

## Office of State Lands and Investments

### Agency Information:

**Director:**

Bridget Hill

**Contact Person:**

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**Website URL:**

<http://lands.wyo.gov/>

**Field Office Locations:**

Newcastle, Buffalo, Riverton, Lander, Lyman, Casper, Laramie, Pinedale, Meeteetse

### Statutory Authority:

Organic Act, Sec. 14; Act of Admission, Sec. 4 through 14; Wyo. Const. Art. 7, Sec. 2, Sec. 6 through 8, Sec. 18, 19 and 22; Wyo. Const. Art. 18, Sec. 1, 2, 3, 4, 5, 6; W.S. 7-16-202; W.S. 8-4-102; W.S. 9-2-2005 through 2006; W.S. 9-2-2012; W.S. 9-4-305, W.S. 9-4-307 through 311; W.S. 9-4-601 through 607; W.S. 9-4-714 through 719; W.S. 9-4-801 through 815; W.S. 9-4-1001 through 1003; W.S. 9-16-101 through 103; W.S. 9-12-703; W.S. 10-3-101; W.S. 10-3-601 through 602; W.S. 11-5-101 through 303; W.S. 11-34-101 through 305; W.S. 16-1-109 and 110; W.S. 16-1-201 through 207; W.S. 16-1-301 through 308; W.S. 27-14-701 through 704; W.S. 30-5-301 through 305; W.S. 35-11-528 through 532; W.S. 35-11-1201 through 1203; W.S. 36-1-101 through 36-3-111; W.S. 36-5-101 through 36-7-510; W.S. 36-9-101 through 120; W.S. 36-12-102, 106 and 107; W.S. 41-6-203 through 209.

### Basic Information:

**Number of Employees:**

97 full time employees (48 full time, 4 season and 1 AWEC in the Forestry Division; and 48 full time positions in the remaining divisions).

**Clients Served:**

The trust beneficiaries - Wyoming's school children and state institutions; numerous clients in agriculture, mineral, timber, transportation, communication, public utility, recreation, tourism and other Wyoming industries; local government entities; state and federal agencies; and the resident and non-resident general public.

### Budget Information/Expenditures for FY16:

The amount of funding appropriated in the 2015/2016 Biennium Budget for the Office of State Lands and Investments (OSLI) is \$298,908,324, of which \$210,282,267 is general funds. Of the total agency appropriation, \$260,113,433 is designated for distribution to local governments in the form of grants/loans and other direct distributions and \$11,674,318 is designated for fire. The agency's net operating budget is \$27,120,573.

Expenditures for FY1 are \$140,684,498 (\$103,220,093 in general funds, \$25,778,588 in federal funds and \$11,685,817 in other funds).

**Report Period:**

FY 2016 (July 1, 2015 through June 30, 2016)

**Core Business/Primary Functions:**

The Wyoming State Land Trust consists of three assets: State Trust Land, State Trust Minerals, and the State Permanent Land Fund. All three assets derive from those lands granted by the federal government to the State of Wyoming at the time of statehood under various acts of the U.S. Congress and accepted and governed under Article 18 of the Wyoming Constitution. The revenues generated by trust lands and minerals are reserved for the exclusive benefit of the beneficiaries designated in the congressional acts. The beneficiaries are the common (public) schools and certain other designated public institutions in Wyoming such as the Wyoming State Hospital. Though some of the original lands have been sold or exchanged, the state owns approximately 3.5 million surface acres and 3.9 million mineral acres. Approximately 86% of the surface and mineral estate are managed for the benefit of the public schools. In addition, there are approximately 9,000 acres of non-trust acquired land within the State allocated to various state agencies that benefit specific institutions and the public. Examples of these lands include Boys School, Girls School, Wyoming Training School, Wyoming State Hospital, Ranch A and Beartooth Ranch.

The Wyoming State Constitution and the Wyoming State Legislature direct the Board of Land Commissioners, consisting of the State's five elected officials, to manage trust assets for two key purposes consistent with traditional trust principles: (1) long-term growth in value, and (2) optimum, sustainable revenue production. Similar principles guide the allocation of resources and management practices that will preserve and enhance the value of non-trust acquired and institutional lands. As directed by the Wyoming State Legislature, the State Loan and Investment Board, consisting of the same five elected officials, manage the permanent land funds in accordance with the State's Investment Policy. The State Loan and Investment Board also administers various statutorily created grant and loan programs that provide funding and financial assistance in the form of grants and/or loans to cities, towns, counties, and special districts to finance capital construction and other infrastructure projects necessary for the health, safety and general welfare of the residents of Wyoming. The Office of State Lands and Investments (OSLI) is the administrative arm of these Boards and it is the statutory responsibility of the Office of State Lands and Investments to carry out the policy directives and decisions of the Boards.

