

Office of State Lands and Investments
Funding Wyoming Public Education

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June 23, 2008

M E M O R A N D U M

TO: All CBM Lessees and Operators
FROM: Jim Arnold, Assistant Director
Real Estate Management and Farm Loans
SUBJECT: CBM Produced Water Reservoirs on State Lands

This Office has finalized the process as well as the temporary use application and permit forms for Coal Bed Methane (CBM) Produced Water Reservoirs on State Lands. All CBM produced water reservoirs whether they are off- or on-channel and whether they store on- or off-lease water will now require a temporary use permit. See attached Board Matter C-2, approved June 2, 2005.

All water management plans not previously submitted to the Mineral Leasing Division must now be submitted concurrent with the CBM produced water reservoir temporary use permit application. Those water management plans already submitted to the Mineral Leasing Division will be incorporated into the CBM produced water reservoir temporary use permit file.

The Office will not require that CBM Produced Water Reservoirs located on State Land be fenced. The surface lessee may request that the CBM Produced Water Reservoir be fenced by providing their reasons for the fencing on the Lessee Comment form attached to the Temporary Use Permit application.

We realize many CBM produced water reservoirs are already in place on State Land. Temporary use permits for these previously constructed reservoirs will be approved retro-active to the construction date. Rental payments, if required as discussed below, will be prospective only.

ON-LEASE PRODUCED WATER RESERVOIR TEMPORARY USE PERMIT

There will be no annual rental due to the Board for a permit issued for CBM produced water reservoirs to store water generated solely from on-lease (State) CBM production. Nevertheless, you will need to submit a Temporary Use Permit application for these reservoirs. Both on and off-channel CBM produced water reservoirs will be bonded. All on-channel reservoirs will eventually be bonded through the Department of Environmental Quality (DEQ). It is our understanding that DEQ is requiring these bonds when you renew your WYPDES permit. If you have not yet renewed the WYPDES permit and posted a bond with DEQ, the Office may require you to bond the reservoir through this Office during the interim period. Once you have renewed your WYPDES permit through DEQ and bonded the reservoir, we will release our bond. All off-channel reservoirs on State Land will continue to be bonded through the Office of State Lands and Investments. The bond will be in the amount equal to an engineer's estimate of full reclamation costs.

The initial term of any CBM produced water reservoir constructed to store water generated on-lease will be ten years. Permits issued in connection with reservoirs constructed to store water generated on-lease will be automatically renewed upon application. In the event a mineral lessee obtains a permit to construct a reservoir to store water generated on-lease and later decides it would like to store off-lease water in the reservoir, the lessee will be required to apply to and receive permission from the Board, and pay a negotiated rental to the State, in accordance with Board of Land Commissioners Rules and Regulations, Chapter 14.

OFF-LEASE PRODUCED WATER RESERVOIR TEMPORARY USE PERMIT

Any mineral lessee who intends to construct an on- or off-channel CBM produced water reservoir on State Land to store water generated off-lease, must submit a Temporary Use Permit application and receive Board approval, even if some of the stored water is generated on-lease. Annual rentals for off-lease CBM produced water reservoirs must be paid based on market value for this type of use. After reviewing available market information, we have established a presumptive market value of \$1,250.00 per acre for either (A) the actual surface acreage occupied; or (B) if the reservoir is enclosed by a fence, the total acreage surrounded by the fence. See attached Memorandum dated April 14, 2008. If the mineral lessee/operator can demonstrate a clear State *royalty interest* benefit pursuant to the storage of off-lease CBM produced water on the State Land, the Office will negotiate a reduced per acre price. The initial term for off-lease CBM produced water reservoirs will be ten years. If needed, the mineral lessee may apply for a new permit at the end of the initial ten year term and the Board may, in its discretion, approve or deny any such renewal application.

Both on- and off-channel, off-lease CBM produced water reservoirs will be bonded in the same manner described above for on-lease CBM produced water reservoirs.

SURFACE IMPACT PAYMENTS

Regardless of whether a CBM produced water reservoir is constructed to store water generated on-lease, off-lease, or a combination, the mineral lessee will be required to pay a Surface Impact Payment (SIP) pursuant to Board of Land Commissioners Rules and Regulations, Chapter 14. The SIP will be paid directly to the surface lessee in accordance with the Board approved schedule, which is attached to the Temporary Use Permit application. The Temporary Use Permit application also contains a Lessee Comment form, which must be completed by the Surface Lessee in all cases.

APPLICATION PROCESS

The application covers both on-lease and off-lease CBM produced water reservoir temporary use permits. The application should be completed in its entirety and returned to this Office for processing. Due to the volume of applications pending, as well as those we anticipate receiving, processing time could take from six to eight weeks. You can find the application form on our website at <http://slf-web.state.wy.us/>. If you have any questions please call (307) 777-7333.

Please provide the following in addition to the completed application:

- ➔ Filing fee of \$25.00, in all cases
- ➔ First Year's Consideration when applying for a Off-Lease Temporary Use Permit
- ➔ Water Management Plan if it has not already been provided to the Mineral Leasing Division
- ➔ Quad or Survey Map which identifies the proposed reservoir, which will be incorporated as part of the Temporary Use Permit
- ➔ Engineer's Estimate and Bond information for all Off-Channel Reservoirs
- ➔ Copy of the DEQ Bond for all On-Channel Reservoirs(if not currently bonded with DEQ a bond may be required by this Office during the interim period)

[Coal Bed Methane \(CBM\) Reservoirs Application](#)