED BORDER. SEE REVERSE SIDE FOR COMPLETE SECURITY FEATURES.

BANK OF AMERICA
HOUSTON, TX

LONGFELLOW ENERGY LP
PO BOX 1989
ADDISON, TX 75001

CHECK NO	CHECK DATE	CHECK AMOUNT
23368	11/11/11	$**********650.00

PAY THIS AMOUNT:
***650 Dollars and No Cents

Security features included. Details on back.

TO THE ORDER OF
CITY OF SHERMAN
220 W MULBERRY
SHERMAN TX 75091

⑈00023368⑈ ⑆111000025⑆ ⑈4680015074 67⑈

LONGFELLOW ENERGY LP PO BOX 1989, ADDISON, TX 75001 405/286-6324

INVOICE	DATE	DESCRIPTION	NET
110911	11/09/11	CITY PERMIT	650.00

City Clerk (903) 892-7204

REF#: 0040532 1/30/2012 4:19 PM
OPR: CCC TERM: 13
REF#: 23368

TRN#: 111-7999 OTHER MISC
LONGFELLOW ENERGY
BARGER 4 OIL WELL
OIL & GAS RENTAL 650.00CR

TENDERED 650.00 CHECK
AMOUNT 650.00-

CHANGE: 0.00

VISIT www.ci.sherman.tx.us
Shirley Bullard (903) 892-7207
Elmer (903) 892-7209
Court (903) 892-7275

VENDOR CITSHE CHECK 23368 DATE 11/11/ 650.00

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
732032	Jan 27, 2012	* 09
API NUMBER 42-181-31493	FORM W-1 RECEIVED Jan 19, 2012	COUNTY GRAYSON
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Directional	ACRES 640
OPERATOR LONGFELLOW ENERGY, LP PO BOX 1989 ADDISON, TX 75001	508409	NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (940) 723-2153
LEASE NAME SKAGGS		WELL NUMBER 4
LOCATION 4 miles E direction from SHERMAN		TOTAL DEPTH 13000

Section, Block and/or Survey

SECTION ← BLOCK ← ABSTRACT ← 638

SURVEY ← JENNINGS, F

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
1697 ft. NORTH 60 ft. WEST	1290 ft.
DISTANCE TO LEASE LINES 1697 ft. NORTH 1545 ft. WEST	DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH	WELL # NEAREST WB	DIST
DENISON, S. (WOODLAKE) SKAGGS	640.00 1290	13,000	4 2601	09

WELLBORE PROFILE(s) FOR FIELD: Directional

RESTRICTIONS: Bottom Hole: BH1
BH County: GRAYSON
Section: Block: Abstract: 827
Survey: MC GLOTHLIN, G W
Lease Lines: 1890.0 F NORTH L
1290.0 F WEST L
Survey Lines: 1890.0 F NORTH L
210.0 F EAST L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.

Groundwater
Advisory Unit

GROUNDWATER PROTECTION DETERMINATION

Date: January 27, 2012

GAU File No.: SC- 2965

***** EXPEDITED APPLICATION *****

API Number: 18100000

Attention: DOREEN LOPEZ

RRC Lease No. 000000

SC_508409_18100000_000000_2965.pdf

LONGFELLOW ENERGY LP
PO BOX 1989
ADDISON TX 75001

P-5# 508409

--Measured--
60 ft FWL
1697 ft FNL

MRL:SURVEY

Digital Map Location:
X-coord/Long 96.57333
Y-coord/Lat 33.65861
Datum 83 Zone

County GRAYSON Lease & Well No. SKAGGS #4 Purpose ND

Location SUR-JENNINGS F.,A-638,--[TD=13000],[RRC 9],

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Texas Railroad Commission recommends:

The interval from the land surface to a depth of 100 feet must be protected. In addition the Woodbine, which is estimated to occur from a depth of 600 feet to 1000 feet, and the Trinity (including the Hosston), which is estimated to occur from a depth of 1475 feet to 2250 feet, must be protected.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. This recommendation is intended for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).

If you have any questions, please contact us at 512-463-2741, gau@rrc.state.tx.us, or by mail.

Sincerely,

John D. Estepp, P.G.

Geologist, Groundwater Advisory Unit
Oil & Gas Division

GEOLOGIST SEAL

STATE OF TEXAS
John D. Estepp
Geology
4191
LICENSED
PROFESSIONAL GEOSCIENTIST

The seal appearing on this document was authorized by John D. Estepp on 1/27/2012
Note: Alteration of this electronic document will invalidate the digital signature.

Client#: 151533 LONGFENE

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 10/21/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
USI Southwest San AngeloCL 133 W. Concho Ave., Ste. 301 San Angelo, TX 76903 325 655-5656	PHONE (A/C, No, Ext): 325 655-5656	FAX (A/C, No): 325 658-4519
	E-MAIL ADDRESS:	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Ace American Insurance Company	22667
INSURER B: AXIS Surplus Insurance Company	26620
INSURER C: Texas Mutual Insurance Company	22945
INSURER D: Certain Underwriters at Lloyds	A85202
INSURER E:	
INSURER F:	

INSURED
Longfellow Energy, L.P.
P.O. Box 1989
Addison, TX 75001-1989

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY	X	X	G23860399004	02/01/2011	02/01/2012	EACH OCCURRENCE	$1,000,000
	X COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence)	$50,000
	CLAIMS-MADE X OCCUR						MED EXP (Any one person)	$5,000
							PERSONAL & ADV INJURY	$1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$2,000,000
	POLICY PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$2,000,000
								$
A	AUTOMOBILE LIABILITY	X	X	HO8303186004	02/01/2011	02/01/2012	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	ANY AUTO						BODILY INJURY (Per person)	$
	ALL OWNED AUTOS / SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS / X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident)	$
								$
A	X UMBRELLA LIAB OCCUR	X	X	G24917034	02/01/2011	02/01/2012	EACH OCCURRENCE	$10,000,000
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$
B	DED X RETENTION $10000	X	X	EAU73891701201	02/01/2011	02/01/2012		$10,000,000
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N		X	TSF0001225904	07/01/2011	05/15/2012	X WC STATU-TORY LIMITS / OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? N/A						E.L. EACH ACCIDENT	$1,000,000
	(Mandatory in NH)						E.L. DISEASE - EA EMPLOYEE	$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - POLICY LIMIT	$1,000,000
D	Control of Well			A0765COC	10/21/2011	10/21/2012	$5,000,000 CSL	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Well Name: Skaggs #2
General Liability and Auto Liability provides a Blanket Waiver of Subrogation and Blanket Additional Insured in favor of the City of Sherman where required by written contract. Workers' Compensation provides a Blanket Waiver of Subrogation in favor of the City of Sherman as required by written contract.
Control of Well coverage includes $200,000 SIR. Evacution Expense is included.