The organizational structure of OSLI consists of the Office of the Director and four divisions: Financial Programs and Management Services, Trust Land Management, Field Services, and Wyoming State Forestry. The Field Services Division has field offices located in Lander, Buffalo and Meeteetse. The Wyoming State Forestry Division has seven district offices located in Newcastle, Buffalo, Riverton, Lyman, Pinedale, Casper, and Laramie.

**The functions most important to our agency are:*****Optimization and diversification of trust asset revenue:***

- effective mineral, agricultural and special use lease compliance, collection and fund distribution functions;
- proactive commercial leasing;
- optimizing benefits gained through easement conveyances, forest product sales and trust land sales, exchanges and acquisitions; and
- effective fire management on trust lands.

***Preservation and enhancement of trust asset values for current and future beneficiaries:***

- efficient, effective and proactive land management practices, including the pursuit of land sale, acquisition and exchange opportunities that will provide enhanced revenue generation opportunities and access to contiguous land parcels to facilitate efficient trust land management practices;
- adequate inspection, bonding and reclamation programs;
- lease stipulations to protect surface and subsurface resources; and
- the control and eradication of noxious weeds and designated pests.

***Forestry assistance:***

- provide a combination of technical assistance, training, and support to local governments, cooperating agencies, and citizens through optimum utilization of state funding to leverage federal and local funds to attain sustainable management and protection of the state's natural resources.

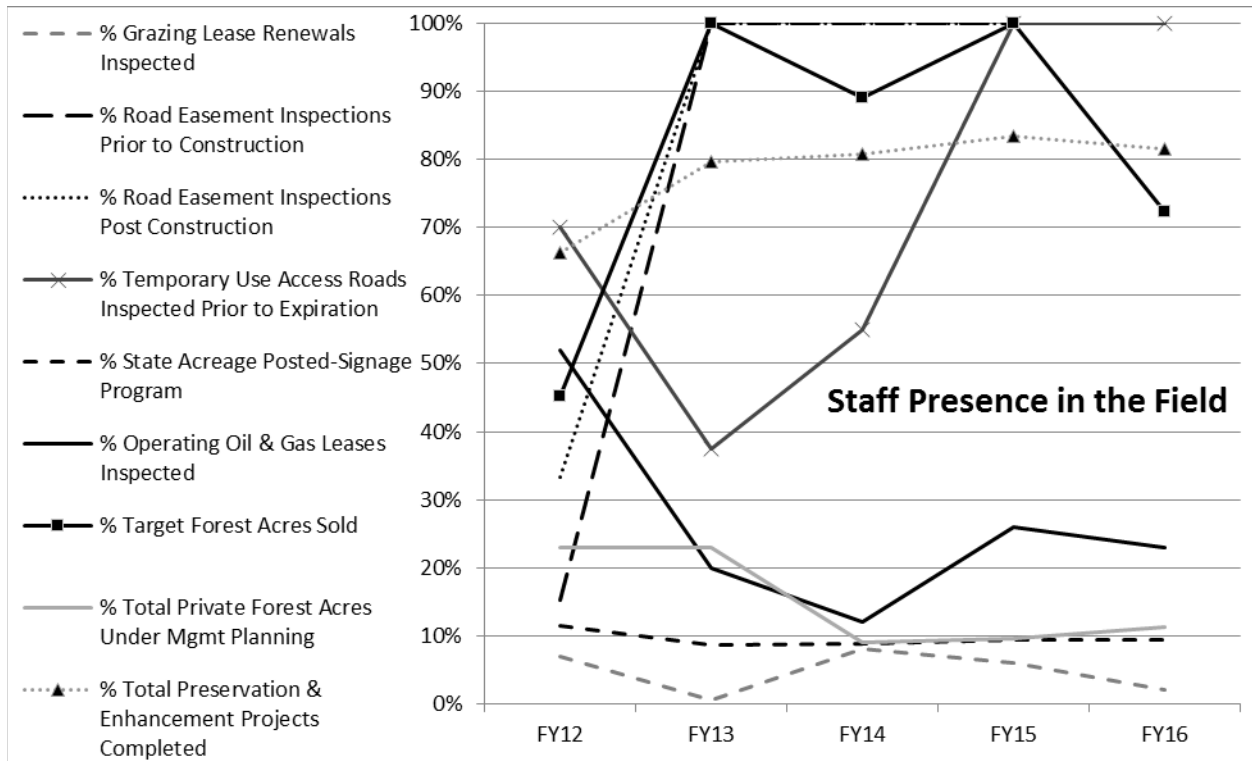
**Grant and loan program administration:**

- assist the State Loan and Investment Board in optimum utilization of program funding through timely, accurate project eligibility evaluations and analysis to address the specific needs of local communities; and
- explore and utilize opportunities to partner with similar state and/or federal programs to maximize funding availability to benefit local communities.

