

# WYOMING OFFICE OF STATE LANDS AND INVESTMENTS

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## **POLICY**

**Effective Date**  
**March 1, 2014**

### **Clear Royalty Interest Benefit of Coal Bed Natural Gas Produced Water Impoundments**

The Office of State Lands and Investments (OSLI) shall handle a request for exemption from paying an annual fee, or negotiated price for that portion of Coal Bed Natural Gas (CBNG) produced water impoundments which hold off-lease produced water, which may provide a clear royalty interest benefit to the State's Trust Beneficiaries by employing the following criteria.

OSLI is currently charging a market rate of \$1,250 per acre annually for any reservoir holding any off-lease CBNG produced water. The consideration is based on an acreage basis and not the acre-foot capacity nor the gallons-per-minute flowing in or out.

Further, placement of a reservoir has no bearing on the production of the wells going into it. In other words, the same reservoir holding off-lease CBNG produced water on State Trust Land surface could easily be placed on federal or fee surface. As detailed in several water management plans received by OSLI, several wells can flow into several reservoirs or other discharge points as conditions permit independently or as a whole. Any of the wells attached to a pipeline can be of state, federal, or fee descent.

OSLI cannot accurately measure the amount of water being produced and subsequently stored in a reservoir on State Trust Land separate from other federal or fee wells. Nor does it have a way to ensure the state wells are actively producing water as related to other federal or fee wells.

OSLI charges on an acreage basis because it fairly accounts for the surface area the mineral lessee/operator is using. It is less complicated, less time consuming, and less expensive to both OSLI and the mineral lessee/operator than metering all wells attached to the water management infrastructure and comparing that data to the water flowing into the reservoir. OSLI completed a review and analysis in April 2008 of reservoirs of similar use to derive an annual rental of \$1,250 per acre.

OSLI cannot see a **clear** royalty benefit to the State's Trust Beneficiaries unless metering and monitoring of the wells flowing to any reservoir occurs. OSLI views a clear royalty benefit to be justified if all or any water flowing into the reservoir can be traced directly back to a state well. For

those reservoirs currently holding only state produced water, OSLI has waived the annual rental realizing the royalty benefit to the State's Trust Beneficiaries.

Authority/Justification

W.S. 36-2-107 and W.S. 36-6-101(b)  
Wyoming Board of Land Commissioners' Rules and Regulations  
Chapter 14  
Wyoming Board of Land Commissioners' Action  
Board Matter C-2, June 2, 2005  
Review and Analysis Memorandum  
Robert R. Moulton, April 2008

<b><u>Effective Date:</u></b> March 1, 2014	<b><u>Revision/Review Date:</u></b> March 1, 2019
<b><u>Summary of Revision/Review:</u></b> To Be Completed In 2019	<b><u>Supersedes Existing Policy:</u></b> Any policy and/or documentation prior to March 1, 2014