CERTIFICATE HOLDER
City of Sherman
P.O. Box 1106
Sherman, TX 75091

CANCELLATION
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Lewent R. Heard

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DGMHC

City of Sherman
P.O. Box 1106
Sherman, Texas 75091
Phone: (903) 892-7204
Fax: (903) 892-7394

OIL WELL PERFORMANCE BOND

STATE OF TEXAS §
COUNTY OF GRAYSON §
CITY OF SHERMAN §

BOND NO. RLB0013957

KNOW ALL MEN BY THESE PRESENTS:

That we, Longfellow Energy, LP, as principal, and RLI Insurance Company as surety, hereby acknowledge ourselves, bound to the City of Sherman, a municipal corporation, for the benefit of the said City, and all persons, firms and corporations concerned, in the sum of One Hundred Thousand and No/100dollars for the payment of which well and truly to be made, the said principal binds himself, his heirs, executors, administrators and assigns, and the surety does hereby bind itself and its successors, firmly by these presents, all being bound jointly and severally by these presents.

The condition of the above obligation is such that, whereas the above bounden principal has applied to the City of Sherman for a permit to drill an oil well within the City limits and on Drilling Block No. N/A in compliance with the provisions of Article 4.10 of the 2005 recodified ordinances, as amended, and whereas the said ordinances require a bond conditioned that if the permit be granted and if drilling operations be commenced thereunder the applicant and his assigns will comply with the terms and conditions of the said ordinances, and all future amendments and regulations thereunder in the drilling and operation of said well; and that the applicant will restore the streets and sidewalks and other public places of the City which may be disturbed in the operations to their former conditions, and will clear the blocks and lots of all litter, machinery, derricks and buildings erected or used in the drilling or operation of said well whenever the well shall be completed, abandoned or the operations therefor discontinued and that the applicant or his assigns will pay such sums as may be due by them by reason of production of oil, gas or other minerals to all persons, firms or corporations owning lots, blocks or tracts of land in said drilling block or area who have not executed, at the time of filing of such bond, or who shall not execute during the term of said bond and prior to the accrual of liabilities thereunder, leases, drilling contracts, waivers or other form of contract under which the applicant or his assigns is or are authorized to operate the premises of said owner of the development and production of oil and gas in accordance with the provisions of said ordinances.

NOW, THEREFORE, if the above bounden principal, his heirs, executors, administrators, and assigns, shall well and truly keep, do and perform each and every, all and singular the obligations, matters and things required by said Article 4.10 of the 2005 recodified ordinances, as amended, then this obligation shall be null and void; otherwise to be and remain in full force and effect.

IN TESTIMONY WHEREOF witness our hands this 16th day of August, 20 11.

Longfellow Energy, LP
PRINCIPAL

SURETY RLI Insurance Company

Jason T. Kilpatrick, Attorney-in-Fact

AGENT USI Southwest-San Angelo
P. O. Box 1111
ADDRESS San Angelo, TX 76902

PHONE NO 325-486-5130

PRINCIPAL Longfellow Energy, LP
16803 North Dallas Parkway
ADDRESS Dallas, TX 75001

PHONE NO 972-590-9946

RLB0013957

RLI Surety
A division of RLI Insurance Company

POWER OF ATTORNEY
RLI Insurance Company

Know All Men by These Presents:

That the RLI INSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and authorized and licensed to do business in all states and the District of Columbia does hereby make, constitute and appoint: JASON T. KILPATRICK in the City of HOUSTON, State of TEXAS, as Attorney-in-Fact, with full power and authority hereby conferred upon him to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, all of the following classes of documents to-wit:

$100,000.00

Indemnity, Surety and Undertakings that may be desired by contract, or may be given in any action or proceeding in any court of law or equity; policies indemnifying employers against loss or damage caused by the misconduct of their employees; official, bail and surety and fidelity bonds. Indemnity in all cases where indemnity may be lawfully given; and with full power and authority to execute consents and waivers to modify or change or extend any bond or document executed for this Company, and to compromise and settle any and all claims or demands made or existing against said Company.

The RLI INSURANCE COMPANY further certifies that the following is a true and exact copy of a Resolution adopted by the Board of Directors of RLI Insurance Company, and now in force to-wit:

"All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or Agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers-of-Attorney, or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

(Blue shaded areas above indicate authenticity)

IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its PRESIDENT with its corporate seal affixed this

ATTEST:

Jean M. Stephenson

CORPORATE SECRETARY

RLI INSURANCE COMPANY CORPORATE SEAL ILLINOIS

RLI INSURANCE COMPANY

M J Stone

PRESIDENT

State of Illinois)
) SS
County of Peoria)

On this 16 day of August 2011 before me, a Notary Public, personally appeared Michael J. Stone and Jean M. Stephenson, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as President and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Jacqueline M. Bockler

Notary Public

NOTARY PUBLIC STATE OF ILLINOIS

"OFFICIAL SEAL"
JACQUELINE M. BOCKLER
COMMISSION EXPIRES 03/01/14

SPA028 (03/11)

RLI Insurance Company
Peoria, Illinois 61615

TEXAS POLICYHOLDER NOTICE

TEXAS
IMPORTANT NOTICE

To obtain information or make a complaint:

You may call RLI Insurance Company's toll-free telephone number for information or to make a complaint at:

1-800-444-0406

You may also write to RLI Insurance Company at:

RLI Insurance Company
9025 N. Lindbergh Drive
Peoria, Illinois 61615

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

1-800-252-3439

You may also write the Texas Department of Insurance:

P.O. Box 149104
Austin, Texas 78714-9104
Fax Number: (512) 475-1771

Web: http://www.tdi.state.tx.us
E-mail: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim you should contact the agent first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

TEXAS
AVISO IMPORTANTE

Para obtener informacion o para someter una queja:

Usted puede llamar al numero de telefono gratis de RLI Insurance Company's para informacion o para someter una queja al:

1-800-444-0406

Usted tambien puede escribir a RLI Insurance Company:

RLI Insurance Company
9025 N. Lindbergh Drive
Peoria, Illinois 61615

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al:

1-800-252-3439

Puede escribir al Departamento de Seguros de Texas:

P.O. Box 149104
Austin, Texas 78714-9104
Fax Number: (512) 475-1771

Web: http://www.tdi.state.tx.us
E-mail: ConsumerProtection@tdi.state.tx.us

DISPUTAS SOBRE PRIMAS O RECLAMOS:

Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el agente primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI).

UNA ESTE AVISO A SU POLIZA:

Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.

Publisher's Affidavit

THE STATE OF TEXAS
County of Grayson

Personally appeared before the undersigned authority JENNIFER PARKER, CLASSIFIED MANAGER who being sworn says that LONGFELLOW ENERGY, NOTICE was published in the HERALD DEMOCRAT/SHOPPER IN SHERMAN/DENISON, TEXAS on the following dates towit: JANUARY 25-27, 2012

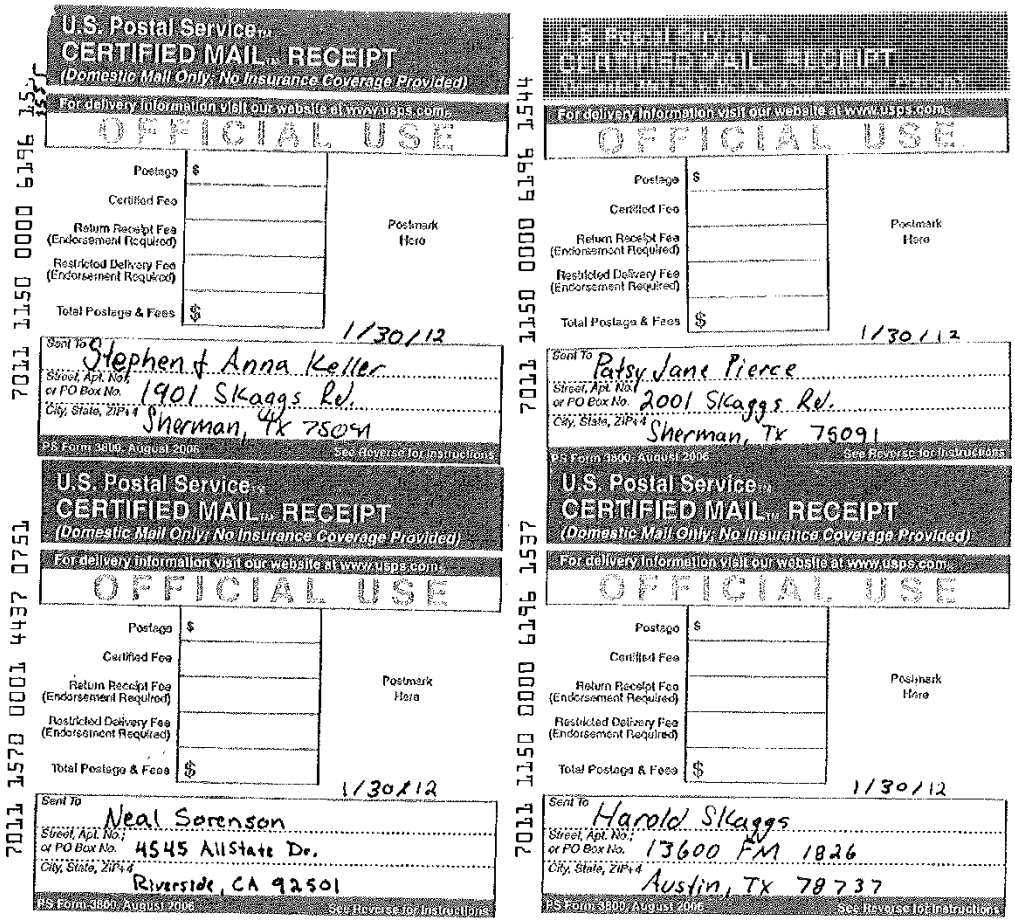
Jennifer Parker

Subscribed and sworn to before me this 27th day of JANUARY, A.D., 2012.

JENNIFER S. JONES
Notary Public, State of Texas
My Commission Expires
MAY 24, 2014

Jennifer S. Jones

Notary Public, Grayson County, Texas



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Postage $
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total Postage & Fees $
Postmark Here
1/30/12
Sent To Stephen & Anna Keller
Street, Apt. No.; or PO Box No. 1901 Skaggs Rd.
City, State, ZIP+4 Sherman, TX 75091
PS Form 3800, August 2006 See Reverse for Instructions
7011 1150 0000 6196 1544

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com®
OFFICIAL USE
Postage $
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total Postage & Fees $
Postmark Here
1/30/12
Sent To Patsy Jane Pierce
Street, Apt. No.; or PO Box No. 2001 Skaggs Rd.
City, State, ZIP+4 Sherman, Tx 75091
PS Form 3800, August 2006 See Reverse for Instructions
7011 1150 0000 6196 1544

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
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For delivery information visit our website at www.usps.com®
OFFICIAL USE
Postage $
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Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total Postage & Fees $
Postmark Here
1/30/12
Sent To Neal Sorenson
Street, Apt. No.; or PO Box No. 4545 Allstate Dr.
City, State, ZIP+4 Riverside, CA 92501
PS Form 3800, August 2006 See Reverse for Instructions
7011 1570 0001 4437 0751