**Data development and data sharing:**

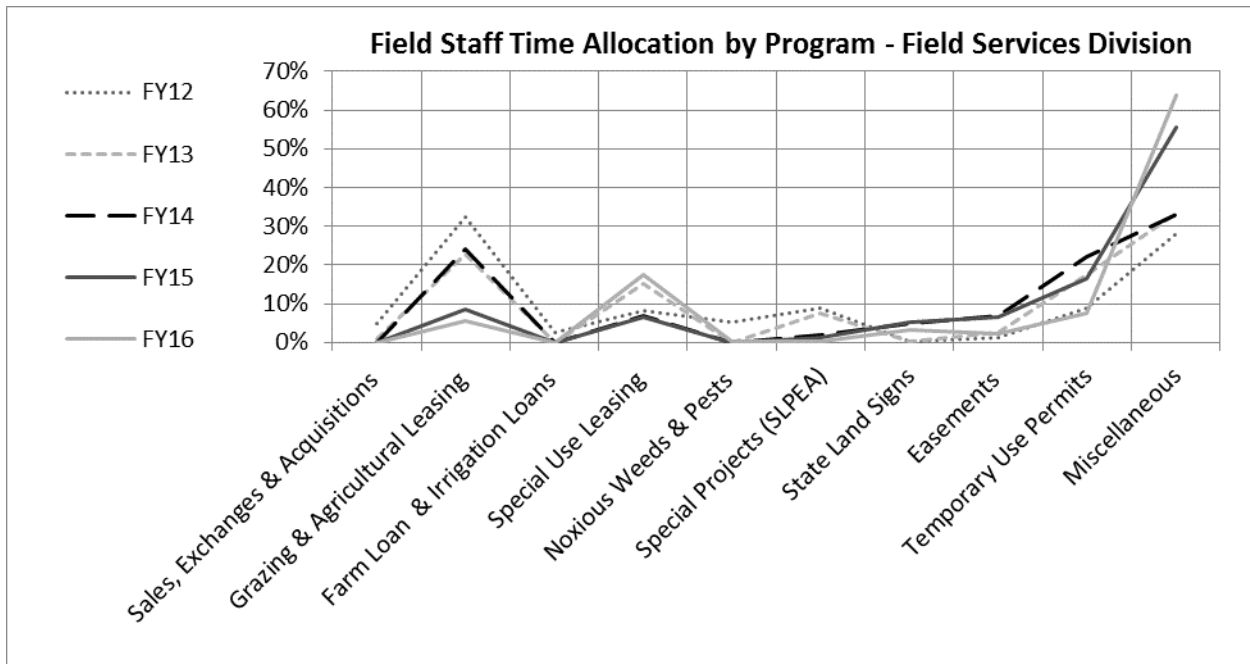
- utilize technology and improve systems to monitor all classes of trust assets and administer leases of all types to improve reporting capability for the evaluation of the physical condition, maintenance and productivity of trust assets; and
- coordinate, encourage uniformity, promote data sharing and gain efficiency in the agency’s architecture and standards to ensure compatibility of information technology related projects with other state, federal and local agencies.

**Performance Measure #1 – Staff Presence in the Field (Preservation and enhancement of trust asset values for current and future beneficiaries; Grant & loan administration; Forestry Assistance; Data development and data sharing)**



**Story Behind The Performance**

The Field Services Division field staff compiles data related to its allocation of time, including travel time, to carry out various duties and responsibilities. The chart below represents a typical allocation of field staff time and the diversity of assignments.



When comparing time allocation for FY16 with previous years, it is apparent that the time expended on Miscellaneous Activities is the largest percentage, due mostly to the reporting procedures through the SLAMS (Surface Land Asset Management System) database system. Allocation and reporting of staff time is now captured in a number of different categories. Prior to the new division, time allocation for mineral inspections was not captured and/or reported. Now, all mineral inspections are captured, tracked and reported under Miscellaneous Programs. The Special Use Lease Program accounted for the second highest allocation of field time, mostly to due to a large amount of special use leases related to the oil and gas industry.

The Grazing & Agriculture Leasing Program historically consumed a large percentage of staff time, primarily due to the fact that an average of 10 percent of the leases expire annually (approximately 400). Time allocated to the Grazing & Agriculture Leasing Program continued a downward trend due to increased diversification of field staff presence, and priority of oil and gas inspections related to bonding and reclamation. It is anticipated that this trend will continue as the division continues to increase the efficiency of inspections. Other programs that show an increase in time allocation over past years are Special Use Leasing and Temporary Use Permits. Both programs have seen an increase in the number of applications and requested inspections. Diversification and redistribution of field staff to inspect pre- and post-activities has increased significantly.

