

August 10, 2017

BOARD MATTER E – 5

**ACTION:** Consider Application for Suspension of Operations

**AUTHORITY:** W.S. § 36-6-101(b);  
Board of Land Commissioners' Rules and Regulations, Chapter 18, §§  
8(c) and 12(b);  
State of Wyoming Oil and Gas Lease §§ 2(p) (Prior to 1982), 1(k) (1982-  
2012) and 1(l) (After 2012)

**ALTERNATIVES:**

- Approve Application for Suspension of Operations
- Reject Application for Suspension of Operations
- Approve Application for Suspension of Operations with Conditions or Limitations

**ANALYSIS:**

The following State of Wyoming Oil and Gas lease 10-00240 is currently shut-in due to economic conditions. Breitburn Operating, LP plans to reactivate the wells when market condition allow. A water shut-off treatment is also planned to reduce water production, increasing gas production profitability.

<u>Lease</u>	<u>Description</u>	<u>County</u>	<u>Request</u>	<u>Stips</u>
10-00240	T48N R103W, Sec. 31 N2NE:SENE:NENW: Lot 1:E2SE	Park	3 <sup>rd</sup> Request	1, 5, 117, 136

In accordance with the Office of State Lands and Investments' (OSLI) 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 leases.

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

#5 Standard Stipulation relating to big game crucial winter range, subject to lessee's acknowledgement and agreement of any exploration and development activities.

#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>

**Rental Payment Schedule:**

All leases issued after March 1, 1982 provide for a five year primary term and allow for a suspension of operations where a well capable of producing in paying quantities exists on the lease but a satisfactory market is not yet developed, as long as lease rentals are paid yearly by the lease anniversary date. Lease terms provide that rentals for any year after discovery is made will be at \$2.00/acre unless changed by agreement. In granting this suspension of operations, the Board of Land Commissioners and the applicant for same are agreeing on the rental schedule shown below (changing by agreement) as a condition of the grant of suspension.

SUSPENDED DURING PRIMARY TERM	\$ 2.00 PER ACRE
UNDER 1 <sup>st</sup> SUSPENSION OF OPERATIONS	\$ 2.00 PER ACRE

**August 10, 2017**

**BOARD MATTER E – 5**

UNDER 2 <sup>nd</sup> SUSPENSION OF OPERATIONS	\$ 5.00 PER ACRE
UNDER 3 <sup>rd</sup> SUSPENSION OF OPERATIONS	\$10.00 PER ACRE
UNDER 4 <sup>th</sup> & 5 <sup>th</sup> SUSPENSION OF OPERATIONS	\$20.00 PER ACRE
UNDER 6 <sup>TH</sup> OR GREATER SUSPENSION OF OPERATIONS	\$50.00 PER ACRE

**Additional Recommended Conditions of Approval:**

- 1) Operating rentals, which may exceed the amount noted on the lease document, must be submitted in accordance with the lease terms and Board of Land Commissioners' Rules and Regulations, and as described in the Rental Payment Schedule above.
- 2) Bonding on a per well basis at a rate of \$10/ft of open well bore for all wells on the lease must be provided within sixty days of Board Approval.
- 3) The granted suspension for the lease will expire with the establishment of any adverse drainage.
- 4) Monthly production and royalty reports (MR10, MR20, MR40, & MR50) must be submitted during the period of suspension of operations whether the lease is producing or not.
- 5) The lessee must be compliant with all the Board of Land Commissioners' Rules and Regulations, and any terms and conditions of any lease or other agreements with the Board within sixty days of Board approval.
- 6) The lessee/operator must acknowledge acceptance of these conditions in writing within ten business days of receipt of approval via electronic or written correspondence.

**DIRECTOR'S RECOMMENDATIONS:**

The Director recommends approval of the above described application for suspension of operations for not more than a one-year period, or to expire upon the lease's anniversary date, whichever comes first. The Director further recommends approval conditioned upon the provisions as also described above and with the described Standard Stipulations.

**BOARD ACTION:** Board Approved