

CARROLL

INDEPENDENT SCHOOL DISTRICT

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School Press Release

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Carroll ISD Receives \$4.5 Million Plus Royalties In Mineral Rights Agreement With Chesapeake

Carroll School officials have reached an agreement with Chesapeake Exploration L.L.C. for the leasing of mineral rights on about 402 acres of district-owned property. The deal resulted in a \$4.5 million signing bonus for the district, along with 25 percent royalties on gross drilling production or market value of the sale, whichever is greater.

School Board President Erin Shoupp said the contract involves no surface drilling on school properties, but rather allows Chesapeake to drill horizontally off-site at least 500 feet below the surface. The district immediately received a signing bonus check for \$4,583,905. This amount is based on \$11,400 per net mineral acre. Shoupp signed and finalized the deal March 3 on behalf of the CISD Board of Trustees. The Board adopted a resolution February 18 giving Shoupp the authority to sign on behalf of the district.

"The Board of Trustees is pleased this partnership will allow us to provide expanded educational opportunities for all Carroll students," Shoupp said. "We believe this agreement will be beneficial for this community both short-term and as a potential revenue source for future years."

School officials said the term of the agreement is three years, with an option to add two subsequent years that would net the district additional revenue. Chesapeake would pay CISD another bonus at the end of the three-year term for all acreage not yet involved in gas production. In addition, the district would still receive ongoing royalties on any acreage yielding gas.

"Parents will see no visible changes at school sites," said Superintendent David J. Faltys. "The good news is that the off-site drilling has the potential for providing an ongoing revenue stream well into the future."

Dr. Faltys said one of the district's goals is to maximize resources by seeking alternative funding to help with the district's operating costs. Proceeds from oil and gas leases are not subject to school finance recapture.

"This agreement is the culmination of months of negotiations between Carroll ISD and Chesapeake officials," Faltys added. "We appreciate the efforts of everyone involved, especially our Board of Trustees, who represented the children of this district and our taxpayers well."

"Chesapeake Energy is thrilled to add the prestigious Carroll Independent School District to our growing list of lessors," said Chesapeake spokesman James Geiser, Director of Marketing Communications – Barnett Shale. "We are looking forward to beginning our drilling operations which will deliver fantastic economic benefits to the Southlake area and enhance the quality educational efforts of CISD."

The contract covers 16 individual properties owned by CISD, including school sites, the administration building, the stadium site, the former Carroll Intermediate School and land not yet developed by the district. The money will immediately be placed into fund balance until a time at which the Board of Trustees votes to authorize or designate use of the funds.

"We are always extremely cautious about spending one-time funding sources on reoccurring costs such as salaries, utilities and operating expenses," said Dr. Faltys. "However, this type of agreement has the potential for creating additional revenues through royalties. While there are certainly no guarantees, these monies could be utilized to help fund daily operating expenditures, new staffing/programs and/or capital improvement and facility needs."

CISD Trustees learned Monday that although the district is still growing, enrollment is down about 100 students from last fall's projections. The Board is cautiously studying a two-year budget projection before making any decisions about how the money will be spent.

"This is a momentous occasion for Carroll ISD," said Faltys.

For more information, contact the Communications & Marketing Department at 817-949-7080.