Although not as much time was spent in FY16 as in previous years, field staff devote time to special projects due to continued funding for the Trust Preservation and Enhancement Program provided by the Legislature. In addition to preservation and enhancement projects on state trust lands, field staff time is also dedicated to management of the X Bar Ranch, Moriah Ranch, and Duncan Ranch.

Other program areas not specifically discussed remain relatively constant from previous years and are anticipated to remain near current levels as staff spends time necessary to meet identified goals. The posting of State Trust Land signs on state trust land parcels, although important, will remain secondary to other priorities. In FY16, a continued increase in activity in this program was an effect of total time spent in the field, which has increased significantly as a result of the implementation of field offices in FY13.

There are a total of 1,229 producing oil and gas leases on state trust lands, of which 281 (23%) were inspected in FY16, an amount similar to FY15. The primary reason for the slight decrease in the number of oil and gas leases inspected from the previous year was due to staff turnover. The preponderance of mineral lease inspections reflects

an overall raised priority of reclamation and bonding on oil and gas leases in FY15 and FY16. Those oil and gas industry-related inspections have resulted in a significant number of lease site clean-ups, proper well bore abandonment and site restorations, requirements to line water disposal pits and the meeting of statutory, lease contract and rule requirements related to operating oil and gas properties in Wyoming and on state lands. The field inspection program has been actively engaged in the coal bed natural gas development occurring in Wyoming and more specifically with produced water disposal, requiring operators to provide off-channel water retention reservoir bonding on state land above the lease bond in place for these properties. Additionally, the program has set procedure, checking for idle wells and/or temporarily abandoned wells on State leases and requests either plugging or abandonment of same, or additional bonding on a footage basis, to protect the State's interest. In FY16, bonding for non-hydrocarbon producing wells totaled over \$26 million.

The Forestry Division calculates target forest acres from existing state forest inventory and harvest data and assumes that time and money is available to allow them to be achieved. Timber sales are considered sold when the contract is signed by all parties. Often the timber sale preparation is completed and the auction conducted in one fiscal year and the contract signed in the following fiscal year. Therefore, sale performance shown by fiscal year may be somewhat skewed by one to two years. However, over time, performance should even out. Lumber markets in Wyoming remain somewhat unstable throughout the state: the northeast corner of the state continues to show increased demand for timber; consistent to somewhat declining in the southeast; and there remains a need for additional forest products industry infrastructure in the western half of the state. The historic 2012 fire season shifted Forestry Division staff time and resources to fire suppression which has affected the timber sale preparation "pipeline". This could affect output from the timber sale program for the next couple of years. FY15-16 saw a turnaround in the timber outputs due to increased salvage and harvesting more productive stands; a trend which will likely continue in the future.

Percent of target acres sold are actual acres of timber sold as a percentage of the target acres (1800 ac.). The acres of timber sold affects forest health and productivity on state trust lands. More acres of timber sold leaves fewer acres susceptible to insects, diseases, and stand replacing wildfire and leaves state lands with young, fast growing timber stands. This is beneficial to all of the customers of the Trust Land Management Program. Acres of timber sold helps maintain the long term value of the trust asset and generates income that is credited to a number of trust accounts, primarily the common school account.

Through FY16, the Forestry Division prepared 316 management plans on 190,865 acres of private forestland over the previous 10 years. Plans older than 10 years are considered expired. Currently 11.2% of Wyoming's private forest has received current professional forest management guidance. The Forestry Division's goal for stewardship plan development is 8,000 acres per year. In FY16, 18 plans were completed on 34,738 acres.

Trust preservation and enhancement projects (TP&E projects) are those projects undertaken pursuant to Chapter 85, 2005 Session Laws that established the State Land Preservation and Enhancement Account. In 2005, the Legislature directed that \$750,000.00 be appropriated from the School Foundation Program Account to OSLI to be deposited in this account and that funds from the account only be expended by OSLI on projects as approved by the Board of Land Commissioners. The Legislature intended that funds from this account be used by the OSLI to fund projects that will preserve and/or enhance the asset value of all surface and mineral lands held in trust by the State. Since 2005, the Legislature has continued to appropriate funds through the budget process to allow the Board to continue to pursue projects that will preserve and/or enhance the value of state trust land or mineral assets or improve the revenue generating capacity from those assets.

