

WYOMING OFFICE OF STATE LANDS AND INVESTMENTS

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POLICY

Effective Date
March 1, 2014

Transfer of Ownership of Plugged and Abandoned Wells, Water Impoundment Structures and any Other Oil and Gas Related Infrastructure to State Surface Lessees

In the event an oil and gas company makes a request to transfer ownership of existing oil or gas well(s), water impoundment structure(s) or any other oil and gas related infrastructure to the Office of State Lands and Investments (OSLI) or the surface lessee, OSLI shall;

Oil and Gas Wells

1. Require the company to show proof from the Wyoming Oil and Gas Conservation Commission (OGCC) that the well has been plugged and abandoned to the appropriate ground water level, and pursuant to the specifications and satisfaction of OGCC.
2. Require the company to provide a water quality test comparison from the Department of Environmental Quality (DEQ) of the water at the re-perforated level compared to the water produced during oil and gas production.
3. Require the surface lessee to submit an Application for Construction of Improvements form with supporting documents for approval by the Wyoming Board of Land Commissioners (Board).
 - Surface lessee must acquire an appropriate Ground Water Right Permit from the State Engineer's Office (SEO) noting the change in beneficial use from oil and gas production to stock water or other beneficial use.
 - OSLI must be listed as co-applicant on the approved Ground Water Right Permit.
 - Surface lessee must have the well in stock water production or other approved beneficial use no later than one year after the Board's approval of the Application for Construction of Improvements. Any costs incurred by the surface lessee, in the transformation of the well from oil and gas production to stock water or other beneficial use, including any infrastructure, for the improvement to the surface lease above \$2,000.00 per section for each separate improvement structure shall fall under Board of Land Commissioners' Rules and Regulations (Board Rules), Chapter 4, Section 10.
 - Within the first year, the surface lessee must have a pumping structure in place and in working order.

- Surface lessee must have the ability to capture the water in a stock tank or reservoir, or have means to apply the water to another beneficial use on the same surface lease area as it was produced. Transferring water off-lease without first providing beneficial use to that lease is subject to Board Rules, Chapter 5, Special Use Leasing.

The well shall stay under oil and gas company ownership and bonding obligations until such time as OSLI deems the well, pumping structure, stock tank and/or reservoir and other means to apply the water to another beneficial use are operable. OSLI shall hold any associated bonds until such time as the steps outlined above are accomplished. If the steps above are not accomplished within one year of initial Board approval of the Application for Construction of Improvements, the oil and gas company shall remain the owner of the well and be held responsible for complete plugging and abandonment of the well and associated reclamation.

Once the well is transferred to the surface lessee, and the steps above have been accomplished, it is considered a normal improvement to the grazing lease. Any associated bonds for these wells posted by the oil and gas company may be released once ownership has been transferred.

Water Impoundment Structures

1. The company must provide a letter to the surface lessee (with a copy to OSLI) detailing regulatory or any other legal liability being transferred to the surface lessee with the transfer of ownership of the impoundment.
2. OSLI must approve the request to have the impoundment remain on State Trust Land post coal bed natural gas production and its location.
3. Surface lessee must submit an Application for Construction of Improvements form with supporting documents for approval by the Board.
 - Surface lessee must acquire an appropriate Surface Water Right Permit from the SEO noting the change in beneficial use from oil and gas production to stock water or other beneficial use.
 - OSLI must be listed as co-applicant on the approved Surface Water Right Permit.
 - Surface lessee must have the ability to prove beneficial use of the water on the same surface lease area as it is stored. Transferring water off-lease without first providing beneficial use to that lease is subject to Board Rules, Chapter 5, Special Use Leasing.
 - Surface lessee must have the impoundment in working order for stock watering purposes or other approved beneficial use no later than one year after the Board's approval of the Application for Construction of Improvements. Any costs incurred by the surface lessee, in the transformation of the impoundment from oil and gas production to stock water or other beneficial use, including any infrastructure, for the improvement to the surface lease above \$2,000.00 per section for each separate improvement structure shall fall under Board of Land Commissioners' Rules and Regulations (Board Rules), Chapter 4, Section 10.

The impoundment shall stay under oil and gas company ownership and bonding obligations until such time as OSLI deems the above referenced items have been accomplished. OSLI and/or DEQ shall hold any associated bonds until such time as the steps above are accomplished. If the steps above are not accomplished within one year of initial Board approval of the Application for Construction of Improvements, the oil and gas company shall remain the owner of the impoundment and be held responsible for complete reclamation of the impoundment.

Once the impoundment is transferred to the surface lessee, and the steps above have been accomplished, it is considered a normal improvement to the grazing lease. Any associated bonds for these impoundments posted by the oil and gas company may be released once ownership has been transferred.

Other Oil and Gas Related Infrastructure

1. The company must provide a letter to the surface lessee (with a copy to OSLI) detailing regulatory or any other legal liability being transferred to the surface lessee with the transfer of ownership of the infrastructure.
2. Surface lessee must submit an Application for Construction of Improvements form with supporting documents for approval by the Board.

After ownership of a well, impoundment or any other oil and gas related infrastructure has been approved and transferred to the surface lessee, that improvement can no longer be used for oil and gas production without first being permitted as such. The surface lessee shall be aware that OSLI may require a bond be posted for the benefit of the State in an amount sufficient to protect and indemnify the State of Wyoming from any liability associated with the transferred and approved improvements.

Once any oil and gas related infrastructure is transferred to the surface lessee, and the steps above have been accomplished, it is considered a normal improvement to the grazing lease. Any associated bonds for the infrastructure posted by the oil and gas company may be released once ownership has been transferred.

Authority/Justification

W.S. 36-2-107 and W.S. 36-6-101(b)
 Wyoming Board of Land Commissioners' Rules and Regulations
 Chapter 4, Section 11
 Chapter 18, Section 12 and 13

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