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
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For delivery information visit our website at www.usps.com®
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Postage $
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total Postage & Fees $
Postmark Here
1/30/12
Sent To Harold Skaggs
Street, Apt. No.; or PO Box No. 13600 FM 1826
City, State, ZIP+4 Austin, TX 78737
PS Form 3800, August 2006 See Reverse for Instructions
7011 1150 0000 6196 1537

LONGFELLOW ENERGY, LP

January 25, 2012

Stephen and Anna Keller
1901 Skaggs Rd.
Sherman, TX 75091

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/12 5:00 pm
Grayson County, Texas

Dear Mr. and Mrs. Pierce,

You executed a Paid Up Oil and Gas Lease dated March 14, 2008 to Grayson County Properties, LLC. which Lease is recorded in Volume 4533, Page 386 of the records of Grayson County, Texas. Grayson County Properties, LLC is a subsidiary company of Longfellow Energy, LP (hereinafter referred to as "Longfellow") headquartered in Addison, Texas.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands that are covered by the Oil and Gas Lease. Paragraph 17 of Exhibit "A" attached to the Lease prohibits any surface or drilling operations on the leased lands without written permission from the Lessor.

Therefore, we respectfully request that you grant us permission to enter the leased lands to conduct additional surveying, construction of a well site and road for the drilling, completion of and operations for the subject well. All damages to the land in conducting these operations will be paid by Longfellow to the surface owner of the land on rates comparable for other drill sites in the area.

Please signify your permission to enter the leased lands by signing the attached copy and returning it to us in the stamped, addressed envelope, which we have enclosed.

The City Council of Sherman will review our application to drill the Skaggs #4 on **February 6, 2012, at 5:00 pm, if** you have any questions or concerns for the City Council you should plan to attend the meeting.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding

Accepted by Stephen and Anna Keller _____,
_____dated_____

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

LONGFELLOW ENERGY, LP

January 25, 2012

Mrs. Patsy Jane Pierce
2001 Skaggs Rd.
Sherman, TX 75091

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/12 5:00 pm
Grayson County, Texas

Dear Mr. and Mrs. Pierce,

You executed a Paid Up Oil and Gas Lease dated March 14, 2008 to Grayson County Properties, LLC. which Lease is recorded in Volume 4533, Page 392 of the records of Grayson County, Texas. Grayson County Properties, LLC is a subsidiary company of Longfellow Energy, LP (hereinafter referred to as "Longfellow") headquartered in Addison, Texas.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands that are covered by the Oil and Gas Lease. Paragraph 17 of Exhibit "A" attached to the Lease prohibits any surface or drilling operations on the leased lands without written permission from the Lessor.

Therefore, we respectfully request that you grant us permission to enter the leased lands to conduct additional surveying, construction of a well site and road for the drilling, completion of and operations for the subject well. All damages to the land in conducting these operations will be paid by Longfellow to the surface owner of the land on rates comparable for other drill sites in the area.

Please signify your permission to enter the leased lands by signing the attached copy and returning it to us in the stamped, addressed envelope, which we have enclosed.

The City Council of Sherman will review our application to drill the Skaggs #4 on **February 6, 2012, at 5:00 pm,** if you have any questions or concerns for the City Council you should plan to attend the meeting.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding

Accepted by Patsy Jane Pierce _____dated_____

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

LONGFELLOW ENERGY, LP

January 25, 2012

Mr. Harold Skaggs, Jr
13600 FM 1826.
Austin, TX 78737

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/12 5:00 pm
Grayson County, Texas

Dear Mr. Skaggs,

You executed a Paid Up Oil and Gas Lease dated March 14, 2008 to Grayson County Properties, LLC. which Lease is recorded in Volume 4533, Page 398 of the records of Grayson County, Texas. Grayson County Properties, LLC is a subsidiary company of Longfellow Energy, LP (hereinafter referred to as "Longfellow") headquartered in Addison, Texas.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands that are covered by the Oil and Gas Lease. Paragraph 17 of Exhibit "A" attached to the Lease prohibits any surface or drilling operations on the leased lands without written permission from the Lessor.

Therefore, we respectfully request that you grant us permission to enter the leased lands to conduct additional surveying, construction of a well site and road for the drilling, completion of and operations for the subject well. All damages to the land in conducting these operations will be paid by Longfellow to the surface owner of the land on rates comparable for other drill sites in the area.

Please signify your permission to enter the leased lands by signing the attached copy and returning it to us in the stamped, addressed envelope, which we have enclosed.

The City Council of Sherman will review our application to drill the Skaggs #4 on **February 6, 2012, at 5:00 pm,** if you have any questions or concerns for the City Council you should plan to attend the meeting.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding

Accepted by Harold Skaggs, Jr. _____dated_____

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

LONGFELLOW ENERGY, LP

January 24, 2012

Mr. Neal Sorenson
West Gold Realtors
4545 Allstate Drive
Riverside, CA 92501-1701

Re: Skaggs No. 4 Sherman City Council meeting on 2/6/2012 5:00 pm, Grayson County, Texas.
Well location: Jennings Survey A-638 and Fitch Survey A-1556.

Dear Mr. Sorenson,

Longfellow Energy, LP (hereinafter referred to as "Longfellow") through its subsidiary company, Grayson County Properties, LLC, acquired Oil and Gas Leases from the mineral owners in part of the above referenced survey. According to the tax rolls of Grayson County, Texas, West Gold Realtors is listed as the owner of the surface of the lands where Longfellow owns mineral leases.

Longfellow has plans to drill its Skaggs No. 4 well at a legal location on the lands in the Jennings Survey A-638 and Fitch Survey A-1556. The City Council of Sherman will review our application to drill the Skaggs #4 on February 6, 2012 at 5:00 pm.

Please call me at (405) 203-9056 if you have any questions or need any additional information relative to this matter.