Since inception, 227 projects totaling \$6,621,478.44 (of which \$3,084,362.07 has been expended on the Tin Can Alley dump site cleanup project located in Big Horn County) have been approved by the Board of Land Commissioners leveraging \$1,514,985.28 in other funding to accomplish projects on state trust lands. Thirty-five of those projects, in the amount of \$569,973.69 in TP&E Account funding and \$259,918.53 in other funding, were identified and approved in FY16. To-date, 185 of the 227 projects have been completed. Historically, a one-year lag time between Board approval of a project and the completion of a particular project is common, i.e. most projects are weather and contractor dependent and field seasons are time limited, particularly for reclamation projects.

## FY16 Accomplishments

### Mineral Leasing

- 1) There were 281 oil and gas leases inspected in FY16.
- 2) In FY16, 615 parcels were offered for leasing for the purpose of oil and gas development via oral auction. Of the 615 parcels offered, 286 were successfully bid upon. Total lease bonus received was \$5,179,546. Total auction revenue including bonus, rental, and fees was \$5,353,162.48. The total acreage offered was 223,100.67 acres, of which 100,407.43 acres were successfully bid upon.
- 3) There are 3,274 active leases for oil and gas development. Of those, 1,229 are in an operating or producing status. There are 643 active mineral leases that include coal, trona/sodium, uranium, bentonite, zeolite, metallic and non-metallic rock and minerals, and sand, gravel, borrow material and rip-rap leases. Of those, 93 are in an operating or producing status.

### Grazing & Agricultural Leasing Program

- 1) In FY16 there were a total of 3,565,298.42 acres available for lease. Of these, a total of 3,470,561.53 acres (97%) were under lease.
- 2) The Board of Land Commissioners' Rules and Regulations allow the surface lessee to negotiate a surface impact payment when a third party requires entry upon their leased lands. This payment is split between the State and the surface lessee. In FY16, a total of \$3,440,786.59 was generated from surface impact payments.

### Land Sale, Exchange & Acquisition Program

- 1) In FY16, there were no sales finalized. However, additional sales are anticipated for FY17.
- 2) One exchange was completed in FY16. The exchange was 680.00 acres for 680.00 acres in Crook County. Several exchange proposals are in progress and being considered for FY17.

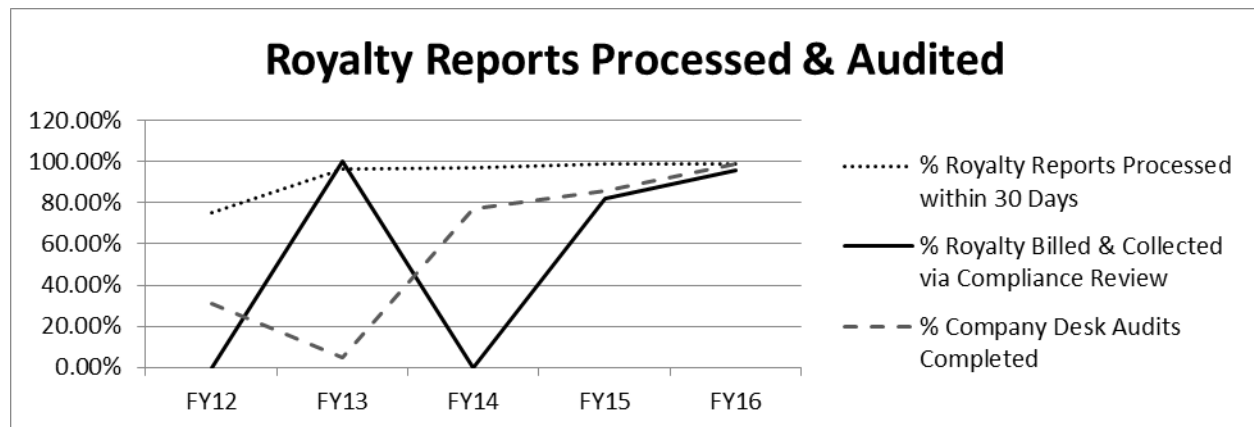
### Forest Management/Timber Sales

- 1) Timber sales sold during FY16 totaled 1,300 acres with an estimated forest products volume of 4 million board feet.
- 2) Over 640 acres of pre-commercial thinning silvicultural treatment were prepared.
- 3) In FY16, eighteen management plans were completed on 34,738 acres.

### Trust Land Preservation & Enhancement

- 1) Three forest value enhancement projects were completed expending \$24,988.75 in TP&E funds and leveraging \$38,250.00 in federal funds;
- 2) Seven post fire rehabilitation projects were completed on state trust land at a cost of \$76,950.00; and
- 3) Seven preservation of trust asset value projects totaling \$91,327.31 was completed.

