

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:

SM Energy Company (SM Energy) 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 12-00511. If approved, this extension will hold the Lease until December 1, 2018 should production not occur.

Commencement of operations on Lease 12-00511 have been delayed due to a delay in the well permitting process. The operator of the lease, Anschutz Oil Company, LLC (Anschutz), has received approved permits to drill by the Wyoming Oil and Gas Conservation Commission (WOGCC). The wells are permitted by the WOGCC to develop both state and federal minerals. Anschutz has initiated the federal permitting process and is awaiting approval of the wells scheduled to be drilled on this lease. SM Energy, as lessee of Lease 12-00511, is requesting this extension to allow time for the federal approval process to occur and the Lease to be developed.

Pursuant to the Board of Land Commissioners’ (Board) Rules and Regulations, Chapter 18, Sections 6 and 8, SM Energy 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>
12-00511	T41N R76W Sec. 7 NESW	Campbell	1st	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>

December 7, 2017

BOARD MATTER E-2

DIRECTOR'S RECOMMENDATIONS:

The Director recommends approval of a one year lease term extension for State of Wyoming Oil and Gas Lease 12-00511 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



1775 Sherman Street
Suite 1200
Denver, Colorado 80203
303.861.8140
303.861.0934
SM-Energy.com

November 13, 2017

Office of State Lands & Investments
Attn: Tate Smith
122 W. 25th Street
Herschler Bldg 3rd Floor West
Cheyenne, WY 82001

**RE: Request for Oil & Gas Lease Extension
State of Wyoming 12-00511
T41N-R76W, Sec 7, NESW**

Dear Mr. Tate:

Pursuant to our telephone conversation this morning, SM Energy Company respectfully requests a one (1) year extension for the captioned lease that is scheduled to expire December 01, 2017. Anschutz Oil Company, LLC has recently received permits to drill by the WOGCC and they are diligently pursuing approval of their federal APDs.

Pending other activity that is deemed to hold the lease beyond primary term, as consideration for the requested 1 year extension, SM will submit the \$2/acre operating rental and \$10,000 bond for liquidated damages that will be refundable upon fulfillment of drilling. SM Energy will post the bond and payments upon board approval. Please note, this is the first extension request submitted on the lease.

Thank you for your consideration of the extension. Should you have any questions, please contact me at jdonovan@sm-energy.com or 303-837-2442.

Respectfully,
SM Energy Company

A handwritten signature in black ink, appearing to read "Jamie Donovan", written over a horizontal line.

Jamie Donovan
Landman, RPL
jdonovan@sm-energy.com