Sincerely,

Greg Spalding
Landman
cc: addison@addisonterry.com

16803 DALLAS PARKWAY | ADDISON, TX 75001 | P.O. BOX 1989 |
972.590.9943 | FAX 972.590.9943

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. D.2

**** OTHER BUSINESS***

Approve Quarterly Investment Reports for Period Ending December 31, 2011

Issue

To approve the Investment Reports for the quarterly period ending December 31, 2011

Background

These reports are being presented in accordance with the state law that requires at least quarterly presentation to the Council. The report was given to the Investment Committee prior to submittal to the Council. Two portfolios will be addressed: Operating Portfolio and Debt Proceeds Portfolio.

As of December 31, 2011, both portfolios were in compliance with applicable state laws and the City's internal Investment Policy. The Operating Portfolio had a book value of about $21.8 million, up about $0.8 million from three months ago. This portfolio is appropriately liquid; and its weighted-average maturity decreased to about 250 days, down from 262 days last period, because of investments maturing during the quarter. The portfolio yield of 0.48% for the quarter is higher than the benchmark yield of 0.06%. The portfolio value on the City's books is essentially equal to the market value of the overall portfolio.

The Debt Proceeds Portfolio balance decreased about $.2 million due to payments made for construction projects during the period. The portfolio remains adequately liquid, with all of the funds available within one day. Its yield of 0.12% for the quarter was slightly higher than the benchmark yield. The portfolio value on the City's books is essentially equal to the market value of the overall portfolio.

Origination

Finance

Financial Consideration

None

Staff Recommendation

It is recommended that the Council accept the report as presented.

Alternatives

The Council could offer suggestions for improvement or could request more frequent reporting.

Attachments

Memo to Investment Committee; Investment reports and related schedules

Prepared by:
Robby Hefton, Assistant City Manager/CFO

Approved by:
George Olson, City Manager

Sherman
CLASSIC TOWN. BROAD HORIZON.

memorandum

DATE: Wednesday, February 1, 2012

TO: The Investment Committee Members:
Deputy Mayor Willie Steele
Councilman Robert G. Softly
George Olson, City Manager

FROM: Robby Hefton, Assistant City Manager/CFO

SUBJECT: Investment Reports for Quarter Ended December 31, 2011

Attached is a copy of the quarterly investment reports for the quarter ended December 31, 2011. Reports are included for the two major portfolios - the operating portfolio and the CO Debt portfolio. Each of these reports reflects that, as of that date, the City was in compliance with all applicable state laws as well as the City's Investment Policy.

The total operating portfolio balance of about $21.8 million had a weighted-average maturity of about 250 days, down slightly from 262 days last quarter due to maturities during the period. The portfolio yield of 0.48% was higher than our benchmark 180-day T-Bill yield, which was 0.06%; and book value closely approximated market value.

Also, as of December 31, 2011, all of the CO Debt Proceeds was invested in pooled investments, together yielding 0.12%, closely approximating the yield of the benchmark 180-day T-Bill rate. The Debt Proceeds portfolio balance decreased by about $.2 million during the quarter because of payments related to capital construction.

This investment report will be on the February 6, 2012 City Council Agenda for their review and approval. Please call me if you have any questions about this item.

RH:pc

attachments (as stated above)

CITY OF SHERMAN, TX
Investment Report Summary
December 31, 2011

This report complies with the requirements of the public funds investment law and covers all the funds of the City of Sherman that are subject to that law. At December 31, 2011 investment book value was about $21.8 million and had increased by approximately $0.8 million from three months prior. Increases in investment balances are customary during this quarter each year due to increasing property tax collections. The City's investment portfolio includes interest-bearing demand deposits, bank time deposits at our depository bank, a State of Texas Obligation, a CDARS certificate of deposit, investment pools that strive to maintain a 100% net asset value, and U.S. Agency securities.

The City was in compliance with all provisions of the investment policy and the Public Funds Investment Act as of December 31, 2011. The weighted-average maturity of the portfolio decreased slightly to about 250 days at December 31, 2011 compared to about 262 days at September 30, 2011 due to investment maturities.

The market value of the portfolio was 100.05% of book value as of December 31, 2011. The portfolio yield of 0.48% at December 30, 2011 was higher than the benchmark yield on the 180-day T-Bill, which was 0.06%.

One security and one CD matured during the quarter with par values of about $1.0 million each. One security was purchased with a par value of $0.3 million and one CD was added with a par value of $1.0 million. Accrued interest of about $12,000 was added to CD principal. All other transactions were routine.

The following schedules are also a part of this investment report.