### Performance Measure #2 – Royalty Reports Processed & Audited (Optimization and diversification of trust asset revenue; Data development and data sharing)



### **Story Behind The Performance**

The Royalty Compliance Section (RCS) receives operator reports from operators of leases, units, participating areas, and communitized areas establishing volumes produced and sold. It receives royalty reports reflecting the volumes and values attributable to the calculated royalty due; and, it receives acknowledgement of actual payment received which must be associated with the reported royalty obligation established by the aforementioned reports. The RCS requires purchaser statements/sales summaries that must be reconciled to the reports provided by operators and/or payers. Due to the increased efficiency of the Lease And Royalty Compliance System (LARCS), the percentage of reports processed within 30 days increased from 96.58% in FY13 to 97.18% in FY14 to 98.87% in FY15, and has remained constant at 98.85% during FY16.

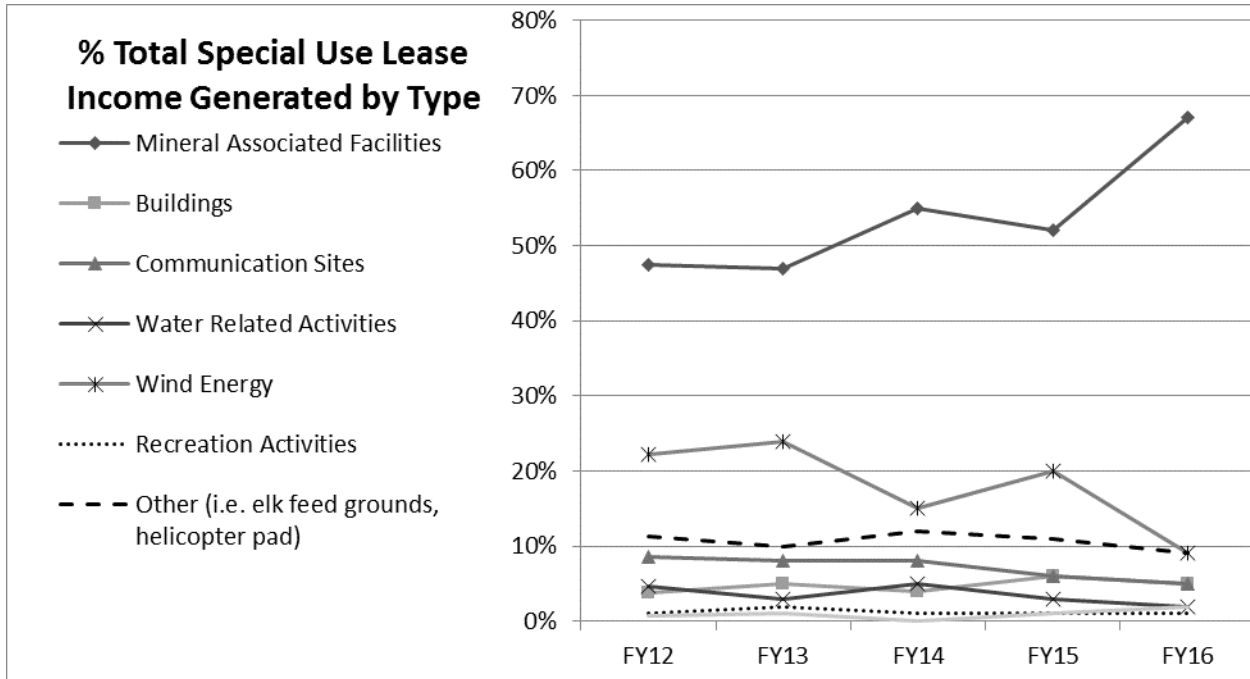
The RCS staff conducted continual desk audits of operating oil and gas leases each month from July 2015 through June 2016. Desk audits are conducted to validate proper reporting of royalty obligations on state trust lands. Desk audits are in-depth reviews and reconciliation of production and sales volumes and values when compared to the required purchaser statements and volumes reported to the Wyoming Oil and Gas Conservation Commission. The RCS began the long and arduous process of revising desk audit procedures during FY13. As a result, only a small number of desk audits were conducted prior to November 2013 due to the new audit procedure being finalized. During FY14 staff completed 77% of the required desk audits with the new audit procedures. Due to increased efficiency of RCS staff, 86% of the required desk audits were completed during FY15. Ninety-nine percent (99%) of the required desk audits were completed during FY16 due to training and increased efficiency of RCS staff.

The RCS also processes both complex and comprehensive audits. Complex and comprehensive audits are conducted to ensure the collection of all royalties as well as determine the extent that deductions being taken are allowable by rules, state statutes, and lease terms. These audits, which may take up to two years to reach completion and settlement, facilitate resolution of royalty reporting and payment issues/problems on a “global” basis for any particular company or group of companies. The complex and comprehensive audits are for a set time period for all company leases, and also afford the ability to reach “settlement” agreements on certain litigious situations without going to court. The RCS staff currently has four comprehensive audits and three complex audits in progress.

