

**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:**

Kimmeridge Energy (operating as Titan Exploration, LLC) has requested a one year lease term extension for a State of Wyoming Oil and Gas Lease (see formal request attached). This is the first lease term extension requested for State of Wyoming Oil and Gas Lease 12-00512. If approved, this extension will hold the lease until December 1, 2018 should production not occur.

Commencement of operations on Lease 12-00512 have been delayed due to acquisition, and delayed assignment of, the lease and well permits from SM Energy to Kimmeridge. Specifically, the Shadowfax Fed 4176-8-5-2FH and Charlie Fed 4176-8-5-1FH wells on Lease 12-00512 have been approved to be drilled by the Wyoming Oil and Gas Conservation Commission but have not yet been assigned to Titan Exploration, as operator. Following assignment of the wells to Titan Exploration by the Wyoming Oil and Gas Conservation Commission (WOGCC), the federal permitting process will occur. This extension will allow time for Kimmeridge to complete the necessary assignment and permitting processes, ultimately leading to development of the Lease in 2018.

Pursuant to the Board of Land Commissioners’ (Board) Rules and Regulations, Chapter 18, Sections 6 and 8, Kimmeridge 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>
12-00512	T41N R76W Sec. 8 W2NW	Campbell	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 Lease 12-00512 to expire December 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 lease will be subject to an annual rental rate of \$2.00 per acre.

**BOARD ACTION:** Board Approved



[www.KimmeridgeEnergy.com](http://www.KimmeridgeEnergy.com)

ST. LAND & INVESTMENTS  
'17 OCT 30 AM 11:16

Titan Exploration, LLC.  
400 Madison Ave., Suite 14C  
New York, NY 10017

October 27, 2017

**Wyoming Office of State Lands and Investments**

Herschler Building, 3W  
122 W. 25<sup>th</sup> Street  
Cheyenne, Wyoming 82002

Re: **Request for Extension of Lease Term**  
**State of Wyoming Oil & Gas Lease 12-00512**  
Township 41 North, Range 76 West, 6<sup>th</sup> P.M.  
Section 08: W2 NW4  
Campbell County, Wyoming

Dear Mr. Smith:

Titan Exploration, LLC. ("Titan"), a company wholly owned and managed by Kimmeridge Energy, is respectfully requesting a one (01) year extension for the subject state oil and gas lease ("Lease") which is due to expire December 1, 2017. Titan has just acquired 100% of the leasehold interest in the Lease from SM Energy. Titan and SM Energy recently closed a deal which included the assignment of the Lease, along with two (02) permits from the Wyoming Oil & Gas Conservation Commission ("WOGCC"), approved on October 24<sup>th</sup>, 2017, for Frontier horizontal wells which will be drilled through the Lease.

In accordance with the Board of Land Commissioners' Rules and Regulations, Chapter 18, Section 8 (b), prior to February of this year, there were unleased federal minerals within this 1,280 acre drilling and spacing unit ("DSU") which prohibited SM Energy and other potential operators within the DSU to receive approved permits to develop the Lease. As of the February 2017 BLM lease sale, all previously unleased minerals have been auctioned and successfully leased. There are two (02) BLM leases, WYW 185874 and WYW 185875 within this DSU, effective as of April 1, 2017 and one of which is leased to Titan. Additionally, after the BLM leases became effective and were no longer prohibitive to successfully developing this DSU, both Anschutz and SM Energy have submitted and SM has received approved permits from the WOGCC. SM Energy's two (02) approved APDs for the Frontier formation, specifically the Shadowfax Fed 4176-8-5-2FH and Charlie Fed 4176-8-5-1FH, are in the process of being assigned to Titan.

Titan plans to continue diligently working with the Bureau of Land Management ("BLM") to obtain fully approved APDs for this development area and produce this lease once able. Titan hereby requests a one (01) year extension on the Lease so that it may continue the plan for drilling in 2018, or as soon thereafter as possible, once approved by the BLM to do so. Titan understands that time is of the essence, so please find included a check for the annual extension fee of \$10,000.00, payable to the Wyoming Office of State Lands and Investments.

Should you have any questions or concerns, please contact Miguel Sandoval at (720)552-8858 or by email at [Miguel.Sandoval@KimmeridgeEnergy.com](mailto:Miguel.Sandoval@KimmeridgeEnergy.com)

Regards,

Miguel Sandoval  
Land | Kimmeridge

KIMMERIDGE OPERATIONS  
1401 Lawrence Street, Suite 1910  
Denver, CO. 80202

KIMMERIDGE ENERGY  
400 Madison Ave., Suite 14C  
New York, NY 10017