Robby Hefton, Assistant City Manager/CFO
and City of Sherman Investment Officer

Mary Lawrence, Controller and City of
Sherman Investment Officer

CITY OF SHERMAN, TX
Detailed Investment Report
As of December 31, 2011

Investment	Par	VALUES - SEPTEMBER 30, 2011 Book	VALUES - SEPTEMBER 30, 2011 Market	Book Increase/(Decrease) Purchases/ (Withdrawals)	Book Increase/(Decrease) Accruals/ Amortizations	Market Increase/(Decrease) Purchases & (Withdrawals)	Market Increase/(Decrease) Change In Market Price	VALUES - DECEMBER 31, 2011 Book	VALUES - DECEMBER 31, 2011 Market
DEMAND DEPOSITS									
Depository Bank		$ 5,381,801	$ 5,381,801	$ 1,558,004	$ -	$ 1,558,004	$ -	$ 6,939,804	$ 6,939,804
Depository Bank-TIF Funds		740,785	740,785	(59,207)	-	(59,207)	-	681,578	681,578
		6,122,586	6,122,586	1,498,797	-	1,498,797	-	7,621,382	7,621,382
BANK TIME DEPOSITS									
Certificate of Deposit 1.5% 12/3/2011		1,018,922	1,018,922	(1,018,922)	-	(1,018,922)	-	-	-
Certificate of Deposit 0.91% 4/1/2012		1,004,598	1,004,598	2,272	-	2,272	-	1,006,870	1,006,870
Certificate of Deposit 1.61% 5/3/2012		1,020,321	1,020,321	4,141	-	4,141	-	1,024,462	1,024,462
Certificate of Deposit 1.00% 9/16/2012		1,010,038	1,010,038	2,518	-	2,518	-	1,012,556	1,012,556
Certificate of Deposit 0.70% 8/11/2013		1,500,000	1,500,000	3,221	-	3,221	-	1,503,221	1,503,221
Certificate of Deposit 0.40% 12/08/2013		-	-	1,000,263	-	1,000,263		1,000,263	1,000,263
		5,553,879	5,553,879	(6,508)	-	(6,508)	-	5,547,372	5,547,372
INVESTMENT POOLS									
Tex-Pool		1,554,821	1,554,883	-	356	-	418	1,555,177	1,555,301
TexStar		1,379,565	1,379,703	-	300	-	310	1,379,865	1,380,013
		2,934,386	2,934,586	-	656	-	728	2,935,042	2,935,314
SECURITY INVESTMENTS									
FHLB 1.13% 12/9/2011	1,000,000	1,000,506	1,001,860	(1,000,000)	(506)	(1,000,000)	(1,860)	-	-
FHLMC 1.13% 7/27/2012	1,000,000	1,004,723	1,006,568	-	(1,443)	-	(1,474)	1,003,280	1,005,094
FNMA .75% 12/28/2012	1,000,000	998,463	1,005,245	-	311	-	(122)	998,774	1,005,123
FMUC .60% 8/22/2013	1,000,000	1,000,000	999,281	-	-	-	1,083	1,000,000	1,000,364
FHLB 2.63% 9/13/2013	400,000	415,508	417,032	-	(1,998)	-	(1,998)	413,509	415,034
FNMA 1.13% 9/30/2013	1,000,000	1,010,462	1,012,963	-	(1,317)	-	(52)	1,009,145	1,012,911
FFCB .69% 6/2/2014	1,000,000	1,000,000	998,236	-	-	-	1,086	1,000,000	999,322
City of Austin .711% 9/1/2014	300,000	-	-	305,286	(433)	305,286	(3,223)	304,853	302,063
		6,429,662	6,441,185	(694,714)	(5,386)	(694,714)	(6,560)	5,729,561	5,739,911
		21,040,513	**21,052,236**	**$797,575**	**($4,730)**	**$797,575**	**($5,832)**	**21,833,357**	**$21,843,979**

CITY OF SHERMAN, TX

Calculation of Weighted Average Maturity and Yield
As of December 31, 2011

	S&P Rating	Market Value	Book Value	# of Days To Maturity	Original Yield to Maturity	Percent of Portfolio
Demand Deposits						
Depository Bank		$6,939,804	$ 6,939,804	0	0.15%	31.79%
Depository Bank -TIF Funds		681,578	681,578	0	0.15%	3.12%
		7,621,382	7,621,382			34.91%
Bank Time Deposits						
Certificate of Deposit 0.91% 4/1/2012		1,006,870	1,006,870	92	0.91%	4.61%
Certificate of Deposit 1.61% 5/3/2012		1,024,462	1,024,462	124	1.62%	4.69%
Certificate of Deposit 1.00% 9/16/2012		1,012,556	1,012,556	260	1.00%	4.64%
Certificate of Deposit 0.70% 8/11/2013		1,503,221	1,503,221	589	0.70%	6.88%
Certificate of Deposit 0.40% 12/8/2013		1,000,263	1,000,263	708	0.40%	4.58%
		5,547,372	5,547,372			20.83%
Investment Pools						
Tex-Pool	AAAm	1,555,301	1,555,177	1	0.09%	7.12%
TexStar	AAAm	1,380,013	1,379,865	1	0.09%	6.32%
		2,935,314	2,935,042			13.44%
Federal Securities and Notes						
FHLMC 1.13% 7/27/2012	AAA	1,005,094	1,003,280	209	0.71%	4.60%
FHLMC .75% 12/28/2012	AAA	1,005,123	998,774	363	0.88%	4.57%
FHLMC .60% 8/22/2013	AAA	1,000,364	1,000,000	727	0.60%	4.58%
FHLB 2.63% 9/13/2013	AAA	415,034	413,509	622	0.61%	1.89%
FNMA 1.13% 9/30/2013	AAA	1,012,911	1,009,145	639	0.60%	4.62%
FFCB .69% 6/2/2014	AAA	999,322	1,000,000	884	0.69%	4.58%
City of Austin .71% 9/01/2014	AAA	302,063	304,853	975	0.71%	1.40%
		5,739,911	5,729,561			24.85%
TOTAL		**$21,843,979**	**$21,833,357**			**94.02%**

Weighted Average Maturity

	Actual	Maximum
Weighted Average Days to Maturity	250.17	500
Weighted Average Days to Maturity-Operating (ex.depository bank-checking)	384.32	500

Weighted Average Yield

Weighted Average Yield	0.48%
Weighted Average Yield - Operating (excluding depository bank-checking)	0.65%
Target Yield to Maturity of 180 day T-Bill at December 31, 2011	0.06%

CITY OF SHERMAN, TX
Market Value Analysis
As of December 31, 2011

CHANGES IN MARKET VALUE:

BEGINNING VALUE - September 30, 2011		$21,052,236
INVESTMENT ACTIVITY:		
Purchases	1,317,701	
Maturities	(2,018,922)	
Net Changes in Market Price	(6,560)	
		(707,782)
Bank and Pooled Investment Deposits/(Withdrawals) - Net		1,499,525
ENDING VALUE - December 31, 2011		**$21,843,979**

COMPARISON OF BOOK VALUE TO MARKET VALUE:

BEGINNING VALUE - September 30, 2011		
Market Value	$21,052,236	
Book Value	$21,040,513	
Ratio of Market Value to Book Value		100.06%
ENDING VALUE - December 31, 2011		
Market Value	$21,843,979	
Book Value	$21,833,357	
Ratio of Market Value to Book Value		100.05%

CITY OF SHERMAN, TX
Quarter to Date Investment Transaction Report
As of December 31, 2011