### **FY16 Accomplishments**

- 1) The RCS reviewed and processed for Permanent Land Fund distribution, the reporting and receipt of \$147,583,439 in State land mineral royalties. The section was able to bring several reporting companies into compliance in conjunction with the Total Program Compliance (TPC) initiative instituted by the Office of State Lands and Investments. The TPC initiative also allowed RCS staff to collect and distribute \$1,707,043 in oil and gas penalty and interest assessments during FY16.
- 2) Due to completed desk audits, the RCS was able to collect an additional \$172,200 in previously unpaid royalties during FY16.
- 3) RCS staff hosted two training sessions during August 2015 and May 2016 for reporting companies to aid in the receipt of accurate reports and making validation of reporting more efficient. These training sessions were attended by nearly 200 representatives from the oil and gas industry and have encouraged rapport with the reporting companies. The RCS will be presenting training sessions on an annual basis for oil and gas industry as well as the hard mineral industry.

**Performance Measure #3 – % Total Special Use Lease Income Generated by Type (Optimization and diversification of trust asset revenue; Data )**



**Story Behind The Performance**

This graph illustrates the percentage of income received by type of lease. Even though this graph does not necessarily illustrate performance, it is important for planning purposes. One of the Agency’s goals is the optimization and diversification of the trust asset revenue. The graph demonstrates which types of leases generate the most revenue: oil and gas associated leases, wind energy, communication sites, and other uses. The “other” uses consists of a variety of uses, including but not limited to, elk feed grounds, helicopter pads and farm/ranch management leases. The farm/ranch management leases include the Duncan Ranch, the X Bar Ranch, and the Moriah Ranch. Income derived from just these three leases exceeds \$131,000.00 per year. Since the Division has limited staff resources that are shared among eight major programs, it is important to manage time appropriately. This graph identifies the type of lease where a proactive approach would generate the most revenue for the trust.

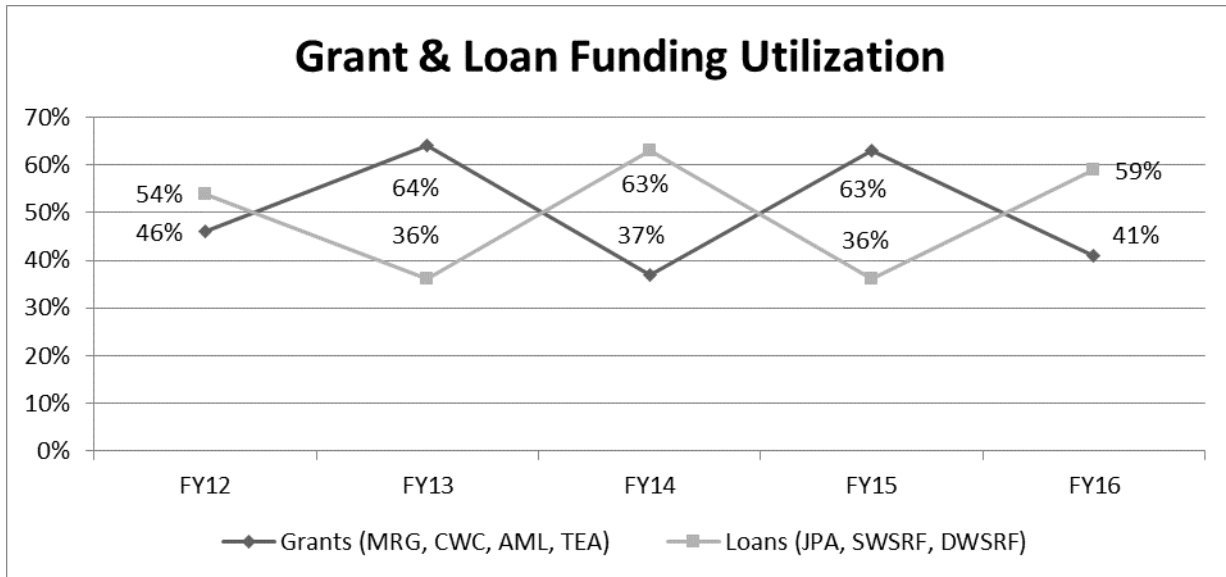
After 5 years of stagnation, activity in wind energy leasing has experienced a resurgence surpassing FY10. OS LI entered into two wind energy leases comprising 4,800 acres in FY16, and is currently in active negotiations for an additional five leases comprising 19,068 acres. Two projects are completing permitting and hoping to break ground by mid-2017. Nonviable and speculative projects are continuing to cancel or be assumed by other entities, but most have already dissolved. Some transmission projects are nearing the end of the permitting process, while others are slowly progressing. Wind operators that have sought alternative delivery systems are closer to construction than those that are reliant on the large transmission projects. However, no new wind farms have come online since FY11. During FY16, there were seventeen active wind leases comprising 31,644 acres.

