

August 10, 2017

BOARD MATTER E-4

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:

Jonah Energy, LLC (Jonah) 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 12-00471 and 12-00472. If approved, this extension will hold the Leases until August 1, 2018 should production not occur.

Commencement of operations on Lease 12-00471 and 12-00472 have been delayed due to pending Bureau of Land Management review of the Normal Pressured Lance Environment Impact Statement (EIS). The EIS process has allowed no drilling activity in the area and has suspended all surrounding federal leases. Due to this area-wide condition, Jonah has effectively been prohibited from exploration and development on lease 12-00471 and 12-00472. Jonah has received an indication that the BLM will issue a Draft Record of Decision on the EIS in the later part of 2017. Jonah is requesting this extension to allow the EIS process to be completed and exploration activities to commence, ultimately leading to lease development.

Pursuant to the Board of Land Commissioners' (Board) Rules and Regulations, Chapter 18, Sections 6 and 8, Jonah 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>
12-00471	T28N R110W Sec. 16 All	Sublette	1st	1, 136, 145
12-00472	T28N R110W Sec. 36 All	Sublette	1st	1, 5, 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.

#145: Standard Stipulation relating to the adherence to regulatory requirements found in Executive Order 2015-4, "Greater Sage-Grouse Core Area Protection".

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 12-00471 and 12-00472 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 agrees 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



May 23, 2017

Wyoming Office of State Lands & Investments
Trust Lands Management
Tate Smith
122 W 25th Street
Cheyenne, WY 82002

Re: State Lease Extension Applications
ST WY 12 00471 & ST WY 12 00472
Sublette County, Wyoming

Ladies & Gentlemen:

Jonah Energy LLC ("Jonah") respectfully submits application to extend two State of Wyoming Oil & Gas Leases, ST WY 12 00471 and ST WY 12 0472, currently to expire on August 1, 2017.

State of Wyoming 12 00471
T28N R110W Section 16: All
Sublette County, Wyoming
Lease Effective Date: 8/2/2012

State of Wyoming 12 00472
T28N R110W Section 36: All
Sublette County, Wyoming
Lease Effective Date: 8/2/2012

The above identified State of Wyoming Oil & Gas leases, dated effective August 2, 2012 have been included within the boundaries of the Normally Pressured Lance ("NPL") Environmental Impact Statement ("EIS") defined study area, as depicted on the enclosed NPL Project Map. All surrounding federal leases have effectively been granted a suspension in lease term, commencing August 1, 2010, allowing no drilling activity, pending the approval of a Record of Decision ("ROD").

Jonah as the current Lessee and Encana Oil & Gas (USA) Inc., predecessor Lessee have been prohibited from any exploration or drilling on this acreage since 2010, prior to the effective date of these leases.

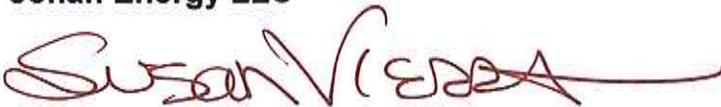
Pursuant to Section 8. Chapter 18. of the Wyoming Administrative Rules, Jonah hereby respectfully requests that ST of WY Leases 12 00471 and 12 00472 be granted an extension, until such time that the NPL EIS ROD is issued. Jonah has received indication that the BLM will issue the Draft ROD sometime later this year (2017). Jonah will then

make further application with the Wyoming Office of State Lands and Investments, in order to grant an extension of time on the lease terms to allow for the development of oil and gas resources once the Final ROD is issued and the BLM officially lifts the suspensions on the surrounding leasehold.

If you have any questions, please do not hesitate to give me a call at (720) 577-1256 or email susan.vierra@jonahenergy.com.

