



Dallas/Fort Worth International Airport Oil and Gas Lease

City of Fort Worth
Transportation & Environment Committee Briefing
August 15, 2006



Oil and Gas Lease

Highest and Best Bid

- The Airport Board is respectfully requesting the City of Dallas and the City of Fort Worth to:
 - Approve an Oil and Gas Lease with Chesapeake Exploration Limited Partnership Bid #1



Oil and Gas Lease

Summary of Lease Terms

- Bonus
 - \$181 Million or \$10,055.56 per acre on approximately 18,000 acres

- Royalty
 - 25% of all oil and gas produced

- Rig Commitment
 - 5 drilling rigs

- Term
 - 2-year primary term



Oil and Gas Lease

Summary of Lease Terms

- M/WBE Investor/Owner
 - 20.17%

- M/WBE Subcontractor/Supplier
 - 39.40%



Oil and Gas Lease

Additional Consideration

- Pipeline Commitment
 - 5-year exclusive commitment
 - Extensions for 5 additional years
 - 150 MMcfd

- Sales Contract
 - 5-year arrangement to sell
 - Right to extend year-to-year
 - Accommodates all anticipated production

- Community Commitment
 - \$1.25 million for educational assistance to minority and socially disadvantaged children in the Dallas and Fort Worth communities



Oil and Gas Lease

Bid Process – Bid and Award Schedule

| | |
|--|--|
| Obtain Board Approval to Solicit Bids..... | November 3, 2005 |
| City of Dallas Transportation & Environment Committee Briefing..... | November 14, 2005 |
| Fort Worth City Council Briefing..... | December 6, 2005 |
| Advertise M/WBE Informational Outreach Conference..... | January 21 & 22, 2006 January 28 & 29, 2006 |
| M/WBE Informational Outreach Conference..... | February 3, 2006 |
| Advertise RFQ..... | January 28 & 29, 2006 February 4 & 5, 2006 |
| Distribute RFQ to Potential Bidders..... | February 6, 2006 |
| Qualifications Due (no later than 4:00 p.m. local time)..... | February 27, 2006 |
| Distribute Letter Notices to Non-Qualifiers and Recipients of RFB..... | March 20, 2006 |
| M/WBE Networking Outreach Conference..... | March 29, 2006 |



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Bid Process – Bid and Award Schedule (contd.)

| | |
|---|---|
| Revise Board Approval to Solicit Bids..... | May 4, 2006 |
| Advertise Request for Bids (RFB)..... | May 6 & 7, 2006 |
| Distribute RFB..... | May 8, 2006 |
| Advertise Request for Bids (RFB)..... | May 6 & 7, 2006 May 13 & 14, 2006 May 20 & 21, 2006 |
| Obtain Approval of Oil and Gas Lease from City Attorneys (Dallas and Fort Worth)..... | May 16, 2006 |
| Pre-Bid Conference..... | May 24, 2006 |
| Obtain Board Approval of Code..... | June 1, 2006 |
| Deadline for Written Questions..... | June 7, 2006 |
| Second Pre-Bid Conference..... | June 9, 2006 |
| Respond to Written Questions..... | June 9, 2006 |
| Tour of DFW by Potential Bidders..... | June 22, 2006 |
| Bids Due (no later than 4:00 p.m. local time)..... | July 10, 2006 |



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Bid Process – Bid and Award Schedule (contd.)

| | |
|---|-----------------|
| Obtain Fort Worth City Council Approval of Code..... | July 18, 2006 |
| Selected Bidder Recommended and Notice of Evaluation sent..... | July 20, 2006 |
| Official Board Action Requesting Authority to Award Bid to Selected Bidder..... | August 3, 2006 |
| Obtain Dallas City Council Approval of Code..... | August 9, 2006 |
| Fort Worth City Council Resolution Requesting Approval to Enter into Oil and Gas Lease with Selected Bidder..... | August 15, 2006 |
| City of Dallas Transportation & Environment Committee Briefing..... | August 15, 2006 |
| Dallas City Council Resolution Requesting Approval to Enter into Oil and Gas Lease with Selected Bidder..... | August 16, 2006 |
| Lease Execution..... | TBD |



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Bid Process – M/WBE Conferences

- M/WBE Outreach Conferences
 - Advertising and Notifications
 - Informational Conference
 - Friday, February 3, 2006
 - 92 M/WBE Firms
 - Networking Conference
 - Wednesday, March 29, 2006
 - 147 M/WBE Firms
 - 12 Potential Bidders



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Bid Process – Safety and Security

- Airport Construction and Fire Prevention Standards
 - Oil and Gas Exploration and Production Chapter Added
 - Board Approved
 - June 1, 2006
 - City of Fort Worth Approved
 - July 18, 2006
 - City of Dallas Approved
 - August 9, 2006



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Bid Process – Request for Bids (RFB)

- Advertised three (3) consecutive weekends in Dallas Morning News and Fort Worth Star Telegram
- Advertised over a two (2) week period in five (5) local minority publications
- Posted on Airport website
 - www.dfwairport.com/naturalgas
- Notices directly distributed to Minority Chambers and Associations



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Bid Process – Bidder Conferences

- Pre-Bid Conferences (May 24th and June 9th)
 - M/WBE Participation
 - Q &A, Bid and Lease Process
 - Airfield Operations and FAA Governance

- Tour of DFW by Potential Bidders
 - Thursday, June 22nd



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Bid Analysis and Selection Committee Recommendation

| | Minimum Requirement | Chesapeake Bid #1 |
|------------------------------|---------------------|-------------------|
| Bonus | | |
| ▪ Per Acre | \$2,000 | \$10,055.56 |
| ▪ On 18,000± acres | \$36 million | \$181 million |
| Royalty | 25% | 25% |
| M/WBE Owner/Investor | 20% | 20.17% |
| M/WBE Subcontractor/Supplier | 20% | 39.40% |
| Drilling Rigs | 2 | 5 |



Oil and Gas Lease Funds Obligated to Airport

- Federal revenue diversion laws, the DFW Airport Concurrent Bond Ordinance, and the DFW Airport Use Agreement require that the natural gas revenues remain at DFW Airport for uses related to the airport.



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Options For Use of Funds

- Capital Expenditures for upgrade and maintenance of existing Airport facilities and infrastructure
- New Capital Improvements on Airport consistent with the Airport Land Leasing Policy
- Reduction of Debt
- Reduction of Operation and Maintenance Expenses
- Air Service Incentives

* The DFW Airport Board has not determined the preferred allocations of funds as of this date.



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Benefits to Owner Cities

- Allows DFW Airport to become more self-sustaining in midst of \$2.7 billion capital development program.
- DFW Airport will become more cost competitive in an effort to retain existing service and attract additional service to North Texas.
- Generates Ad Valorem taxes to cities based on value of gas reserves. Pursuant to existing tax sharing agreements, Owner Cities will participate in portion of \$1.5 million taxes (does not include County and School District).
- Generates incremental Ad Valorem and Sales Taxes on any new development.
- Direct impact on economy of North Texas by providing jobs and employment opportunities.



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Recommended Bidder - Chesapeake

- Headquartered in Oklahoma City with offices in Fort Worth
- Most active explorer of natural gas in the U.S.
- Second most active operator in Texas
- Second largest independent producer of natural gas in the U.S.
- Excellent safety record
- In 2005, No OSHA Incidents in the Barnett Shale
- Safety Rating is 50% better than Industry Average
- Partners with the Nature Conservancy supporting natural habitat preservation





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