**FY16 Accomplishments**

- 1) During FY16, thirty-five Special Use Lease and Wind Energy Lease applications were processed for approval or renewal; all properties were appraised and rental values established prior to presentation to the Board of Land Commissioners for consideration.
- 2) The Special Use Lease and Wind Energy Lease programs generated \$3,753,644.99 in FY16, an increase of \$1,357,293.99 from the previous year.



**Performance Measure #4 – Grant & Loan Funding Utilization by Program Type (Grant and loan program administration)**



**Story Behind The Performance**

This graph provides information relative to the utilization of funding resources available within the grant and loan programs administered by the OSLI.

Total available program funding for the biennial period 2011/2012 was \$194.4 million; \$76.4 million in grant programs and \$118 million in loan programs. Original funding for the Mineral Royalty Grant Program (MRG) was limited to \$33.4 million by legislative action, with no provision for County Wide Consensus (CWC) project funding. The 2011 Legislative session provided a supplemental appropriation in the amount of \$35 million for CWC grant funding and created a new grant program providing \$6 million for county roads impacted by mineral development in the Niobrara Shale area in eastern Wyoming. FY12 \$42.8 million grant project funding was limited to the remaining balance of the legislative appropriation.

Legislative funding for BFY 2013/2014 for these programs was in excess of \$201.2 million: \$97 million in grant programs and \$104.2 million in loan programs. The 2013 Legislative session provided that beginning in FY14 the State Loan and Investment Board (SLIB) approve all new Aeronautic Loans, \$5.4 million available, and created a new Municipal Solid Waste Cease & Transfer (MSW) Grant and Loan Program in the amounts of \$4 million and \$1.5 million respectively. During the 2014 Legislative session a new Court House Security (CHS) Grant program was created providing \$3 million for court house security in Fremont and Sweetwater counties.

Ninety-one percent (91%) of these appropriated grant funds were in the MRG and CWC programs. The remaining 9% (nine percent) include the Transportation Enterprise Account (TEA) Grant Program at \$2 million, MSW Grant Program at \$4 million and the CHS Grant Program at \$3 million. Combined available funding for the Clean Water and Drinking Water State Revolving Fund Loan programs was \$47.2 million, Joint Powers Act Loan (JPA) funding was \$54.9 million, MSW Loan funding was \$1.5 million and Aeronautic Loan funding was \$5.4 million. Fiscal Year 2014 total project funding from all sources was \$55.1 million, \$20.5 million from grant programs and \$34.6 million from loans.

For BFY 2015/2016, Legislative funding for these programs is in excess of \$244.2 million: \$122.3 million in grant programs and \$121.9 million in loan programs. During the 2015 General Session, the Wyoming Legislature increased the available funding for the CHS Grant Program by \$1.083 million and authorized the Board to award additional court security grants for the following eight counties: Platte, Goshen, Niobrara, Albany, Big Horn, Crook, Park, and Weston. (2015 Wyo. Sess. HEA 56, Section 328). Funding for the MSW Grant and Loan Program also increased during the past two legislative sessions, \$17 million for grants and \$4.3 million for loans.

The MRG and CWC programs make up seventy-six percent (76%) of appropriated grant funds in BFY 2015/2016. The remaining twenty-four percent (24%) include the TEA Grant program at \$2 million, MSW Grant Program at \$19.9 million and the CHS Grant Program at \$7 million. Combined available funding for the Clean Water and Drinking Water State Revolving Fund Loan programs was \$57.1 million, JPA Loan funding was \$53.4 million, MSW Loan funding was \$5.8 million and Aeronautic Loan funding was \$5.5 million.

FY16 total project funding from all sources decreased from \$154.6 million in FY15 to \$74.6. Project funding from the grant and loan programs decreased from \$97.2 million to \$30.8 million and \$57.4 million to \$43.8 million, respectively.

**FY16 Accomplishments**

- 1) Training of personnel and reallocation of duties within the Administrative Services Division due to employee turnover was the major contributing factor to the successful management of the program.
- 2) Partnered with other state and federal agencies to address the needs of local communities and promote successful project completion under the “Total Project Funding Concept” initiative.
- 3) Converted all loan programs and the MSW, TEA and CHS grant programs from the old internal accounting systems to one new internal accounting system, EnABLE initiative.

**Office of State Lands & Investments  
Organizational Chart**