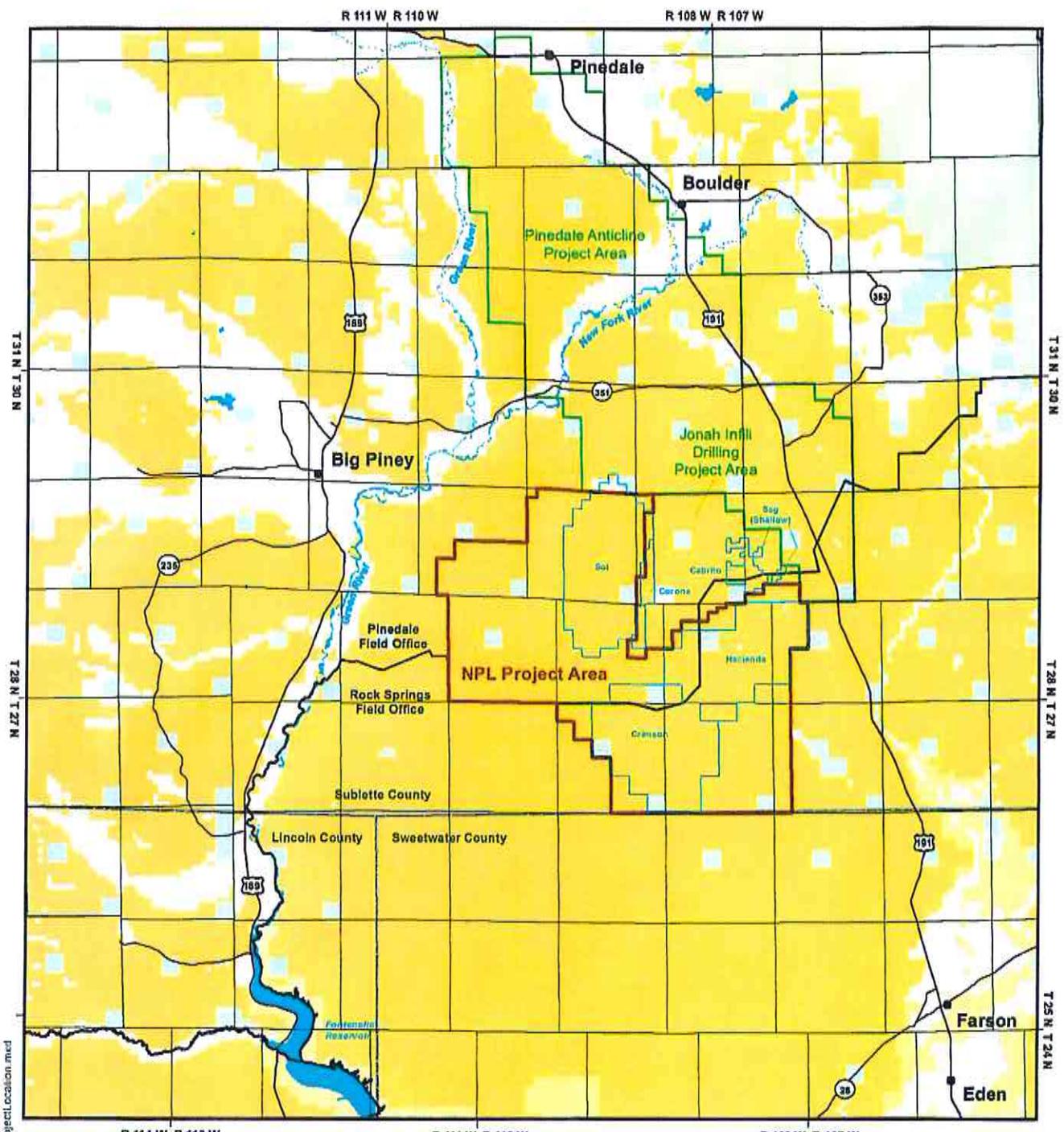
Best regards,

Jonah Energy LLC



Susan Vierra
Sr Land Negotiator
susan.vierra@jonahenergy.com

Enclosures



Path: K:\Denver\Projects\Encomp\NPL\mapdoc\NPL_Map_1_ProjectLocation.mxd

Surface Administration			Oil and Gas Development Project
	Bureau of Land Management		Oil and Gas Units
	Bureau of Reclamation		
	US Forest Service		
	State		
	Private		
Proposed Project			
	NPL Project Boundary		









Map 1
Project Location

No warranty is made by the Bureau of Land Management for use of the data for purposes not intended by the BLM