

August 10, 2017

BOARD MATTER E-1

ACTION: Consider State of Wyoming Oil and Gas Lease Term Extension

AUTHORITY: W.S. § 36-6-101; Board of Land Commissioners' Rules and Regulations, Chapter 18, Section 6 and Section 8(b),

ALTERNATIVES:

- Approve Wyoming Oil and Gas Lease Term Extension
- Deny Wyoming Oil and Gas Lease Term Extension

ANALYSIS:

Helis Oil and Gas Company, LLC (Helis) has requested a one year lease term extension for a State of Wyoming Oil and Gas Lease (see formal request attached). This is the third lease term extension request for State of Wyoming Oil and Gas Lease 10-00586. If approved, this extension will hold the Lease until August 1, 2018 should production not occur.

Commencement of operations on Lease 10-00586 have delayed due to federal wildlife habitat timing stipulations which prevent development activities from March 15th and July 15th. Helis has diligently pursued development progression within the confines of the wildlife stipulations. Helis has been granted both federal and state approval to drill wells which will produce this lease and is requesting extension of lease 10-00586 to allow time to drill those permitted wells, accommodating the existing wildlife stipulations.

Pursuant to the Board of Land Commissioners' (Board) Rules and Regulations, Chapter 18, Sections 6 and 8, Helis will submit the required \$2.00 per acre rental payments, and will submit a \$10,000.00 cash bond with the Office of State Lands and Investments (OSLI) to secure any future liquidated damages, refundable upon the lessee's fulfillment of lease drilling requirements.

In accordance with OSLI's existing coordination process with the Wyoming Game and Fish Department and the Wyoming State Historic Preservation Office, it is recommended that the following Standard Stipulations be applied to the described lease.

<u>Lease</u>	<u>Description</u>	<u>County</u>	<u>Request</u>	<u>Stips</u>
10-00586	T38N R75W Sec. 36 All	Converse	3rd	1, 136

Wyoming State Historic Preservation Office

#1: Standard Stipulation relating to discovery of historical, archeological, or paleontological deposits within the leased area.

Wyoming Game and Fish Department

#136: Standard Stipulation relating to development and production within an area of concern for the spread of aquatic invasive species.

The specific language of all Standard Stipulations can be found at:

<http://slf-web.state.wy.us/MLease/auctions/stipulations.pdf>

DIRECTOR'S RECOMMENDATIONS:

The Director recommends approval of a one year lease term extension for State of Wyoming Oil and Gas Lease 10-00586 to expire August 1, 2018, if not then held by production or ongoing drilling operations. It is also recommended that the extension be granted on the condition that the lessee agree to pay liquidated damages in the amount described above if it does not commence drilling operations to completion of a well within the extended term, and with the above described Standard Stipulations. The lease will be subject to an annual rental rate of \$2.00 per acre.

BOARD ACTION: Board Approved

HELIS OIL & GAS COMPANY, L.L.C.
WESTERN DIVISION
% ENERGY CONSULTING ASSOCIATES, LLC

100 NORTH 27TH STREET, SUITE 255
BILLINGS, MONTANA 59101
P.O. BOX 159
BILLINGS, MONTANA 59103-0159

Telephone:
(406) 248-2222

Facsimile:
(406) 248-5253

May 3, 2017

Office of State Lands & Investments
Attention: Tate Smith
122 West 25th Street, 3rd Floor West
Cheyenne, Wyoming 82002

RE: *Request for Lease Extension*
State of Wyoming 10-00586
Township 38 North, Range 75 West
Section 36: All
Converse County, Wyoming

Dear Tate:

Helis Oil & Gas Company, L.L.C. (Helis) owns leasehold rights in the State of Wyoming Oil and Gas Lease 10-00586. The State Board granted Helis a one year extension in 2015 and 2016 and Helis hereby respectfully requests a third one (1) year extension of this Lease which otherwise will expire on August 1, 2017. Helis has received approval from both the BLM and the State for APD's for the drilling of three two-mile horizontal wells on this Lease. However, the Federal APD's contain Conditions of Approval "prohibiting wildlife-disturbing activity from March 15 – July 15 annually". Consequently, a one-year extension only gives the operator a six-month timeframe in which to drill.

Enclosed please find Helis Oil & Gas Company check #27544 in the amount of \$1,280.00, to cover the \$2.00 per acre 8th year rental.

If you have any questions or require any other information, please do not hesitate to contact me at (406) 247-8717.

Sincerely,

HELIS OIL & GAS COMPANY, L.L.C.



Roxanne Simpson
Western Division Land Manager

enclosure

c: Charter Energy Partners LLC/Charter Oil Company LLC
Kirkwood Oil and Gas LLC/Kirkwood Resources LLC