

August 10, 2017

BOARD MATTER E-2

**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:**

Wave Petroleum Operating, LLC (Wave) has requested a one year lease term extension for two State of Wyoming Oil and Gas Leases (see formal request attached). This is the first lease term extension request for State of Wyoming Oil and Gas Lease 12-00386 and 12-00387. If approved, this extension will hold the Leases until August 1, 2018 should production not occur.

Commencement of operations on Lease 12-00386 and 12-00387 have been delayed due to ongoing regulatory approval by the Bureau of Land Management (BLM). Wave submitted Notice of Staking to the BLM on July 13, 2015. Required onsite inspection of the wells was not scheduled until October 26, 2016. Following the onsite inspection, Wave submitted two federal well permits for approval on January 13, 2017. Wave does not expect to receive final approval of the well permits before the expiration of these Leases. Additionally, these leases are proposed to be committed to the Walker Creek Unit. The Walker Creek Unit has been preliminarily approved and is currently under final review by the BLM. Wave is requesting the extension of Lease 12-00386 and 12-00387 to allow time for the well permit approval process and unit approval process to take place.

Pursuant to the Board of Land Commissioners' (Board) Rules and Regulations, Chapter 18, Sections 6 and 8, Wave will submit the required \$2.00 per acre rental payments, and will submit a \$10,000.00 cash bond, per lease, 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>
12-00386	T35N R68W Sec. 7 NESW:NWSE	Converse	1st	1, 117, 136
12-00387	T35N R68W Sec. 7 SESW	Converse	1st	1, 117, 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

#117: Standard Stipulation relating to exploration and development activities within certain distances of streams and lakes

#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 Leases 12-00386 and 12-00387 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 leases will be subject to an annual rental rate of \$2.00 per acre.

**BOARD ACTION:** Board Approved



1600 STOUT STREET, SUITE 1900  
DENVER, COLORADO 80202

May 15, 2017

ST. LAND & INVESTMENT  
'17 MAY 16 AM 10:02

Delivery via United Parcel Service  
Via email to: Tate.Smith@wyo.gov

Office of State Lands and Investment  
122 West 25<sup>th</sup> Street, 3<sup>rd</sup> Floor  
Cheyenne, WY 82002  
Attn: Mr. Tate Smith

Re: Request for Extension of Lease Term  
State of Wyoming Oil & Gas Lease 12-00387  
Township 35 North, Range 68 West, 6<sup>th</sup> P.M.  
Section 007: SE $\frac{1}{4}$ SW $\frac{1}{4}$   
Converse County, Wyoming

Dear Mr. Smith:

Wave Petroleum, LLC and Bondero LLC do hereby request that the Office of State Lands and Investment grant a one-year extension of the term for the captioned oil and gas lease that is scheduled to expire August 2, 2017. The above parties are the owner of 100% of the leasehold and operating rights under the lease.

The request for extension is being made based on regulatory delay described below:

Wave submitted a Notice of Staking to the Bureau of Land Management Casper Field Office on July 13, 2015, the onsite inspection was not scheduled until October 26, 2016, and 2 Federal permits were submitted January 13, 2017. Wave does not expect to receive approval of the Federal permits prior to the expiration of the captioned lease.

Wave is also endeavoring to form the Walker Creek (Deep) Federal Exploratory Unit which will include the referenced lease. The Walker Creek Unit has received preliminary approval from the Bureau of Land Management and the ratification and joinders have been sent out to the necessary parties. The Walker Creek Unit will aid in maintaining uniform development of the state's resources while minimizing the surface disturbance in the area. Should the unit be unsuccessful Wave intends to develop the lease on a drill site spacing unit basis.

Wave will be submitting the required \$10,000.00 performance bond as required by Rules and Regulations Board of Land Commissioners Ch. 18 section 8(b) under separate cover.

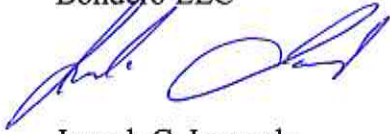
Request for Extension

5/15/2017

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Should you have any questions or concerns, please do not hesitate to contact me at (303) 974-4877 or by email to [rbalsam@waveoperating.com](mailto:rbalsam@waveoperating.com).

Best regards,  
Wave Petroleum, LLC  
Bondero LLC



Joseph C. Icenogle  
Land Manager



1600 STOUT STREET, SUITE 1900  
DENVER, COLORADO 80202

May 15, 2017

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Via email to: Tate.Smith@wyo.gov

Office of State Lands and Investment  
122 West 25<sup>th</sup> Street, 3<sup>rd</sup> Floor  
Cheyenne, WY 82002  
Attn: Mr. Tate Smith

Re: Request for Extension of Lease Term  
State of Wyoming Oil & Gas Lease 12-00386  
Township 35 North, Range 68 West, 6<sup>th</sup> P.M.  
Section 007: NE $\frac{1}{4}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$   
Converse County, Wyoming

Dear Mr. Smith:

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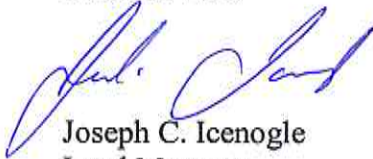
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Best regards,  
Wave Petroleum, LLC  
Bondero LLC

A handwritten signature in blue ink, appearing to read "Joe Icenogle", written in a cursive style.

Joseph C. Icenogle  
Land Manager