PURCHASES

Date	Type	Principal Purchase Price	Par Value	Yield/Int. Discount Rate	Maturity Date
10/01/2011	CD .91%	$ 742	$ 751	0.91%	04/01/2012
10/05/2011	City of Austin .71%	$ 305,286	$ 300,000	0.71%	09/01/2014
11/01/2011	CD .91%	$ 777	$ 777	0.91%	04/01/2012
11/03/2011	CD 1.61%	$ 4,141	$ 4,141	1.61%	05/03/2012
11/11/2011	CD .70%	$ 3,221	$ 3,221	0.70%	08/11/2013
12/01/2011	CD .91%	$ 753	$ 753	0.91%	04/01/2012
12/08/2011	CD .40%	$ 1,000,000	$ 1,000,000	0.40%	12/08/2013
12/16/2011	CD 1.00%	$ 2,518	$ 2,518	1.00%	09/16/2012
12/30/2011	CD .40%	$ 253	$ 253	0.40%	12/08/2013
	Total Purchases	**$ 1,317,691**	**$ 1,312,414**		

MATURITIES

Date	Type	Par Value	Yield/Int. Discount Rate
12/03/2011	CD 1.5%	$ 1,018,922	1.51%
12/9/2011	FHLB 1.13%	$ 1,000,000	0.86%
	Total Maturities	**$ 2,018,922**	

CITY OF SHERMAN, TX
Interest Receivable and Earned Interest Income
December 31, 2011

Investment	Original Yield	Interest Receivable September 30, 2011	Purchased Interest	Interest Received	Coupon Interest	Interest Receivable December 31, 2011	Amortization/ Accretion	Earned Interest Income
DEMAND DEPOSITS								
Depository Bank	0.15%	$ -	$ -	$ 2,284	2,284	$ -	$ -	$ 2,284
Depository Bank-TIF Funds	0.15%	-	-	303	303	-	-	303
		-	-	2,588	2,588	-	-	2,588
TIME DEPOSITS								
Certificate of Deposit 1.5% 12/3/2011	1.51%	2,429	-	5,114	2,685	-	-	2,685
Certificate of Deposit 0.91% 4/1/2012	0.91%	729	-	2,272	2,298	755	-	2,298
Certificate of Deposit 1.61% 5/3/2012	1.62%	2,610	-	4,141	4,151	2,620	-	4,151
Certificate of Deposit 1.00% 9/16/2012	1.00%	387	-	2,518	2,547	416	-	2,547
Certificate of Deposit .70% 8/11/2013	0.70%	2,100	-	3,221	3,225	2,104	-	3,225
Certificate of Deposit .40% 12/8/2013	0.40%	-	-	263	274	11	-	274
		8,255	-	17,529	15,180	5,906	-	15,180
INVESTMENT POOLS								
Tex-Pool	0.09%	-	-	356	356	-	-	356
TexStar	0.09%	-	-	300	300	-	-	300
		-	-	656	656	-	-	656
SECURITY INVESTMENTS								
FHLB 1.13% 12/9/2011	0.86%	3,448	-	5,625	2,177	-	(506)	1,671
FHLMC 1.13% 7/27/2012	0.55%	2,000	-	-	2,813	4,813	(1,443)	1,370
FHLMC .75% 12/28/2012	0.88%	1,932	-	3,750	1,818	-	311	2,129
FMUC .60% 8/22/2013	0.60%	648	-	-	1,533	2,181	-	1,533
FHLB 2.63% 9/13/2013	2.63%	490	-	-	2,652	3,142	(1,998)	654
FNMA 1.13% 9/30/2013	0.60%	-	-	-	2,825	2,825	(1,317)	1,508
FFCB .69% 6/2/2014	0.69%	454	-	1,725	1,820	549	-	1,820
City of Austin .71% 9/1/2014	0.71%	-	784	-	508	1,292	(433)	75
		8,972	784	11,100	16,146	14,802	(5,386)	10,760
		$17,227	**$784**	**$31,873**	**$34,570**	**20,708**	**($5,386)**	**$29,184**

CITY OF SHERMAN, TX
CO Debt Proceeds
Investment Report Summary
December 31, 2011

This report complies with the requirements of the public funds investment law and covers the Certificate of Obligation Debt Proceeds of the City of Sherman that is subject to that law. At December 31, 2011, investment book value was about $0.5 million and had decreased by approximately $0.2 million from the previous quarter due to payments for construction projects. The City's investment portfolio includes an interest-bearing demand deposit and an investment pool that strives to maintain a 100% net asset value.

The City was in compliance with all provisions of the investment policy and the Public Funds Investment Act as of December 31, 2011. The weighted-average maturity of the portfolio was 1 day at December 31, 2011.

The market value of the portfolio was 100.0% of book value as of December 31, 2011.

The portfolio yield of 0.12% at December 31, 2011 was higher than the benchmark yield of .06% on the 180-day T-Bill.

All other transactions were routine.

The following schedules are also a part of this investment report.

Robby Hefton, Assistant City Manager/CFO
and City of Sherman Investment Officer

Mary Lawrence, Controller and City of
Sherman Investment Officer

CITY OF SHERMAN, TX
CO Debt Proceeds
Detailed Investment Report - Debt Proceeds
As of December 31, 2011

Investment	VALUES - September 30, 2011 Book	VALUES - September 30, 2011 Market	Book Increase/(Decrease) Purchases/ (Withdrawals)	Book Increase/(Decrease) Accruals/ Amortizations	Market Increase/(Decrease) Purchases & (Withdrawals)	Market Increase/(Decrease) Change In Market Price	VALUES - December 31, 2011 Book	VALUES - December 31, 2011 Market
DEMAND DEPOSITS								
Depository Bank-TIF	$ 293,638	$ 293,638	$ -	$ (29,653)	$ -	$ (29,653)	$ 263,985	$ 263,985
INVESTMENT POOLS								
TexStar-2009A Bonds	377,114	377,152	(174,517)	67	(174,517)	51	202,664	202,686
	377,114	377,152	(174,517)	67	(174,517)	51	202,664	202,686
	$670,752	**$670,790**	**($174,517)**	**($29,586)**	**($174,517)**	**($29,602)**	**$466,649**	**$466,671**

CITY OF SHERMAN, TX
CO Debt Proceeds
Comparison of Portfolio to Policy Limits
As of December 31, 2011

LIMITS ON MATURITIES	Minimum Allowable Percentage of Portfolio	Actual Percentage of Portfolio	% Variance Policy Limits
Cash Demands within 1 month	100.00%	100.00%	**0.00%**
Cash Demands within 3 months	100.00%	100.00%	**0.00%**
Cash Demands within 6 months	100.00%	100.00%	**0.00%**
Cash Demands within 1 year	100.00%	100.00%	**0.00%**
Cash Demands within 2 years	100.00%	100.00%	**0.00%**

	Maximum Allowable	Actual Average Maturity	Policy Limit Days Available
Weighted Average Days to Maturity	500	1.00	**499.00**

CITY OF SHERMAN, TX
CO Debt Proceeds
Calculation of Weighted Average Maturity and Yield
As of December 31, 2011

Demand Deposits	Market Value	Book Value	# of Days To Maturity	Original Yield to Maturity	Percent of Portfolio
Depository Bank	$ 263,985	$ 263,985	0	0.15%	56.57%
Investment Pools					
Tex-Star-2009A Bonds	202,686	202,664	1	0.09%	43.43%
TOTAL	**$ 466,671**	**$ 466,649**			**100.00%**

Weighted Average Maturity	
Weighted Average Days to Maturity	0
Weighted Average Days to Maturity-Operating (ex.depository bank)	1

Weighted Average Yield	
Weighted Average Yield	0.12%
Weighted Average Yield-Operating (excluding depository bank)	0.09%
Yield to Maturity of 180 day T-Bill at December 31, 2011	0.06%

CITY OF SHERMAN, TX
CO Debt Proceeds
Market Value Analysis
As of December 31, 2011

CHANGES IN MARKET VALUE:

BEGINNING VALUE - September 30, 2011		$670,790
INVESTMENT ACTIVITY:		
Purchases	-	
Maturities	-	
Net Changes in Market Price	-	
		-
Bank and Pooled Investment Deposits/(Withdrawals) - Net		($204,119)
ENDING VALUE - December 31, 2011		**$466,671**

COMPARISON OF BOOK VALUE TO MARKET VALUE:

BEGINNING VALUE - September 30, 2011		
Market Value	$670,790	
Book Value	$670,752	
Ratio of Market Value to Book Value		100.01%
ENDING VALUE - December 31, 2011		
Market Value	$466,671	
Book Value	$466,649	
Ratio of Market Value to Book Value		100.00%

CITY OF SHERMAN, TX
CO Debt Proceeds
Quarter To Date Investment Transaction Report
As of December 31, 2011

PURCHASES

There were no purchases during the period.

MATURITIES

There were no maturities during the period.

CITY OF SHERMAN, TX
CO Debt Proceeds
Interest Receivable and Earned Interest Income
As of December 31, 2011

Investment	Original Yield	Interest Receivable September 30, 2011	Purchased Interest	Interest Received	Coupon Interest	Interest Receivable December 31, 2011	Amortization/ Accretion	Earned Interest Income
DEMAND DEPOSITS								
Depository Bank-TIF	0.15%	$ -	$ -	$ 102	$ 102	$ -	$ -	$ 102
INVESTMENT POOLS								
TexStar - 2009A Bonds	0.09%	-	-	67	67	-	-	67
		-	-	67	67	-	-	67
		$ -	**$ -**	**$169**	**$169**	**$ -**	**$ -**	**$169**

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. D.3

CITIZEN REQUESTS

The Honorable Bill Magers, Mayor

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. D.4

MEDIA QUESTIONS

The Honorable Bill Magers, Mayor

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. D.5

COUNCIL COMMENTS

The Honorable Bill Magers, Mayor

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. D.6

ADJOURNMENT

The Honorable Bill Magers, Mayor

SHERMAN CITY COUNCIL

Agenda Communication Form

From: The Office of the City Manager **Date:** 2-6-2012

Subject: Agenda Item No. N/A

COUNCIL CALENDAR

2012
CITY COUNCIL MEETINGS

JANUARY

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	~~2~~	3	4	5	6	7
8	9	10	11	12	13	14
15	**16**	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

FEBRUARY

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	**6**	7	8	9	10	11
12	13	14	15	16	17	18
19	**20**	21	22	23	24	25
26	27	28	29			

MARCH

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	**5**	6	7	8	9	10
11	12	13	14	15	16	17
18	**19**	20	21	22	23	24
25	26	27	28	29	30	31

APRIL

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	**2**	3	4	5	6	7
8	9	10	11	12	13	14
15	**16**	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

MAY

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	**7**	8	9	10	11	12
13	14	15	16	17	18	19
20	**21**	22	23	24	25	26
27	28	29	30	31		

JUNE

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	**4**	5	6	7	8	9
10	11	12	13	14	15	16
17	**18**	19	20	21	22	23
24	25	26	27	28	29	30

JULY

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	**2**	3	4	5	6	7
8	9	10	11	12	13	14
15	**16**	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

AUGUST

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	**6**	7	8	9	10	11
12	13	14	15	16	17	18
19	**20**	21	22	23	24	25
26	27	28	29	30	31	

SEPTEMBER

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	**3**	**4**	5	6	7	8
9	10	11	12	13	14	15
16	**17**	18	19	20	21	22
23	24	25	26	27	28	29
30						

OCTOBER

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	**15**	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

NOVEMBER

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	**5**	6	7	8	9	10
11	12	13	14	15	16	17
18	**19**	20	21	22	23	24
25	26	27	28	29	30	

DECEMBER

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	**3**	4	5	6	7	8
9	10	11	12	13	14	15
16	**17**	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

01/02/12 - January 2nd Council meeting cancelled
01/16/12 - M.L.K., Jr. Birthday / Regular Council Meeting
02/20/12 - Washington's Birthday / Regular Council Meeting
09/03/12 - Labor Day / Called Council Meeting on 09/04/12